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**ROLE OF TEA BOARD IN TEA
DEVELOPMENT IN INDIA**

**MINISTRY OF COMMERCE AND INDUSTRY
(DEPARTMENT OF COMMERCE)**

**PUBLIC ACCOUNTS
COMMITTEE
2012-2013**

SIXTY-FIFTH REPORT



FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTY-FIFTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2012-2013)

(FIFTEENTH LOK SABHA)

ROLE OF TEA BOARD IN TEA
DEVELOPMENT IN INDIA

MINISTRY OF COMMERCE AND INDUSTRY
(DEPARTMENT OF COMMERCE)

Presented to Hon'ble Speaker on 16 January, 2013

Presented to Lok Sabha on 26th February, 2013

Laid in Rajya Sabha on 27th February, 2013



LOK SABHA SECRETARIAT
NEW DELHI

January, 2013/Pausa, 1934 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2012-13)

Dr. Murlī Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Dr. M. Thambidurai
6. Shri T.K.S. Elangovan
7. Shri Anant Kumar Hegde
8. Shri Bhartruhari Mahtab
9. Shri Sanjay Nirupam
10. Shri Shripad Yesso Naik
- *11. Shri Abhijit Mukherjee
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- †13. Shri Takam Sanjoy
14. Dr. Girija Vyas
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Rajya Sabha

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18. Shri Satish Chandra Misra
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20. Shri J.D. Seelam
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

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|------------------------|---|----------------------------|
| 1. Shri Devender Singh | — | <i>Joint Secretary</i> |
| 2. Shri H.R. Kamboj | — | <i>Additional Director</i> |
| 3. Ms. Miranda Ingudam | — | <i>Under Secretary</i> |

* Elected *w.e.f.* 6th December, 2012 *vice* Shri Sarvey Sathyanarayana appointed as Minister on 28th October, 2012.

† Elected *w.e.f.* 6th December, 2012 *vice* Dr. Shashi Tharoor appointed as Minister on 28th October, 2012.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-12)

Dr. Murlī Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Shri Anant Kumar Hegde
6. Shri Bhartruhari Mahtab
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Rajya Sabha

16. Shri Tariq Anwar
17. Shri Prasanta Chatterjee
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19. Shri Prakash Javadekar
20. Shri Satish Chandra Misra
- *21. Shri J.D. Seelam
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SECRETARIAT

- | | | |
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| 2. Shri H.R. Kamboj | — | <i>Additional Director</i> |
| 3. Ms. Miranda Ingudam | — | <i>Under Secretary</i> |

* Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed as Minister *w.e.f.* 12th July, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee, having been authorised by the Committee, do present this Sixty-fifth Report (Fifteenth Lok Sabha) on '**Role of Tea Board in Tea Development in India**' based on the C&AG Report No. 10 of 2011-12 (Performance Audit), Union Government, Scientific Departments relating to the Ministry of Commerce and Industry.

2. The Report of the Comptroller and Auditor General of India for the year ended March 2009 was laid in Parliament on 23rd August, 2011.

3. The Public Accounts Committee (2011-12) selected the subject for detailed examination and report and procured written information from the Ministry of Commerce and Industry. As the examination of the subject could not be completed due to paucity of time, the Public Accounts Committee (2012-13) re-selected the subject for examination. The Committee took evidence of the representatives of the Department of Commerce and Tea Board on the subject at their sitting held on 21st June, 2012 and decided to present a report based on this examination. Accordingly, a Draft Report was prepared and placed before the Committee for consideration and adoption. The Committee adopted the Draft Report at their sitting held on 28th December, 2012. The Minutes of the sittings form appendices to the Report.

4. The Committee have made recommendations of far reaching importance for rejuvenation of tea industry and for restoration of the pride of place India occupied for nearly a century not only as the largest exporter of tea but also producer of the finest orthodox tea. The Committee have also underlined the need for a comprehensive review of the Tea Act 1953. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part-II of the Report.

5. The Committee thank their predecessor Committee for the work done on the subject.

6. The Committee would also like to express their thanks to the representatives of the Department of Commerce and Tea Board for tendering evidence before the Committee and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
28 December, 2012
07 Pausa, 1934 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

REPORT

PART I

I. INTRODUCTORY

Tea Board of India was established in 1954 under Section 4 of the Tea Act, 1953 as a statutory body under the Ministry of Commerce and Industry. As an apex body concerned with the overall development of the tea industry in India, its functions span across a wide spectrum and *inter-alia* include developmental, regulatory, research, marketing and promotional activities. The working of the Tea Board was examined by the PAC earlier in 1969-70. The Committee in their 115th Report, 4th Lok Sabha, had stressed the need for encouraging the production of quality tea which was much in demand abroad and for extending the area under tea cultivation for increasing production of tea. On the declining volume of export, the Committee had recommended that efforts should be made to develop alternative markets and explore and expand into emerging markets of developing countries. The Committee further recommended *inter-alia* association of competent personnel engaged in the trade for export promotion, review of functioning of Tea Centres abroad, encouragement for quality tea production especially Darjeeling tea, product diversification and value addition to tea. These recommendations were substantially accepted by the Government (15th Report, 5th Lok Sabha of PAC, 1971-72). However, the subsequent examination into the working of the Tea Board by the PAC (1987-88) in their 107th Report, 8th Lok Sabha revealed that the Government had not been able to implement most of the recommendations made by the earlier PAC (1969-70) though accepted in principle.

2. The PAC (1987-88), while reiterating many of the recommendations of the earlier PAC (1968-70), also recommended, *inter-alia* augmentation of research work on tea and dissemination of its results to the planters for practical application; review of the requirement of quantitative growth and qualitative improvement of tea industry which had been affected due to the Government's failure to make a realistic assessment of actual funding needs for plantation of tea and also failure to ensure replantation at the rate of 2% per annum of the total planted area as per the scheme intimated to the PAC (1969-70); review of the whole question of subsidy *vis-a-vis* further growth of the industry as there was apparent absence of any co-relation of fixation of targets with the expected financial assistance during a given period resulting in inadequate inducement to the owners to undertake replantation; discontinuance of unfruitful expenditure on promotional activities; handing over of residual functions of export promotion, such as coordination with private/Govt. export organisations etc. to the Commercial Attaches of the Indian Embassies/High Commissions abroad, as earlier suggested by the PAC in their 115th Report (4th Lok Sabha). The action taken by the Ministry on these recommendations are contained in the 174th Report of 8th Lok Sabha of PAC (1989-90).

3. The present enquiry of the Committee is based on the C&AG's Report No. 10 of 2011-12 (Union Government-Scientific Departments) on the 'Performance Audit of the Role of the Tea Board in Tea Development of India' pertaining to the Ministry of Commerce and Industry which was laid in Parliament on 23rd August, 2011. Audit scrutiny of records relating to development, marketing, promotion and research on tea and also those pertaining to regulatory activities and other functions performed by the Tea Board during the period from 2002-03 to 2008-09 revealed various deficiencies and shortcomings of the Tea Board which have resulted in declining productivity, prices, production and export share as also to the increasing cost of production of Indian tea. Audit findings revealed *inter-alia* failure of the Tea Board to discharge even its basic regulatory role effectively with more than 80 percent of small growers still remaining outside the ambit of its regulations despite more than five decades of its existence; gross inadequacy and ineffectiveness of the efforts made by Tea Board to increase productivity by replantation of commercially unproductive bushes, which constituted an alarming 57 percent of total bushes at the end of 2008 and which remains a serious threat to the tea industry; failure to identify areas of cost reduction to ensure long term sustainability for the tea industry; failure to adequately support research activities, the unfruitfulness of which was evident by the total absence of any deliverables transferred or patents filed; ineffective implementation of the Export Incentive Scheme for tea exporters with no co-relation between any defined benchmark of quality of export with eligibility for grant of subsidy; and weak financial management and internal controls.

4. Against the above backdrop, the Public Accounts Committee (2011-2012) selected the subject for detailed examination and report. However, as the subject could not be taken up for examination during the tenure of the Committee, it was carried forward and taken up by the PAC (2012-13) as the unfinished work of its predecessor. The Committee obtained background material and detailed written reply from the Ministry of Commerce and Industry and also took oral evidence of the representatives of the Ministry on 21.06.2012 and sought Post Evidence Replies from them. Based on these written and oral depositions by the Ministry, the Committee now proceed with the examination of the performance of the Tea Board in the succeeding paragraphs.

II. REGULATORY ACTIVITIES OF TEA BOARD

5. Audit scrutiny revealed that the Tea Board has failed to discharge even its basic regulatory role effectively adversely impacting its functioning in other areas of development, research, marketing and promotion of tea in India and has called for a revamp of its regulatory structure to exercise better control on its regulatory activities. Even after five decades of the existence of Tea Board, more than 125216 (80 percent) small growers in India continue to be outside the ambit of its regulations. Inspection for regulating the activities of various stakeholders was weak and non-transparent. Absence of any internal procedure to conduct such inspections led to failure to ensure fair practices and quality. Inability to ensure submission of business information by stakeholders and timely collection of tea statistics compromised effective control on their activities. The scheme for rehabilitation also remained ineffective due to failure of the Tea Board to get a formal commitment from banks.

Registration with Tea Board

6. Concerned at the alarmingly high percentage of small growers continuing tea cultivation as of 2010 without the requisite permission of the Tea Board as mandated under the provisions of Tea Act, 1953, the Committee sought to know what action the Tea Board had taken to enlist the help of Associations to prepare a list of all small growers. In response thereto, the Department of Commerce submitted that:

"During the last two decades, several thousands of small farmers in Assam, West Bengal, Bihar and other North Eastern States have planted tea in their small holdings without taking planting permission from Tea Board. In order to ascertain the number of growers and extent of area brought under tea, Tea Board solicited the help of the small tea growers' Association. The All Assam Small Tea Growers Association, North Bengal Tea Growers Association, Bihar Tea Planters Association, were some of the major associations which provided information on the small tea growers in the States of Assam, West Bengal and Bihar. However, it was noticed that all the small growers have not become members of associations. In fact financial assistance was extended to All Assam Small Tea Growers Association to enumerate the growers in Assam. The said association could not enumerate more than 21,000 growers as against reported 70,000 growers. It has, therefore, become necessary to take up proper survey work for which the concerned State Governments have been approached."

7. On the issue of non-enumeration of small growers, the Department of Commerce further stated:

"Sections 12 and 14 of Tea Act, 1953 provide for issuing planning permission/ Registration of tea gardens based on specific documents produced by the garden owners as to ownership of the land, supporting survey maps and soil suitability reports etc. However there is no provision for providing *post facto* planting permission to those growers who have already taken up planting. It has been noticed that several thousands of small growers do not have legitimate and ownership records nor soil suitability certificate nor the consent of the concerned State Government as to the land conversion. In fact, the unbridled expansion of tea by the small growers in West Bengal forced the State Government to impose a ban in June 2001 and the Tea Board was requested not to register the growers who do not possess NOC (no objection certificate) issued by the State Government. Similar such directive has been issued by the Union Ministry of Forest & Environment in the case of tea cultivation in Arunachal Pradesh."

8. The Ministry submitted that keeping in view the problems that are being faced by small tea growers for want of valid land documents, the matter has been taken up at the level of MOS (C&I) with the Chief Ministers of Assam and West Bengal. They have been requested to examine the issue of land ownership in cases of small tea growers to enable them to avail the benefits due. They have also been requested to consider issuing possession certificates as to the extent of area actually under tea cultivation where there is difficulty in issuing title deeds. It was pointed out that Sections 12 and 14 of Tea Act, 1953 which provide for issuance of planting permit were framed keeping in view the obligation of India in terms of the International Tea Agreement

(ITA) which was in force at the time of enacting Tea Act. The said ITA was put in place to regulate the production and to avoid over production and glut in the global market. As per the Agreement each producing country was allotted a quota as to the area to be under tea and the volume to be exported. This agreement expired in 1956 and the relevance of indicated quotas of production from different countries and the corresponding planting permission no longer exists. However, the said provision for planting permission prior to planting in a new area continues to be enforced by the Tea Board of India.

9. The Ministry further submitted that as the planting permission under the provision of Tea Act is no longer relevant, a proposal is being submitted by Tea Board to amend the Tea Act for exempting the small tea growers holding below 10.12 ha from the purview of Sections 12 and 14 of Tea Act, 1953. This amendment would facilitate the regularization of planting already carried out by the growers. Keeping this in view, the Board has taken a conscious decision to create a database of small tea growers in the country during the 12th Five Year Plan, by undertaking an enumeration survey either through the concerned State Governments or directly by the field offices of the Board and issuing such identified grower with an identity card so as to facilitate them to enroll with primary producer groups of Self-Help Groups for availing the common benefits and also for supplying green leaf to the tea factories registered with Tea Board.

10. On being asked about the steps initiated by the Government to encourage the small tea growers to get themselves registered, the representative of the Department of Commerce deposed:

"The hon. Commerce Minister wrote to the Chief Ministers, this is a State subject, to help the Tea Board. The Tea Board instead of the title accepted the possession certificate by Tehsildars for this purpose and to that extent this was done. Two years ago financial assistance was provided to the State Governments to get the entire small growers segment enumerated and surveyed. The State of West Bengal has completed the Survey last year and their report is awaited. The States of Tripura and Himachal Pradesh are presently undertaking the Survey. They are assuring that this will be done by September this year. In the State of Assam, 13 out of 27 districts have completed the Survey and rest 14 districts are now being covered in Phase II. So, we are now in a stage where we will get proper enumeration and Survey done and these lists will be there. If we know how many small growers are there, we can regulate them and to that extent, this problem will be taken care of. The second thing is that a Small Growers Directorate has been set up. It was sanctioned last year with additional posts. I mentioned to you that lack of adequate manpower to regulate is one of the reasons. That has now been taken care of. Our response has been to create 95 posts, most of them at the technical level—42 Development Officers, 22 Factory Advisors. They will assist in the regulatory functions of the Board. In addition to that, the Tea Board has also developed a National Programme of Tea Regulation. This has been based on an IT platform. This is a Twelfth Plan proposal which they have formulated at a cost of ₹ 50 crore. They will keep complete computerised data on growers. So, hopefully this will go a very long way in helping the Tea Board to discharge its regulatory functions."

11. On the question of subsidy to the growers, the Ministry submitted as under:

"However, for availing individual benefits by way of subsidy for replanting/ rejuvenation or irrigation, the grower needs to produce documentary evidence as to the legal ownership of the land. Tea Board has already obtained requisite approval of the Government for setting up of a separate Directorate with adequate manpower for looking after the developmental needs of the small growers. This Directorate is expected to become functional from September, 2012 and an all-out effort would be made to enumerate all the small growers in the country during the course of 12th Five Year Plan period."

12. The Committee sought to know particularly how the Ministry was in actual practice trying to overcome the issue of non-registration of small growers due to their inability to produce the title deeds of the land under tea cultivation so that benefits of development schemes due to them are not denied for want of these documents. In response thereto, the representatives of the Ministry of Commerce submitted:

"Sir, as I said in the beginning, the process of registration of all the small growers is not complete, cannot be completed because they do not have titles. However, if we do not wish to deprive them of the benefits of the development schemes, we are going by their possession certificate, the fact that they are actually growing tea there and we are giving them the subsidy.

As far as small tea growers are concerned, our strategy from Twelfth Plan onwards has been to address the issues relating to small tea growers through Self-Help Groups. We are trying to organize them as groups. In Assam as well as in West Bengal we have a peculiar problem. Due to their inability to give the land documents for registration, we are not registering them and they are not getting any benefits. They are the people who require the support of Tea Board. To overcome this difficulty, we have come up with a strategy of encouraging them to organize as Self-Help Groups. In the last three months, we conducted two small tea growers' conventions in Assam, in which the hon. Chief Minister of Assam had also participated. We are encouraging them to form Self-Help Groups, and those Self-Help Groups will be registered as the societies under the Registration of Societies Act. That society which is registered under the Registration of Societies Act will be recognized by the Tea Board, and we will support those Self-Help Groups as the registered societies. We are trying to overcome this land document related issue which has become a very complicated and big issue. In the near future, we do not see any easy solution to that. We are overcoming that problem through this."

Ineffective Control over various Stakeholders

13. Audit findings revealed that Tea Board did not undertake inspections unless a complaint was received regarding quality of tea exported or a malpractice in trade by manufacturers/buyers. It also did not undertake inspections of factory stock to ensure that samples drawn conformed to the specifications laid down under the Prevention of Food Adulteration Act, 1954. The Board also did not maintain information regarding number of inspections planned and undertaken in exercise of powers conferred under

sub-sections (3) and (5) of Section 30 of the Tea Act. As such, there was no mechanism in Tea Board to exercise its regulatory functions to prevent manufacturing/buying/export/distribution of adulterated tea. Tea Board did not take action to cancel the permanent licences held by exporters after ascertaining their performance during the last three years as envisaged in the rules. After being pointed out by Audit, the Tea Board stated that they have started maintaining files including showcause notices issued under the above order since September, 2009.

14. On being asked about the steps/measures taken to enhance the required manpower for carrying out inspection on its own initiative, rather than doing so only after receipt of complaints, the Tea Board informed the Committee that:—

"With the approval of Government, a separate directorate with adequate man power (with 90 technically qualified officers) is being set up for looking after the developmental needs of the Small Grower Sector. Under this directorate, 22 Factory Advisory officers are being recruited for monitoring the private tea factories. Each factory Advisory officer will be overseeing 25 factories under his respective jurisdiction. Such close monitoring will ensure compliance level of various stakeholders as per the provisions of the various control orders. The factories falling under the organized sector will be regularly monitored by the officers of Development Directorate. The new directorate is expected to become functional with effect from September, 2012."

15. On the issue of initiation of action for cancellation of permanent licences held by exporters subject to their performance, the Department informed the Committee, through a written reply as under:—

"A review has since been made as of June, 2012 the total number of exporters registered with Tea Board was 1390 comprising 453 permanent export licence holders and the remaining 937 were temporary licence holders. 323 exporters have defaulted in submission of export returns to Tea Board. Action has already been initiated for cancellation of licences for those defaulted exporters who have failed to submit explanations to the showcause notices. 20 permanent licences have since been cancelled."

16. On the issue of adherence to stipulated phyto-sanitary conditions of tea for requisite certification of high quality, the Committee were apprised that:—

"Major concerns regarding phyto-sanitary conditions of tea relates to the following types of contaminations:—

- * Microbes causing food born disease
- * Residues of agricultural chemicals or pesticides
- * Food additives
- * Mold and mycotoxins
- * Heavy metals
- * Filth of rodents, insects
- * Extraneous materials harmful to health

Since tea is an exportable commodity, every care is taken from cultivation to processing (manufacturing) for the production of high quality tea taking care of all food safety related issues through Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP). The guidelines and steps to follow GAP and GMP are being recommended by the tea research institutes in the country including the use of different inputs like fertilizer and pesticide etc. following Integrated Pest Management (IPM) system.

Minimum quality requirements as specified by international and national regulatory bodies (ISO/FSSAI) and other regulatory parameters like MRLs, heavy metals, mycotoxins are being followed including Hazard Analysis and Critical Control Point (HACCP) Certification System in order to address/fulfil the criteria for maintaining phyto-sanitary condition of tea.

In case of organic tea production, separate GAP and GMP are being followed taking adequate care not to contaminate organic tea with normal tea following National Program for Organic Practices (NPOP). Nutrition to tea, in case of organic, is primarily based on organic biomass (compost), vermiculture enriched with microbial formulation, biodynamic formulations and use of plant based extracts as repellent for the control of pest and disease within economic thresh-hold level. Use of inorganic chemicals are prohibitive in organic tea gardens so much so that all inputs, if outsourced, should be certified as organic and thus zero tolerance of residue is obtained. The organic tea production is certified under NPOP system in India by recognized certifying agencies."

17. On being specifically asked as to whether any system of sample checking of factory stock to ensure prescribed specifications under Food Adulteration Act is adhered to, the Department informed the Committee as follows:

"As per the provisions of Tea Marketing Control Order, tea samples are drawn from tea factories, tea warehouses, for testing their conformity to the standards as prescribed under PFA— now under FSSAI. During the course of last four years below noted samples have been drawn from factories, warehouses, instant tea units, retail shops, godowns etc.,

2009:	33 Nos.
2010:	62 Nos.
2011:	33 Nos.
2012:	102 Nos. (20.07.2012)."

18. Audit scrutiny also revealed that owing to non-submission of requisite returns in prescribed form 'E' and 'F' by the manufacturers and buyers respectively on a regular basis, the Tea Board remained unaware of the activities of manufacturers and buyers and was not in a position to exercise control over their activities. This had affected the timely compilation of tea statistics by Tea Board as there was delay in its publication. On this issue the Committee sought to know the steps taken/proposed to

be taken to create a database of manufacturers and buyers to keep track of their activities. In response thereto, the Department through a written note submitted as under:

"Tea Board has established an Oracle database for uploading of manufacturers and buyers licence as and when issued. Change of ownership or change of address are updated automatically after amending the original licence in the database. In addition the Statistics branch of Tea Board is updating the information/returns submitted by manufacturers by e-mail."

19. To a pointed query of the Committee as to what action was being proposed to re-engineer the existing process of information collection, the Department replied as follows:

"For collection of information on the volume of tea produced and sold, directions under Tea (Marketing) Control Order, 2003 have been issued for all registered manufacturers and primary buyers to furnish a return to Tea Board at a specified interval. Such returns are to be submitted through e-mail. Defaulters have been made ineligible to avail any financial assistance under plan schemes of the Board. With the introduction of e-auction system, the data relating to production and prices are being captured. Information collected under this mode cover nearly 50 to 55% of the total tea produced in India. It is proposed to upgrade the e-auction system to enable the buying of tea through PAN India e-platform. It is also proposed to provide a separate platform for such manufacturers (who do not wish to offer their teas for auction) to sell their teas in Bulk and Packet form electronically through non-auction route so that information relating to total tea produced in the country could be captured. For obviating the limitations of buying teas from the existing auction centers, it is proposed for introduction of online buying system eventually. It is also proposed to collect information directly from tea factories by appointing factory advisory officers under the newly created Directorate for small tea growers. These officers under their respective jurisdiction will be assigned a specified number of factories for regular inspection. Such close monitoring would also help the Board for proper implementation of price sharing formula notified under TMCO for ensuring payment of reasonable price by the factories for green leaf supplied by small tea growers.

The Tea Board in its recently held Board meeting has proposed to engage IIM Kolkata to re-engineer the existing process for information collection."

20. On a pointed query as to whether Tea Board had obtained formal commitment from the tea industry to incur the recurring expenditure for operating IT-portal project post implementation for e-commerce activities, the Ministry in their written reply stated that:

".....Tea Board could not secure the commitment of the industry for bearing the revenue expenditure from 3rd year onwards, as the full-fledged e-auction system could not be handed over to the industry. Also, the Industry was not in a position to know the benefits of the electronic auction system due to non-availability of all functional features, back office utility etc.

Due to the functional difficulties in the software developed by M/s IBM, resulting interruptions in the e-auction process, a termination notice was issued on 15th July, 2005 to the software developer M/s IBM with due procedure and the project was abandoned subsequently."

Inadequate Penalties on Breach of Provisions of Tea Act, 1953

21. Sections 36 to 42 of the Tea Act, 1953 stipulate different types of penalties for illicit export, making false returns, obstructing member of the Board in the discharge of any duty, illicit cultivation, contravention of order relating to control of price and distribution etc. The quantum of penalties ranged from ₹ 1,000 to ₹ 5,000 only and did not serve as a deterrent for violation of various provisions of Tea Act.

22. On a pointed query on the alleged illicit export of tea and step taken to curb such activities, the Committee was informed through a written note as under:

"Tea Board is not aware of cases where there is illicit export of tea as there are proper checks and balances at every stage established by DGFT and Tea Board. For effective discharge of regulatory functions, a comprehensive National programme of Tea Regulation has been formulated for launching during the XII Plan period. The following activities are given priority and being taken on a mission mode for implementation at National level:

Creation of an IT-enabled electronic platform for sale of tea and tea waste through e-auction; to automate the licensing activities of Board for online issuances of licenses and submission of returns by the licensees; to ensure mandatory checking/testing mechanism to meet international standards; to prevent misrepresentation of any material fact, violation of any provisions of the Tea Act/Control Order, unfair trade practices which may adversely affect the marketing system by any stakeholder of Indian tea industry.

Ensure hygienic conditions for storing of tea and prevent marketing of sub-standard quality of tea and proper declaration and disposal of tea waste."

23. The Committee desired to know as to why the rate of penalties even for major contravention of the Tea Act such as illicit export, illicit cultivations etc., which remained grossly undeterrent at the existing rate had not since been revised. In response, the Department in their written reply stated as under:

"It is proposed to revise the penalties at the time of amendment of the Tea Act which warrants approval of the Parliament. The amendment proposal is under consideration of the Tea Board/Government."

24. The Committee also desired to know the number of instances the Tea Board has levied penalties on the defaulting entities during the last 5 years. In response thereto, the Department stated that:

"No monetary penalties levied in any category for breach of provisions to Tea Act during the last 5 years. However, Penal actions in the form of issuance of show-cause notice, suspension of licenses, non-renewal of licenses, stopping payment of any kind of subsidy and grants under the developmental schemes have been taken in about 300 cases."

25. One of the regulatory functions of Tea Board is to take action on closed tea gardens as defined in Section 16(E) of the Tea Act, 1953. As per the said provision, Central Government can take over the management without conducting any investigation in cases where due to reckless investment, creation of encumbrances or diversion of funds, a situation has arisen which is likely to affect production of tea or where the entity has been closed for a period not less than three months. In June, 2007, Ministry of Commerce approved a rehabilitation package for revival of closed tea gardens. However, as of February, 2010, 12 gardens remained closed with a financial liability of ₹ 92.51 crore of which ₹ 70.33 crore was towards liability of banks, affecting livelihood of 11,417 workers. The main causes for sickness/closure of tea gardens were falling quality and price realisations due to poor yields and poor garden management, labour to land ratio and labour productivity, uneasy industrial relations scenario, overall lack of development perspective and deterioration in profits since last few years etc. Audit scrutiny revealed that no bilateral agreement/MoU was signed between the Board and the Banks. The Banks were reluctant to carry out the restructuring as per the scheme. Thus, failure by the Board to obtain formal commitment from the banks before formulation of the scheme resulted in the scheme becoming unworkable and only one tea garden account has been restructured till date.

26. When the Committee sought the details of cases of invocation of Section 16(E) of Tea Act, 1953, the Ministry responded:—

"Section 16(E) of Tea Act provides for handing over the management of the gardens to authorised persons for a period of 11 years. This section was invoked in respect of 4 tea gardens—two each in West Bengal and Kerala. Both the gardens in West Bengal have since been reopened.

The owners of two gardens in Kerala contested the invocation and obtained a stay from the Kerala High Court. The Board has made an appeal for vacating the stay by the Division Bench and the matter remained *subjudice* for more than four years and recently directions have been received for the High Court of Kerala to give an opportunity for the owners of the gardens for a hearing before taking a final decision with regard to invocation of Section 16(E). Accordingly two hearings were given by Secretary, Department of Commerce to the owners of the gardens in March, 2012 and the owners have given assurance that they will endeavour to reopen the gardens shortly.

Five other gardens in West Bengal (Chamurchi, Kalchini, Raimantong, Red Bank & Dheklapara) have been identified for invoking Section 16(E). Since these gardens were involved in pre-existing Court cases it became necessary to seek leave of the Kolkata High Court. While Court proceedings were on, four gardens (Chamurchi, Kalchini, Raimantong, Red Bank) have since been reopened. The High Court has ordered for sale of the remaining one garden (Dheklapara) through auction."

27. Bringing out the limitations of provisions of Section 16(B), (C), (D) & (E) of the Tea Act, the Ministry further submitted that:

"The actions initiated by the Government, by using the enabling provisions of

the Tea Act, have either been challenged in Court of law or the Courts have taken a different view other than what has been contemplated in the Act.

While the Act provides for investigation of the affairs of the closed tea gardens and if found necessary handing over the management control to an authorized person(s), for a limited period of 5 to 11 years, it is silent on the compensation payable to the existing owner as well as towards the management of the garden and mobilization of resources required for day-to-day management as well as capital investment to be made for the development of field and factory.

While Section 16(E), provides for handing over the management of the gardens to authorized persons or new entrepreneurs, the limitation of this provision is that it provides only caretaker status to the authorized person/new entrepreneurs since the ownership of the garden continues to be vested with the original owner. In the absence of ownership rights over the property, the new entrepreneurs are not able to mobilize funds from the banks.

The other limitation is the tenure of management. It is restricted initially for 5 years and extendable for a further 6 years. This gives very little time to make the garden turn around and to get back any meaningful return on the investment. Most of the gardens having been neglected for several years, a large infusion of capital is needed for revival. Such investment can take place only if the entrepreneurs are given a long tenure of management.

Secondly, when the leave of the Courts were sought for invoking Section 16(E) they have not been considered favourably in view of stiff opposition from existing creditors of those companies under liquidation....

..... As most of the closed gardens happen to be either attached by the PF authorities for non-payment of PF dues, or mortgaged with the banks against the loans availed and the accounts having been turned into NPA, in nearly all the cases it will be extremely difficult to raise resources from the banking sector in order to run the garden. Moreover, the ownership of the garden would continue to be vested with the original owner during the management control period and hence, the authorized person(s) appointed for management of the garden needs to look elsewhere for the resources. Given this difficulty, no one will normally come forward to take up the management control when the offer is made public by the Government. This has been the experience of the Board in recent past."

28. The Ministry further furnished a list of 33 closed Tea Garden that were reopened and resumed normal operations covering a total area of 10793.42 hectares with 26414 workers. It was further stated that only four gardens remained closed—two each in West Bengal and Kerala, which are under litigation.

III. DEVELOPMENT OF TEA

Enhancing Productivity of Tea

29. India's production share in global tea production had declined from 29.80 per cent in 1993 to 23.76 per cent in 2010, with China overtaking India as the largest tea producer during this period. While productivity in respect of all major tea-producing

countries like China, Indonesia, Japan and Sri Lanka had been increasing over the period from 1994 to 2009, productivity in India had been declining from 1865 kg per hectare in 1997 to 1663 kg per hectare in 2008. Despite increase in the area of tea plantation, there has been stagnation in production during the four years 2006-09. Audit scrutiny revealed that one of the primary reasons for low productivity of tea cultivation in the country was ageing plantations. The total area under commercially unproductive bushes continuously increased from 42 per cent in 1997 to 57 per cent in 2009 posing a serious threat to the tea industry. As of 2009, the capital investment and cost of subsidy support for replantation is estimated at ₹ 6091.21 crore and ₹ 1522.80 crore respectively. Against this huge requirement, yearly spending of Tea Board was mere ₹ 21.06 crore during Tenth Five Year Plan and ₹ 18.87 crore in first four years of Eleventh Five Year Plan on all activities including replantation. The targets for replanting/ replacement planting were set very low and area covered during the Tenth Five Year Plan was a mere 2.63 per cent of the commercially unproductive bushes as on 31 December, 2001.

30. On the developmental role of the Tea Board *vis-a-vis* the production and productivity aspects of the tea sector in the country, the Committee was apprised by the Department that the production of tea in the year 2000 was 847 million kilograms in the country and in comparison in 2010 it was 966 million kilograms. Area under tea cultivation was 5.04 lakh hectare in 2000 and it increased to 5.79 lakh hectares in 2010. During the same period of 2000-10, the productivity marginally increased from 1661 kilograms per hectare to 1668 kilograms per hectare. The area under tea increased over these ten years but the productivity remained around 1661 and 1668. The Committee were further informed of the large variation in the productivity of tea but the average production per hectare was 1668 kilograms. The Ministry admitted that there are a number of farms which are crossing 2000, 2400 kilograms per hectare. In fact, there is one audit observation relating to a particular tea garden in which one section has a productivity of 3100 kilograms per hectare. There are wide variations and the implications of all these and the lesson for us is that we have to increase our production much faster.

31. The Committee sought to know whether the Ministry had analysed the reasons for India's declining share in global tea production. In response thereof, the Ministry made the following submission:

"

- To begin with India was the single largest tea producing and exporting nation and this status was maintained till 1990s. However, with the large scale expansion of tea areas in African countries particularly in Kenya from 1960s, entry of new comers such as Vietnam in 1990s and expansion and consolidation of small holdings in China in a big way during the last decade resulted in global production going up manifold.
- In fact tea area in China over the last decade had gone up significantly and the present tea area in that country at 1.8 million ha. is three times more than the tea area in India.

- As there was limited area available for expansion in the organised sector, it took almost 40 years (between 1950 to 2000) to add just one lakh ha. Whereas, China has added more than 6 lakh ha. during the last one decade.
- Despite Indian production going up nearly four times (366%) between 1950 and 2010, (from 270 to 990 million kgs) the decline in relative share of India in total global production was inevitable.
- It is admitted that export share has also declined significantly over the years from 48% in 1950 to 12% in 2011.
- But this decline should be viewed from the perspective of domestic consumption which over this period of 60 years had gone up more than 800% (from a meagre 70 million kgs in the early 50s to 860 million kgs in 2011 against the total production of 988 million kgs).
- The present domestic demand account for more than 80% of the total tea produced in India and it is growing on an average @ 20 to 25 million kgs per annum.
- It has, therefore, become important to increase overall tea production in India to such an extent to fulfil the domestic demand in full and generate exportable surplus to maintain its share in the global market."

32. On the question of India's tea export and the supportive measures being taken by the Government, the Ministry submitted:—

"It is noteworthy that India has been able to export steadily around 200 million kgs per annum over the last six decades despite the strong pulls in the domestic market which in itself is a creditable achievement. Viewed from that backdrop, the schemes implemented by Tea Board like Special Purpose Tea Fund for renovation of field assets, Quality Upgradation and Product Diversification for modernization of tea processing factories and quality improvement, Orthodox Tea Production Subsidy Scheme for production of more orthodox teas, did, in fact, have helped the tea industry to maintain quality and retaining a reasonable share in the global production."

33. On the aspect of comparative analysis of the age of tea bushes in India with those in other major tea producing countries, the Department submitted that:—

"A base line survey was carried out covering all the big tea gardens with tea area more than 10.12 ha. in the country during 2011. As per the survey findings 37% of the standing bushes are more than 50 years of age which is considered as the economic threshold age for tea. When compared to India, the age profile of major producing countries is much younger. For instance bulk of the expansion of tea area in Kenya took place only after its independence in 1963 and the new plantations account for more than 70% of the tea area. In Sri Lanka, more than 68% of the area is accounted for by small holdings which came up in big way from 1970s. The entire tea area in Vietnam is not more than 20 years. In China nearly 1/3 of its plantations (equivalent to total current tea area in India) are less than 10 years. Thus old age of tea bushes in India is one of the major limiting

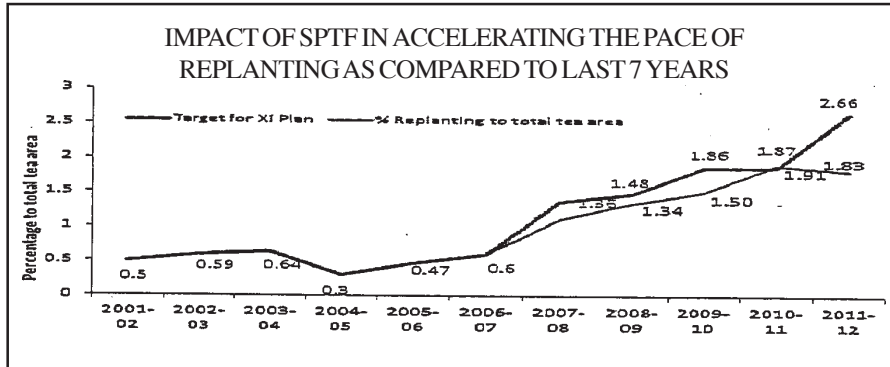
factor that come in the way of increasing production. Having taken note of this limitation, special assistance is being given to the industry for renovation of the old tea areas."

34. The PAC (1987-88) (Report No. 107 of 8th Lok Sabha) had observed that Tea Board had failed to ensure replantation @ 2 per cent per annum of the total planted area as per the scheme intimated to the PAC (1969-70) (Report No. 115 of 4th Lok Sabha). The Committee had recommended (Report No. 115 of 4th Lok Sabha) that Tea Board closely monitor the progress. In this backdrop, the Committee, therefore, sought to know the achievements made in this regard. In response thereto, the Ministry stated as under:—

"It is admitted that with the stated objective of achieving replantation @ 2% per annum, a subsidy scheme was launched in the year 1968 in addition to the Plantation Loan Scheme which was launched in the year 1962. Further, considering the difficulties in uprooting and replanting in the hilly areas, a separate scheme for rejuvenation pruning of old tea bushes and consolidation by infilling/inter row planting was introduced in 1975. With the set up of the National Bank (NABARD), a special refinance scheme was launched in 1985 for financing replantation. As a part of its refinancing programme, NABARD also undertook the task of revising the unit cost of planting at regular interval. Based on the unit cost notified by NABARD, the rates of loan and subsidy from Tea Board were revised from time to time in commensuration with the escalation in the wages and field inputs. Despite these support measures, the rate of replanting remained tardy with the average rate hovering around 0.5% per annum. This aspect was further reviewed during the stakeholders conference convened by the Ministry in 2004 and it was decided to set up a special purpose tea fund (SPTF) exclusively for financing the tea industry for accelerating the rate of replanting. The new scheme which was implemented during the XI Plan period provided for 50% of the cost as long term soft loan with a uniform interest rate of 9.5% per annum repayable over a period of 13 years with an initial moratorium on principal for five years. In addition subsidy was provided @25% of the cost and the grower was required to meet the balance 25% of the cost. The scheme has been well received by the industry and the average rate of replanting during the five year period went up to 1.91% as against 0.5% prior to the launching of SPTF."

35. As regards the impact of Special Purpose Tea Fund (SPTF) on the pace of replantation, the Ministry submitted that:—

"The diagram below presents a long term replantation trend in the country. It is evident in the Figure that SPTF scheme had a significant perceptible impact on the rate of replantation. The inflection point corresponding to year 2006-07 indicates that the scheme was able to accelerate the rate at which the industry was renewing the old tea areas. However, in comparison with the target set, the scheme is still lagging, and it needs to pick up further in future years."



36. As regards the low rate of replanting and the reasons therefor, the Ministry conceded that:—

"...However, the rate of replanting still remain below 2%....one of the major reasons for low rate of replanting was the crop loss arising out of uprooting and long gestation period involved before reaching the commercial crop gain with almost nil return on investment during the gestation period..."

37. Audit findings also pointed that at the current pace of replanting/replacement planting of tea bushes, it would take as long as 149 years to wipe off the backlog revealing the magnitude of criticality of the situation threatening the tea industry. To a specific query of the Committee as to what action plan has been contemplated by the Department/Tea Board to substantially augment the replantation/replacement of ageing tea plants, the Department, through a written note, submitted as under:—

"Due importance has been given to this aspect and to facilitate the industry to take up large-scale replanting/replacement planting, a Special Purpose Tea Fund (SPTF) scheme was launched in 2007. Under the said scheme, it was envisaged to renovate 2.12 lakh ha. of old and uneconomical tea bushes over a period of 15 years commencing from 2007. The scheme provides for 50% of the assessed Unit Cost as a loan and 25% as subsidy. The balance 25% of the cost needs to be borne by the garden owners.

The average rate of replanting prior to launching of this fund used to hover around 0.5%. Over the last five years, it has more than trebled and averaged @ 1.53% per annum. During the XI Plan period it was targeted to renovate 40992 ha. out of 2.12 lakh ha. of old tea area. This constituted a target of nearly 10% of the total tea area of 416027 ha. under organized sector. The actual achievement during XI Plan period was 8% of the total area and the average rate of replanting

for the five year period was 1.53% as would be evident from the targets and achievements shown in the Table below:

Targets	Area targeted for renovation in Ha.	Total tea area under organized sector Ha.	% of target to total tea area	Actual area renovated Ha.	% of achievement to total tea area
2007-08	5650	416027	1.36	4625	1.11%
2008-09	6171	416027	1.48	5573	1.34%
2009-10	7734	416027	1.86	6247	1.50%
2010-11	7800	416027	1.87	7950	1.91%
2011-12	11048	416027	2.66	7618	1.83%
Total	40992	416027	9.85	32013	8.00%
Average year	8198		1.97	6402	1.54%

A base line survey has been carried out covering all the big tea gardens (10.12 ha.) in the country during 2011. The extent of area under bushes more than 50 years of age was found to be 148305 ha as of 1.4.2012. Keeping in view the level of replanting during the XI Plan period, it has been targeted for renovation of 50,000 ha. *i.e.* 1/3 of the old tea area (with 50 years and above old bushes) during the XII Plan period.

It is proposed to add new features to the scheme during the 12th Plan period which includes suggestions of C&AG for factoring in the value of the crop loss to be sustained by the grower due to uprooting during the gestation period. Keeping this in view, while formulating the Special Purpose Tea Funds (SPTF) scheme the tea industry had sought for financial package in the ratio of 50:40:10 *viz* 50% as loan, 40% as subsidy and 10% as promoters contribution. However, the subsidy component was limited to 25% of the unit cost during XI Plan period....."

38. Replantation is a capital-intensive activity in tea cultivation, apart from the capital investment, as it takes at least five years before the new tea bush gives yield for tea production. The total cost for Tea-Grower for replantation comprises of capital investment considered by Tea Board for subsidy support and crop loss of more than five years during gestation period. Audit scrutiny revealed that capital investment for replantation of 2,47,610 hectares of tea bushes aged more than 40 years (as on 1 January 2009) worked out to ₹ 6091.21 crore (based on average unit cost) and cost of subsidy support at the rate of 25 *per cent* was ₹ 1522.80 crore for the Tea Board. Against this huge requirement, Tea Board had spent yearly only ₹ 21.06 crore during Tenth Five Year Plan and yearly ₹ 18.87 crore in first four years (March 2011) of Eleventh Five Year Plan on all activities including replantation. Therefore, intervention of Tea Board in replantation to bring tea bushes of more than 40 years to acceptable

level (from 57 *per cent* as on 1 January, 2009) to increase productivity was grossly inadequate. Tea Board did not realistically estimate requirement of funds for replantation and chalk out a plan for increasing the coverage of the activity. Lack of sufficient funds was one of the main reasons for insufficient replantation.

39. In the light of the above audit findings, the Committee sought to know the present weaknesses in terms of funding support for replantation. The Ministry submitted as under:

"For extending funding support for replantation a special purpose tea fund was established in the year 2007. This fund provided for extending financial support to the extent of 75% of the total cost of replanting comprising 50% term loan with uniform rate of interest @9.5% per annum and repayable over a period of 13 years with an initial moratorium on principal for five years. 25% of the cost was reimbursed as subsidy. Only the balance 25% of the cost was to be borne by the industry. For the purpose of mobilization of loan funds, Tea Board secured a line of credit from a consortium of four commercial banks. However, the industry, because of the fluctuation in the tea prices, was shy of borrowing and the loan off take remained far below the anticipated level of lending. The total subsidy disbursed over last five years was ₹ 130.30 crores whereas, the total loan disbursed over the XI Plan period was ₹ 48 cr. of as against the targeted amount of ₹ 750 cr for the five year period @ ₹ 150 cr. per annum. Considering the poor off take of the loan the APEX committee has accepted the recommendation of the Board for discontinuation of the loan component *w.e.f.* 1.4.2012. Another window opened up for funding the replantation, is the applicability of Section 33 AB of the Income Tax Act under which 40% of the taxable income is exempted from tax provided the funds so exempted are utilized for replanting and other developmental activities as notified by Tea Board under Tea Development Account Scheme."

40. Tea Plantation Development Scheme was introduced for the Tenth Plan period in order to achieve the objectives of replanting/replacement planting, rejuvenation pruning, creation of irrigation facilities, organizing Self-Help Groups amongst small growers for easy reach of extension services and ensuring fair price for the green leaf. Tea Board provided financial incentives in the form of subsidy for activities such as replanting/replacement planting, rejuvenation pruning, creation of irrigation facilities, etc. A sum of ₹ 105.00 crore was received from Government of India during the Tenth Five Year Plan (2002-07) and Tea Board disbursed ₹ 105.28 crore as subsidy under TPDS. The subsidy was to be disbursed at the rate of 25 per cent of the approved unit cost per hectare in the Eleventh Five Year Plan, a Special Purpose Tea Fund (SPTF) has been set up. Under this, the applicant is allowed subsidy of 25 *per cent* by the Tea Board along with 50 *per cent* loan from a commercial bank. A total sum of ₹ 35.50 crore was received from Government of India during 2007-08 to 2008-09 and the Tea Board has disbursed ₹ 38.07 crore so far.

41. Audit findings relating to Tea Plantation Development Scheme (TPDS) and Special Purpose Tea Fund (SPTF) pointed to shortfall in sanction of activities *vis-à-vis* targets set. While the Ministry attributed shortage of manpower for shortfalls in achievement of targets and admitted that targets were set at the lower level due to

reluctance on the part of the industry in taking up replanting in larger areas as the activity demanded huge investment cost, immediate crop loss due to uprooting of old tea and almost nil returns during the gestation period. Audit scrutiny also revealed inadequate documentation of beneficiaries of subsidies and amounts disbursed under the TPDS; delay in identification of area for replantation due to non-commencement of the remote sensing project costing ₹ 5 crore which was to be undertaken by ISRO using Normalised Difference Vegetation Index (NDVI) techniques of satellite data processing as a result of failure of Tea Board to provide relevant maps and data pertaining to tea gardens; non evaluation of the impact of past activities on production, productivity and quality improvement which resulted in non-correlation of disbursement of subsidies with performance compromising the effectiveness of the scheme; delay in conducting inspections due to limited manpower defeating the very purpose of putting in place a detailed and purposeful monitoring mechanism; release of subsidy without ensuring adherence to the laid down scheme conditions pointing to lax and weak monitoring; failure to evaluate long term impact of rejuvenation pruning, one of the most important operations next to planting which directly determines the productivity of tea bushes with rampant non-adherence to the prescribed period from 1st April to 30th September with as much as 76% rejuvenation pruning conducted beyond this period; substantial shortfall of as much as 98 per cent in creation of irrigation facilities as per the scheme for creation of irrigation facilities; disbursement of subsidy even before submission of applications indicating total lack of non-assessment of pre-requisite conditions and non-usage of mechanical aids such as pruning machines for field operation with the activity registering 100 per cent shortfall during 2002-11 due to failure of the Tea Board to popularize this practice among planters which is prevailing in major tea producing countries like Sri Lanka, Japan and Africa.

42. In the light of the above deficiencies pointed out by the Audit, the Committee sought the comments of the Government on the failure of the STPF to achieve their intended targets of replantation. In response thereto, the Additional Secretary, Ministry of Commerce submitted during evidence as under:—

"Sir, I may tell for the information of the Committee that in 2007, a scheme was devised which was called the Special Purposes Tea Fund with a very large component of subsidy. It was meant to incentivize the tea growers to go for re-plantation and rejuvenation. When we look back, I am only trying to attempt and analyse as to why this scheme did not take off which explains the audit observation. There was a prolonged period of eight years, between 2000 and 2008, when international tea prices remained depressed. As I mentioned earlier, 1990s was a period of good prices. The even touched ₹ 100 or ₹ 105, but they ranged in about ₹ 80 to ₹ 90 a kg. Between 2000 and 2008, they were down to ₹ 50 or ₹ 60 per kg. When this SPTF Scheme was launched in the beginning of the Eleventh Plan, it provided a subsidy..... To incentivize the growers to go in for replantation and rejuvenation. When you uproot a plant, it is out of production for six to seven years before it starts giving the green leaf for tea production. So, the grower has to live with the loss of crop for six years before he starts getting any return. He factors that into his calculation in going for replanting of his tea plantation. So, when after eight years he finds that

suddenly the tea price are going up, he does not want to loose this opportunity. This is our analysis. We are looking back and analyzing why the SPTF Scheme did not take off and achieve its objectives to the extent that we had hoped that it would."

43. On a pointed query of the Committee on the reasons for the delay in even identification of the areas for replantation, the representative submitted:—

"The choice of the area is decided by the number of growers. The growers who want to go for re-plantation come up and say they want to re-plant. Naturally, the grower will not replant and uproot this entire plantation. He goes for only a small part of it so that he continues to get some income from the remaining plants. So, he identifies the areas and he decides how much of his holdings he would like to re-plant in a particular year. The Tea Board responds by giving all sorts of assistance, technical as well as financial. The financial assistance comes in the form of subsidy."

44. The Committee then enquired about the mechanism to incentivize the growers to go in for replantation in the light of the general reluctance of the industry to take up replantation due to the huge investment cost, immediate crop loss and almost nil returns during the gestation period. In response, the representative deposed:—

"Two things have emerged as major problems, which we have already addressed. One is this 25 per cent subsidy component takes care of the cost of uprooting and re-planting. The Audit has pointed out that you compensate the grower for the loss of crop also. So, we have now included that as an element in the revised unit cost. Second is that the labour costs have gone up very substantially. As per the Scheme, the NABARD was supposed to keep revising the unit cost of uprooting and replanting. They have done this exercise. But meanwhile the labour cost went up so substantially that this 25 per cent did not appear to be so exciting for the growers. Now, in the 12th Plan, the revised STPF that we are bringing about has a higher subsidy element of 30 per cent compared to 25 per cent. It includes an element of crop loss in the unit cost of replanting apart from the cost of plants and so on. The growers did not want to take bank loans. So, we have left it as an option to them. They may not take any bank loan. We have also said that revised unit cost will be indexed to various inputs. So, automatically there will be an annual revision in the cost. With the rise in labour cost, rise in input cost, it will keep revising. That revised SPTF will now be approved in the 12th Plan for implementation. Hopefully this will address the core concerns of the audit and other studies and consultants who have looked into this issue of aging plantations. Stakeholders who are members of the Tea Board have also pointed out that these are the problems and we are targeting another 50,000 hectares. Coming back to the question of how much time it will take, if we look at 50,000 hectares then we find there is an enthusiastic response. This is the largest development scheme of the Tea Board. The 11th Plan outlay was ₹ 200 crore for this Scheme. We are raising it to ₹ 500 crore. Our idea is to somehow galvanise it and if along the way some other suggestions come, we will do some mid-course correction."

45. On the issues as to why the small growers are not into the SPTF, the witness stated that they had very young plantations as the small tea growers started coming into tea cultivation in the 1990s and as such their plants were about 20 years old only. He further emphasized that ageing plants was not an issue with the small growers so much.

46. To allay the fear of the Committee as to how the Department/Tea Board would expect India to remain competitive, given the age of tea bushes in India and the abysmal rate of replanting/replacement, the Department stated as under:—

"Ideally, old tea area needs to be phased out as a continuous process for keeping the overall old age profile low. However, the phase of replanting depends upon the profitability of the industry and stability in tea prices. The fortunes of the industry being cyclical with periodic booms and busts depending on the vagaries of global market fluctuations, it would be difficult on the part of the industry to go in for uprooting of old tea areas at a steady rate. In the business cycle the period of depression is much longer than the boom period as witnessed during the last decade when the boom period was short lived over two years (1997 and 1998) whereas depression prolonged over 8 years from 1999 to 2007.

In order to remain competitive, the challenges before the Indian tea industry are twofold. First one is to ensure that the tea is supplied at a price remunerative to the producers and affordable to the domestic consumers and the second is to produce sufficient surplus to meet the export requirement in order to retain and improve India's share in the world market. the tea situation in India is totally different from those countries. In India there is a strong domestic demand and it is steadily growing due to population growth. Given this background, the strategic option is to go in for high value teas rather than chasing the volume. Thus, sustainability of reasonable prices in the domestic market and to maintain and improve the export earnings are the two main objectives and they could be fulfilled, if only the tea industry continues to maintain a production matching with demand with cost control."

Non-Commercial Tea Bushes

47. Taking note of the critical situation threatening the tea industry with as much as 57% of tea bushes in India classified as commercially unproductive, the Committee asked whether any measures have been taken or are being contemplated for making productive the entire tea bushes of the country. In response thereto, the Department submitted as under:—

"A base line survey has been carried out during the year 2011 to ascertain the actual extent of tea area which is above 50 years of age. This survey covered all the big tea gardens having tea area more than 10.12 ha. The extent of area under bushes more than 50 years of age as per the survey results was 148523 ha. This constitutes 36% of the total tea area under organized sector. During the XII Plan period it is proposed to renovate 50,000 ha. *i.e.* 1/3 of the old tea area."

48. The representative of the Department of Commerce further deposed during the evidence that:

"Sir, the ten years that I was comparing, I was saying area and production both have increased, naturally the production has to increase much faster to lead to rise in productivity. The only solution to that which has been recognised in the past is that we have to improve the average age of the plantations. We have to replant the old and senile plants and replace them with younger ones."

49. In the course of evidence, the Committee were informed that it had taken eight long years for the Tea Board to identify the areas which require replantation of tea bushes. When asked to state the specific reasons for the delay in identification of such area, the Department through a written note, submitted as under:

"The basis on which this observation has been made is not known to Tea Board. It may be noted that the need for setting up of a special fund for supporting replanting emerged as one of the recommendations from the stake holders conference held in 2004. As a follow up, the extent of old tea area in the country was identified with the inputs provided by major tea producer associations as well as tea research institutes. At that point of time it was estimated that 2.12 lakh hectares out of 4.16 lakh ha under organized sector were aged more than 50 years. This area was targeted while formulating the SPTF Scheme under which it was envisaged for renovating the entire area over a period of 15 years commencing from 2007 onwards.

A base line survey has been carried out in 2011 covering all the big tea gardens (10.12 ha) in the country during 2011. The age profile data was collected through the field offices of the Board after visiting each and every garden. The survey findings indicated that the actual extent of area bearing old aged bushes of more than 50 years was 148305 ha. The State-wise break up was as under:

Area under old aged bushes of more than 50 years as on 1.4.2012

Sl.No.	State	Old aged area in Ha.
1.	Assam	65807.84
2.	West Bengal	39280.46
3.	Tripura	1476.23
4.	Other North Indian States	727
5.	Total North India	107291.5
6.	Tamil Nadu	16540.9
7.	Kerala	23068.2
8.	Karnataka	1405.07
9.	Total South India	41014.17
10.	All India	148305.7

It is proposed for renovation of 33% of the old area covering 50,000 ha. during the XII Plan period."

50. To a pointed query as to the rate of new plantation in tea gardens situated in Eastern India the Department through a written note, submitted as under:

"The rate of new planting is negligible in organized sector gardens in Eastern India as there is very little land available within the grant area of the tea gardens for new planting. However, several thousands of small farmers in Assam, West Bengal and Bihar have switched over to tea cultivation over the last two decades and the extent of area brought under new plantation was more than 1.5 lakh ha over last twenty years."

51. The Committee sought the details of the results of the studies undertaken by M/s. KPMG for evaluation of the SPTF Scheme and the Institute of Plantation Management in Bangalore *w.r.t.* replantation. In response thereto, the Ministry through their written note apprised the Committee that the modification suggested by the consultancy firm were considered by the Tea Board at its meeting held on 29 December, 2011 and endorsed them for consideration of APEX Committee of SPTF, some of which have been approved for adoption and implemented during the XII Plan period. On the observations of the Institute of Plantation Management in Bangalore, the Ministry submitted their comments as under:

"The uprooting and replanting which has been supported by Tea Board has actually resulted in significant improvement in overall yield. This demonstrates that the gardens that have availed of the subsidy and invested in the field development activities have, by and large, benefited significantly in terms of yield and productivity.

Replanting and rejuvenation are time consuming but critical to maintain the productive health of the bushes."

52. The Ministry also explained the possible scenario in the absence of replanting or rejuvenation activity:

- * Continuous decline in productivity may lead an estimated fall in production by over 125mn kgs. over the next 15 years
- * Domestic demand to outstrip supply, thus leading to import of tea
- * Increase in cost of production due to poor response of old aged tea bushes to inputs and susceptible to pest and disease attacks
- * Decline in overall quality of output leading to a general fall in prices
- * Fall in operating margins leading to losses for gardens, closures and loss of employment
- * Requirement of higher usage of pesticides for old tea bushes will lead to problems in exports due to pesticide residue issues

Hence, replanting and rejuvenation are essential. A well-intended scheme like SPTF should have been a great success. Hence, the reasons for shortfall need to be examined carefully.

53. Explaining the reasons for shortfall in achievement under SPTF, the Ministry explained:

"The modest achievement under SPTF is due to the following reasons:

- I. Labour constraints—Replantation and rejuvenation need more skilled labour, who are always in short supply.
- II. Restrictions of forest regulations in South India.
- III. Decline of tea prices between 1999-2007 presenting a pessimistic scenario.
- IV. Gardens having poor financials were not eligible for loans due to falling prices ruling them out of such schemes.
- V. The industry was unable to generate sufficient internal resources to meet the costs of replantation/rejuvenation (and practice) on a sustained basis. (A check on the preparedness for replantation and rejuvenation in the absence of schemes like SPTF).
- VI. The belief that it does not make any business sense to disturb the plant as long as the approach is that of "whatever green leaf is harvested will get some price".
- VII. Uprooting of plants requires additional resource deployment and revenue expenses in future till the new plantation comes into bearing say 5-7 years.
- VIII. The low rate of subsidy did not encourage the developmental activities like replanting and requirements.

Infirmity 1: Procedural Complications

Tea companies would have taken loans from banks for normal business operations including plantation operations for which they would have complied with all banking regulations and submitted the relevant property documents etc. Planters need to get consent from the banks for sharing the security by equitable mortgage second charge. Many gardens are not able to get the consent of the Bank because of poor repayment record.

Simplyfying the rules to avoid SPTF loans

The existing credit arrangements between banks and the companies could be simplified by interest subvention of the differential interest between the rate charged by the banks and the rate charged by SPTF.

Infirmity 2: Immediate cash losses due to replanting and rejuvenation

Uprooting for replantation, leads to immediate cash loss and nil return on investment due to non-availability of crop during the gestation period, which ranges from 5 to 7 years depending upon the location of the garden. While the SPTF provides for financial support for planting and associated costs, there is no provision for compensating the crop loss to be sustained during the gestation period. These factors discourage development activities like replanting and rejuvenation.

In spite of the above infirmities, achievements, under the scheme seem to be more on a voluntary basis. There is a scope for improving attractiveness of the scheme while motivating planters regarding long-term benefits is also an essential requirement.

There is no doubt that the SPTF scheme is a crucial necessity. The scheme could be made more meaningful by considering a few modifications as given below:

- Allowing the tea companies to take the loans from banks that are specialized with finance sense in credit-rating and have financial and legal power to enforce a commitment coupled with knowledge of the sector.
- Tea Board of India also does not have the necessary in-house financial and legal expertise and manpower in the development directorate, nor is it advisable to create such a department. TBI is a developmental agency and not a financial institution to deal with continuous lending and recovery activities. Creating a new division with such domain expertise may divert the focus of the organization.
- The cost of administering a development scheme needs to be kept at a minimum so that greater support could be provided to the stakeholders.

Hence, it is recommended that the identified beneficiaries may approach an authorized financial institution from a consortium of banks, which will be implementing the scheme. This ensures financial discipline required to implement the critical development schemes like SPTF dealing with Replanting and Rejuvenation. Development Directorate, TBI will be the facilitating agency. This approach may result in making the SPTF scheme useful and successful."

Improving Quality of Tea

54. Audit scrutiny revealed that lower increase in price realization from export of Indian tea, which was found lower than that the countries like Japan and Sri Lanka, was primarily due to inferior quality, adverse product mix and other marketing factors. Further, while the world market demands orthodox tea, India produces only an insignificant 10 per cent of this variant explaining its inability to capture the international market. The percentage of orthodox tea production in India which was as high as 66 per cent of total production in 1961, came down to 11 per cent in 2001 and has remained more or less stagnant since then. Tea Board's support to boost up orthodox tea production had not been effective as there was no mandatory condition of a perceptible increase in production of orthodox tea for release of subsidy. There was no increase in production of orthodox tea and actual production of orthodox tea was substantially below the target fixed by Tea Board despite the Orthodox Tea Production Subsidy Scheme, the main objective of which was to correct the imbalance in the product mix within the country, being in operation for more than four years. While the Quality Upgradation and Product Diversification (QUPD) Scheme did not achieve its objective of product diversification, it also could not ensure improvement in quality of green leaves, higher price realisation, product augmentation and quality upgradation. The Price Subsidy Scheme was a one-time scheme and had no long-term impact. Audit

findings also pointed to excess/irregular payment of subsidy, payment of subsidy for ineligible items and to unregistered growers, non-maintenance of proper records of subsidy disbursements and ineffective monitoring of impact/benefits accrued. Audit findings further revealed *inter-alia* absence of a benchmark for perceptible increase in orthodox tea production; non-assessment of the impact of the subsidy paid; excess/irregular payment of subsidy; and non-maintenance of proper record of payment of subsidy to small growers; which resulted in non-achievement of the objective of conversion from Cut Tear and Crush (CTC) to orthodox tea.

55. In the light of the above deficiencies highlighted in the audit findings, the Committee sought to know the details of the Schemes put in place to correct the unbalance in the product mix in the country. The Ministry, made the following submission:—

".....To begin with, India was major Orthodox tea producer, but the shift took place with the introduction of CTC manufacture in 1950s. Even in 1960s, Orthodox commanded more than 50% of the share in the total production of Indian tea. But, subsequently, the production has declined drastically and it came down to 8% by 2000. The drop in the share of Orthodox production since 1960 over the 5 decades is given below:—

Year	Orthodox Production (In M. Kg.)	Total Production (In M. Kg.)	Percentage of Orthodox tea Production
1961	191.3	354.4	54.0%
1971	164.6	435.5	37.8%
1981	183.1	560.4	32.7%
1991	126.9	754.2	16.8%
2001	79.2	853.9	9.3%
2005	75.9	946	8.0%

Given this steep decline, Government of India approved Orthodox Tea Production Subsidy scheme from 1st January, 2005 to correct the imbalances in the current product mix and to re-establish the earlier pre-eminence of India as a supplier of high-quality and competitively-priced Orthodox teas to the international market. The scheme has already delivered demonstrable results by steady increase in Orthodox production over the last five years."

56. As regards the advise of experts for increasing production of tea and the subsidy given for the purpose, the Ministry submitted:—

"An evaluation of the scheme was carried out through, M/s. AC Nielsen and M/s. KPMG. Both the agencies have recommended for continuation of the scheme for enabling Indian tea producers to increase Orthodox production. Starting

from 2005, subsidy was provided to the producers @ Rs. 3/Kg. of leaf grades, @ Rs. 2/Kg. of dust grades and additional Rs. 2 was provided for the incremental production over the given year as compared to previous year. Subsidy was paid for the Orthodox teas sold through auctions and directly exported.

The total subsidy paid during the course of XI Plan period adds up to Rs. 143.66 crores covering 464.57 million kgs.

During the X Plan period the scheme was operated for 2 years and the subsidy paid was Rs. 47.77 cr. covering production volume 159.51 Million Kg.

Thus the total support rendered for increasing orthodox production in the country since 2005 onwards add up to Rs. 191.43 cr. covering total production volume 624.08 Million Kg."

57. The Ministry further stated that it is proposed to continue the scheme during the XII Plan period:

"To sustain the existing level of Orthodox Production, it is proposed to pay subsidy at a flat rate of Rs. 3 per kg. For encouraging the incremental production, it is proposed to provide incentives ranging from Re. 1 to Rs. 5 depending upon the increase over the base production. The base production is defined as the moving average production over the 5 years immediately preceding the year of application.

Incremental subsidy will be paid @ Re. 1 per kg. over the base production for the gardens producing Orthodox tea 25% to 35% out of the total production. For the gardens producing more than 35% of the total production, the subsidy be raised @ Re. 1 per kg. for every 10% increasing over 35% of the total production *i.e.* 25-35% Re. 1, 36-45%, Rs. 2, 46-55%, Rs. 3, 56-65%, Rs. 4, 66-75% Rs. 5."

58. Taking note of the increasing competition in the world market, the Ministry, submitted that:

".....five strategically important markets *viz.* U.S.A., Russia, Kazakhstan, Iran and Egypt have been selected for extensive and intensive promotional intervention through execution of five specific activities over five years. The activities identified are 'Extensive promotion of India Tea Logo (familiarization/creating awareness)', 'Engagement with the local trading community', 'Consumer-oriented promotion', 'Utilisation of Social Media' and 'Focus on export of value added teas by putting in place infrastructure enablers'.... During 2012-13, a detailed framework of activities for Russia, Kazakhstan, USA and Iran has been drawn up in consultation with the Industry with an aggregate budget of Rs. 5.5 crores to be funded under MAI Scheme."

59. As regards the declining productivity due to old age of tea bushes, the Ministry submitted that:

".....a Special Purpose Tea Fund has been set up for extending financial support to needy tea estates for undertaking replanting, replacement planting and rejuvenation of old aged bushes. This fund provided for extending financial

support to the extent of 75% of the total cost of replanting comprising 50% term loan with uniform rate of interest @ 9.5% per annum and repayable over a period of 13 years with an initial moratorium on principal for five years. 25% of the cost was reimbursed as subsidy. Only the balance 25% of the cost was to be borne by the industry. For the purpose of mobilization of loan funds, Tea Board secured a line of credit from a consortium of four commercial bank. However, the industry because of the fluctuation in the tea prices was shy of borrowing and the loan off take remained far below the the anticipated level of lending.

The total subsidy disbursed over last five years was Rs. 130.00 crores whereas the total loan disbursed over the XI Plan period was Rs. 48 cr. as against the targeted amount of Rs. 750 cr. for the five year period @ Rs. 150 cr. per annum. Considering the poor off take of the loan, the APEX Committee has accepted the recommendation of the Board for discontinuation of the loan component w.e.f. 1.4.2012.

The average rate of replanting prior to launching this fund used to hover around 0.5%. Over the last five years, it has more than trebled and averaged @ 1.53%/annum. During the XI Plan period it was targeted to renovate 40992 ha. out of 2.12 lakh ha. of old tea area. This constituted a target of nearly 10% of the total tea area of 416027 ha. under organized sector. The actual achievement during XI Plan period was 8% of the total area and the average rate of replanting for the five year period was 1.53%.

It is proposed to continue this scheme during the XII Plan period with additional features. It is targeted to renovate 50,000 ha. during the next five years period."

60. On a pointed query of the Committee as to how the Tea Board analysed the impact of the subsidy scheme formulated to improve the quality of tea products, the Ministry in their written submission stated that:

"The payment of subsidy is back ended. The subsidy is paid after physical inspection of the applicant factory and verification of the procurement and successful commissioning of the processing machinery. As the subsidy is limited to 25% of the actual cost of the machinery, the balance 75% of the cost needs to be borne by the applicant. Such investment is possible only if the applicant is confident of improving the quality for realizing better returns. Thus this huge investment is made by the applicant for minimizing the cost of production and maximize the margins due to improvement in overall quality of his produce. It would be difficult to objectively evaluate the impact of the subsidy on the quality improvement. However, it has been made mandatory on the part of applicant tea factories to submit the particulars of benefits accrued due to the subsidy availed during the previous years. No fresh claims are being entertained where the applicants have failed to furnish the past activity details and the benefits derved thereof. The only measurable yardstick for assessing the impact of the subsidy is the comparison of price realized by the factory for its produce before and after the installation of the new machinery item procured and commission under the subsidy scheme of the Board."

61. As regards the High level Committee constituted to monitor the Quality Upgradation and Product Diversification (QUPD) Scheme, the Ministry apprised the Committee that:

"The High level committee was constituted to monitor the progress of the orthodox production subsidy scheme and to decide on the desirability or otherwise of the continuation of the scheme after the initial period of three years from commencement of the scheme in 2005. The Committee monitored the progress of the scheme and having taken note of marked improvement in the production of orthodox teas, commended for continuation of the scheme for the entire period of XI Plan period as a sub scheme of the Quality Upgradation and Product Diversification (QUPD) scheme."

62. Queried about shortfalls in the production of orthodox tea and exports, the representative of the Department deposed:

"..... let me explain the position. There is CTC and there is the orthodox tea. In the mix between the two, orthodox tea being of higher value, the attempt is that the share of the orthodox tea should go up. The subsidy scheme was devised to incentivise the growers and producers to switch from CTC to orthodox tea. The results have not been satisfactory. The reason is that there is a risk in switching to orthodox tea. You may switch to orthodox tea production and not find proper remuneration or compensation in the international markets and then you want to switch back to CTC. So, the subsidy so far is Rs. 2 per kilogram on dust and Rs. 3 per kilogram on leaf and Rs. 2 per kilogram on incremental quantity. For every kilogram of additional orthodox tea you produce, you get two rupees. We ourselves in our study have found that this scheme is not serving the purpose, which the audit has also mentioned. So, in consultation with the stakeholders, the Tea Board has revised the whole scheme—and that is going into the XII Plan for approval now—in which the base production is taken as the five years' moving average."

63. On the desirability of continuance of subsidy on production of orthodox tea, the witnesses further deposed:

"..... we will continue with the existing Rs. 3 per kilogram subsidy so that people do not switch back to CTC and they remain at least at the present level of orthodox tea production. In keeping with the audit observation, the incremental orthodox tea production is now put into five slabs which is going up to Rs. 5 per kilogram additionally. If the mix of the CTC and orthodox production goes up by more than 25 per cent, he gets one rupee. If it increases by 36 to 45 per cent, he gets Rs. 2 and so on. It is a slab, going from 66 to 100 per cent. If he goes for one hundred per cent incremental over the base year of five years' moving average, he gets Rs. 5 per kilogram as additional incentive. In the mix, if he incrementally increases, he gets Rs. 5 more. He is already getting Rs. 3. So, it comes to Rs. 8 per kilogram more, apart from the price differential he may get in the market. So, the attempt is to not only sustain the present level of orthodox tea production but also to get higher production. So, the incentive is being increased. We will see the response to it and if it helps. If it does not help, we will do some mid-course correction."

64. In the course of evidence, the Committee were informed that several legal suits are pending against the tea garden owners who had defaulted in depositing their share of provident fund to the authorities concerned. When asked if any measures had been initiated to stop granting of subsidy to them, the Department informed through a written reply:

"For availing financial assistance under the development schemes of the Tea Board, Provident fund dues of the applicant tea garden should not exceed ₹ 10,000/- at the time of submission of application. Where the P.F. liability exceed ₹ 10,000/-, the application is accepted provided it is backed by a Court decree or written consent from the P.F. authorities for allowing the payment of arrear Provident Fund dues in installments. For such applicants, conditional approval is issued with a stipulation that subsidy would be released only if they are found to be regular in repayment of the dues as per the agreement."

65. Audit scrutiny revealed that subsidy was released to several unregistered tea growers under the Price Subsidy Scheme in South India. The Committee sought to know as to why such subsidy was granted to the recipients without verifying their antecedents, the Department informed as under:

"The Price Subsidy Scheme was introduced sequel to the unrest of small growers due to steep fall in tea prices in South India in 2004-05. The following steps were taken to make sure that eligible beneficiaries get correct amount of subsidy in time.

- (a) the Revenue officials deputed by the district administration were engaged for one time provisional registration of the growers based on the revenue records. A temporary registration number was allotted to each grower.
- (b) A software was developed to process the claims of individual growers and due care was taken to correlate the tea area owned by the growers and the correctness of the claim made by the growers as to the volume of green leaf harvested as compared to standard yield applicable to small holdings in the district.
- (c) The subsidy amount to the growers was routed through the concerned tea factory to which the growers have been supplying green leaf. The amount of subsidy was computed on the basis of documentary evidence (leaf purchase register) produced by the concerned factory. These claims were checked by the Coonoor office of Tea Board *ab-initio* through software programme and their correctness was approved before releasing the funds to the concerned factory.
- (d) The disbursement of subsidy to the individual growers by the concerned factory was overseen by the Revenue officials of the State Government to ensure the fairness in disbursement. The District Collector and the Executive Director of Tea Board also supervised the disbursement.

It is to be noted that, the subsidy disbursement was taken up on war footing in an effective and efficient manner by involving the State Government authorities to mitigate the public unrest.

Since all claims were settled through due process of scrutiny and evaluation, and having received no complaints, the necessity for conducting any inquiry did not arise."

66. On the above issue, the Chairman, Tea Board supplemented during oral evidence as under:

"Sir, after the audit observations we have examined all the cases where subsidy was disbursed. We found many more such cases and we recovered the excess subsidy paid to those companies; we have recovered around ₹ 47 lakh. As far as action is concerned, it was not an intentional or deliberate thing; it was a procedural error. It has to do with the type of invoice they were accepting for payment of the subsidy. now, what we are doing from the Twelfth Plan onwards is, we are going to introduce it this year, we will collect the information from the factory directly through our officer and we want to give the subsidy based on that information so that such mistakes do not occur in future."

67. On being asked whether the Tea Board took any measures to convert the CTC facilities to dual capacities (Orthodox and CTC), the Ministry through their written note stated that:

"Producing orthodox tea involves much more risk than CTC tea in general. It is completely market driven and at any point of time the producers may switch over to CTC production if they find that orthodox tea is not fetching good price. Hence in order to arrest this trend and also to encourage more orthodox production Tea Board incentivize the CTC factories for converting their facilities to manufacture orthodox teas. 40% subsidy is provided to factories producing 100% CTC teas for switching over to orthodox manufacture. Cash Incentives as applicable under Orthodox subsidy scheme are also provided to the concerned factory @ Rs. 3 for leaf grades and Rs. 2 for dust grades. Moreover, Rs. 2/kg. is also paid for incremental production over the previous year."

Reduction in Cost of Production of Tea in India

68. Audit scrutiny revealed failure of the Tea Board to take action for reduction in cost of production of tea. Tea Board neither prescribed regular cost studies despite India having the highest cost of production amongst major tea producing countries in the World with the cost of sales often being above the auction price realisation nor formulated or undertook schemes specifically for States where average realization was less than the total cost of sales. Audit findings also pointed to deficiencies in training activities under the Human Resource Development Scheme aimed at improving the productivity of manpower for overall cost reduction. While funds allocated for training activities were insignificant, the Tea Board failed to utilize the same effectively.

69. In the light of the above Audit findings, the Committee sought as to know whether the Tea Board had identified any system of cost studies for cost reduction. In response thereto, the Ministry replies as under:

"Cost studies have been carried out through the Institute of Cost and Works Accounts of India (ICWAI) for the purpose of implementing the price sharing formula notified by Tea Board under Tea Marketing Control Order. However, specific cost studies for identifying areas of cost reduction were carried out by the Indian Institute of Plantation Management with financial support from Tea Board. The IIPM reports examined the best practices adopted by the progressive tea gardens and factories and used the information so gathered as a study material for conducting short term executive programmes for the plantation managers."

IV. RESEARCH ACTIVITIES

70. Tea Board undertakes research work on tea through Darjeeling Tea Research and Development Centre (DTR&DC) in Kurseong, which was established by the Ministry in 1977 to provide, primarily, research and development support to the Darjeeling tea industry on demand of the State Government and Tea Associations. The Ministry, through Tea Board, also finances a substantial part of the expenditure of two industry-based Tea Research Institutes *viz.*, Tea Research Association (TRA) and United Planter's Association for South India (UPASI-TRF), which also undertake research work on various tea-related areas. During 2002-2011, the Board had received ₹ 169.07 crore from the Ministry towards research and development activities which included funding to DTR&DC, TRA and UPASI-TRF and expenditure on IT Portal. Tea Board had incurred an expenditure of ₹ 171.91 crore during that period.

71. The PAC (1987-88) in their 107th Report of 8th Lok Sabha had recommended that the Tea Board to take more initiatives for dissemination of information research in the field for practical application and achievement of better results. The Committee during their current scrutiny sought to know the progress made in this regard. In response thereto, the Ministry in their written submission stated that:

- "For the dissemination of research information, workshops seminars are being organized in different tea growing areas from time to time.
- Adequate fund has been provided to tea research institutes and other national institutes/universities for organizing National/International Seminars/ Congress/ Symposia/Workshop etc. to disseminate information generated by the institutes.
- An International Journal of Tea Science is being published jointly with International Society of Tea Science, New Delhi.
- Tea Research Institutes are being encouraged for the publication of their in-house journal (Two and A Bud from Tocklai Experimental Station and Planter's Chronicle from UPASI).
- Workshop at the ground level for the plantation workers and management staff are being organized on regular basis by three tea research institutes (TRA for North East India, UPASI-TRF for South India & DTR & DC for

Darjeeling, West Bengal) by way of field management courses.

- Area Scientific Seminars are being organized for different agro climatic regions for addressing area specific problems .
- Planters committee meetings and core committee meetings are being organized to disseminate scientific information inviting planters and senior managerial staff of tea industry."

72. Audit examination further revealed that research activities were not fruitful as neither any deliverables were transferred for the use of the tea industry nor were any patents filed due to inadequate monitoring and shortage of manpower and resources. The outcome of the research activities was also not commensurate with the support provided to external entities *i.e.*, UPASI-TRF and TRA. Tea Board despite having regulatory and development role, had failed to bring tea industry along with implementation of e-commerce initiative of the IT Portal Project which had impacted the success of its initiative and an expenditure of ₹ 7.14 crore on revenue/capital account had been rendered unfruitful. Tea Board was yet to secure the financial commitment from the industry for operating IT Portal Project post-implementation. Asked to explain, the Department submitted that the following steps were being taken to improve scientific research with regard to tea development:—

"For the overall development of tea in the country, the areas of research undertaken include all aspects of production, processing and value addition. Basic, applied and regulatory aspects of research are carried out through TRA, UPASI(TRF), CSIR, Agricultural Universities and other national research laboratories.

Main research areas being pursued include nutrient management, plant improvement, processing and quality improvement, health benefits of tea, development of organic tea and effect of climate change in tea.

Priority is on development of new superior tea cultivars (clones and seed varieties) having high yield and quality with resistance to drought, waterlogging, biotic stresses (pest & diseases) etc. through application/integration of biotechnological tools/techniques, e.g. development of molecular genetic markers, identification of trait specific genes, gene expression and profiling of metabolites (functional genomics and metabolomics), genetic linkage mapping and marker assisted selection (structural genomics) etc.

Improvement of tea manufacturing and processing technologies through innovative approaches by developing new machineries and/or modification of existing machineries for efficient and quality manufacturing of tea, energy conservation etc. and dissemination of manufacturing advisory services to the both small tea growers and organised sectors are considered top priority for the production of quality tea.

Development of electronic sensors for quality testing/monitoring of tea, electronic gadgets and integration of the same to develop an integrated package (including tea tasters score, biochemical parameters and evaluation using E-Tongue, E-Nose etc.)

Quality improvement and development of value added products like instant tea, RTD de-caffeinated tea etc.

Research on integrated nutrient management including Sulphur micronutrient applications etc., for the improvement of soil fertility in order to maintain the overall growth and development of tea plant/bush.

Plant protection measures stressing IPM strategies to control pest and disease management including biotechnological approach/intervention for both entomological and pathological studies.

Addressing regulatory issues faced by the Tea Industry including fixation of MRL, pesticide residue problem, presence of heavy metals, fixation of limit for the presence of Iron filing and use of Nature Identical Flavour etc., are given priority for the acceptance of tea by the consumers both in domestic market and export purpose.

Development of organic inputs (biofertilisers), herbal plant protection measures including bio-pesticides etc., are being given due importance for the production of safe and quality tea.

Climate Change and its effect on tea plantation is going to be an important area of research activity for the benefit of Indian Tea Industry in the coming decade. Development of strategy to mitigate the adverse effect of climate change specially temperature and rainfall is one of the focus areas to be looked into with intense care by the research institutes in the Country.

Health Benefits of tea is another area of research deserves due attention. Since India produces largest quantity of black tea in the world, beneficial effect of black tea is to be highlighted internationally using scientific information generated in India and abroad. Lot of research have been initiated in India and further research including clinical trial is being contemplated in the next few years for the promotion of Indian tea both for domestic consumption and export purpose."

73. As regards research on reducing the process of ageing of tea bushes, the Department clarified as under:—

"Process of ageing in tea is an area which comes under basic research. Molecular biological interventions have been the focus area in the recent past and lot of initiatives in different areas of tea genomics have been undertaken by different tea research institutes and other national laboratories. Results of tea research to reduce the process of ageing is not available at present."

74. The Committee further sought to know measures pertaining to modernisation drive to ensure quality tea production. In response thereto, the Department stated in their written reply that:

"Besides old age of the plantations, the tea factories also need to be modernized to ensure that quality of tea produced is of acceptable standard. Towards this end the factories are being advised to go in for ISO 22,000, HACCP certification. For improving steady flow of quality raw material (green leaf) from small holdings to BLFs, the growers are encouraged to organise themselves to collectives—SHGs, (Self Help Groups)/PPGs (Primary Producer Groups). Such groups are provided with liberal financial assistance

by way of 50 to 100% grant-in-aid towards purchase of transport vehicles, setting up of common leaf collection centers and storage godowns, purchase of field inputs, implements etc. Special Training, demonstration and study tours are organised for the small growers. Assistance is also provided for bringing new areas under tea cultivation. Subsidy is also provided for creation of irrigation facilities for combating the adverse effect of drought. The other major areas being dealt with include market research and promotion both within and outside the country, support to R&D for addressing the challenges faced with by the industry including mechanization and modernisation.

Tea Board promotes tea research mainly in the applied aspects (field oriented demand driven) besides undertaking basic and regulatory research which covers plant improvement, plant protection, plant production, quality and research engineering etc.

Additionally, research on socio economic aspects of tea, packaging, ergonomics of tea, workers' health, are also covered by different national R&D Institutions/ Universities in the country with financial support from National Tea Research foundation."

75. When enquired about action taken by Tea Board to conduct outcome Audit (in terms of Intellectual properties, commercialisable technologies, scientific publication etc.) on the activities of TRA and UPSAI — TRF, the Department responded as under:—

"Tea Board conducted audit for both TRA and UPASI in 2011-12 (January and November respectively). Details of the audit report prepared by Tea Board were forwarded to TRA and UPASI for the compliance of Tea Board's observation/ suggestion. Outcome audit on publication of research paper, development of technology and patenting etc. was also undertaken and it was found that a good number of research papers have been published by both the institutes (TRA-58 and UPASI-110) during 2009-11. Technologies in the form of development of superior tea cultivar, introduction of new shade trees, signal step modifying rolling machines, optimization, of plucking level, development of new enriched vermicompost, single step grafting technology for top replacement etc., have been achieved/developed by both the institutes. Some of the technologies relating to Planting materials, and vermicomposting have since been commercialized."

76. The representatives of the Department, while deposing before the Committee, further stated:—

“The Ministry of commerce as also the Tea Board themselves had got two studies undertaken, one by KPMG and another by the Institute of Plantation Management in Bangalore. We have tried to assimilate the good points and suggestions which have come from all the studies. We have put them into the 12th Plan proposals. Now, they are going for approval.”

V. MARKETING AND PROMOTIONAL ACTIVITIES

77. Audit findings revealed that while India's production share declined from 29.80 per cent in 1993 to 23.76 per cent in 2010, India's export share also declined from 15.17 per cent in 1993 to 11.15 per cent in 2010. With market diversification efforts including exploring new markets through its overseas offices another promotional activities not yielding any effective results, exports have remained largely stagnant. The three schemes for promoting exports viz., Export Incentive Scheme, Transport Subsidy Scheme and Export Promotion Scheme, had not made even marginal impact and had benefited only 11 per cent of total exporters. No formal evaluation of benefits derived had been done in respect of domestic promotion campaigns where more than ₹ 36 crore were spent without specifying outcomes to be achieved. Audit also pointed out failure to assess the outcome of support activities; failure to enhance the coverage of Indian logo; failure to implement Exporter Rating system which was aimed at providing transparency and guarantee exporter reliability, to help build credibility of the Indian exporters by encouraging better exporters to improve service levels; negligible impact of foreign offices of Tea Board; non-assessment of impact of activities of Tea Councils and poor performance of Tea Centre, Mumbai. Tea Board neither fixed any annual target for participation in the potential markets nor laid down any mechanism to measure impact of such participation and the marketing and promotional activities of the foreign offices remained mainly focused on attending fairs and exhibition. Given the negligible impact of these foreign offices of Tea Board, the Audit had suggested whether this function could instead be performed through the Economic Wing in the Missions/Posts abroad.

78. On the issue of the relevance of the role foreign offices of Tea Board *vis-à-vis* the Audit observations, the Committee was apprised that the Ministry was reviewing the role and performance of foreign offices of the Tea Board based on an evaluation done by M/s KPMG. It was further stated that the Economic and Commercial wing of the Missions/Posts abroad are rendering valuable assistance in supplementing the efforts of the foreign offices of the Tea Board.

79. In the light of the above audit findings pointing to deficiencies in marketing and promotional activities, the Tea Board furnished the following steps which were undertaken to review the effectiveness and impact of various promotion support activities of Tea Council and domestic promotion of tea for information of the Committee:—

"In December 2011, Tea Board had engaged M/s KPMG, a reputed business consultant, to undertake an objective and independent evaluation of performance of Market Promotion Scheme (MPS) and its various components during the 11th Plan Period.

Overseas promotion through Tea Council in U.K., Germany, Canada and USA failed to achieve the desired objective of promoting Indian tea. Incremental exports to these four countries registered either stagnant or very marginal increase. Hence the memberships of U.K., Germany and Canada Tea councils have been terminated due to non-accrual of tangible benefits, whereas the membership for USA Tea Council is being continued because of the fact USA is highly potential market and it accounts for 8-9% import share of Indian tea during 2010.

KPMG Report has stated that domestic promotion, which mainly comprised media campaign, insertions of adverts in various print media and participation in fairs and exhibitions did fail to leave a lasting impact due to inadequate budgetary allocation and the non-continuation of the programmes, especially media campaign in a continuous and sustained way over a longer period.

In line with the recommendations mooted by the consultant, remedial measures that have been conceived and included in the 12th Plan Proposal are delineated below:—

- (i) Emphasis has been given on the health and wellness and life style aspects of tea in order to enhance tea consumption amongst the youth in the country *vis-à-vis* all the media campaign to be undertaken in future.
- (ii) Focus on infrastructure development like Tea Parks, Tea Warehouses, Laboratories either directly or through Public-Private Partnership toward market offering of quality teas in superior and attractive packaging.
- (iii) Viral advertising through established social networks like Twitter, Facebook for propagating the diversity and richness of Indian tea during domestic promotion.

Apart from the above, 'Tea Boutiques' at the strategic locations like domestic airport lounges, Shopping malls are proposed to be set up on Public-Private mode in order to target consumers especially the youth in a big way."

80. With regard to efforts being made to increase our tea export share, the Department submitted that:—

"Substantive efforts are being made towards increase of export share of Indian tea and prominent brand recall for Indian tea along the following lines:

- (i) Special focus is being given to 5 countries identified by Tea Board in consultation with the Tea Industry, where 5 focused activities will be implemented in 5 years. Besides, Pakistan will be targeted for focused promotion in view of its potentiality to import Indian teas.
- (ii) In addition, business delegations—both inward as well as outward, are being organized for Iran, Pakistan, China, Taiwan and other potential markets.
- (iii) Darjeeling tea and its logo is being promoted among the consumers in major countries.
- (iv) For promoting exports of packaged teas of Indian origin packed & exported from Indian (branch promotion), the costs incurred by individual Indian companies for in-store promotions, launch of promotional campaign, development of websites and/or publicity literatures etc. are proposed to be reimbursed to the tune of 25%. This 'Brand Promotion'

Scheme covers all Indian exporters selling 100% Indian teas in packets less than 1 kg. and having "India Tea Logo: printed on their packs. More weightage is proposed to be given for exports of high value teas.

- (v) Viral advertising through established social networks like Twitter, Facebook for propagating the diversity and richness of Indian tea during overseas promotion have been accorded top priority."

81. The Ministry further submitted:

"It is admitted that only $\frac{1}{3}$ of the total registered exporters were active in export of tea as of December 2008. A review has since been made and as of June 2012, the total number of exporters registered with Tea Board was 1390 comprising 453 permanent export licence holders and the remaining 937 were temporary licence holders. 323 exporters have defaulted in submission of export returns to Tea Board. Action has already been initiated for cancellation of licenses for those defaulted exporters who have failed to submit explanations to the show cause notices. 20 Permanent licenses have since been cancelled."

82. When asked specifically about the reasons for decline in export, the representative of Department of Commerce deposed before the Committee as under:—

"The other area is of export promotion. As Ministry and as Tea Board, our attempt is to devise to the best of our collective wisdom—Finance Ministry, Planning Commission and everyone is involved—a set of measures and schemes. We implement them. We incorporate the problems that we face in its implementation and do some sort of a correction."

83. Asked about the brand-recognition of Indian tea, the witnesses submitted:—

".....as rightly observed that there is no brand recognition of Indian tea. Most people—who have gone abroad—have seen packets that are using Indian tea and somewhere in small prints it may or may not be mentioned that the tea is sourced from a particular garden somewhere in India.

This was realized, and actually as apart of the Commerce Ministry's medium-term export strategy for tea, a 555 Scheme has been launched and it was rolled out this year. In this 555 Scheme, five focused countries have been taken. It is a five-year scheme; budget has been set part under the market access initiative, and five focus activities have been laid down. These markets are USA, Kazakhstan, Russia, Iran and Egypt. In addition to this, export promotion is taking place in other countries also. In fact, there is a lot of enthusiasm from Pakistan. A trade delegation from Pakistan visited Kolkata."

84. On being asked whether the Tea Board had fixed any criteria to assess the impact of promotional support, the Department replied that:—

"Under the 11th Plan period viz. 2007-08 to 2011-12, tea promotion activities were funded under the Market Promotion Scheme (MPS), which had a couple of components like Export Promotion Schemes (EPS) and Transport Subsidy Scheme (TSS) for teas exported out of ICD, Amingaon and the activities such as Domestic promotion, Overseas promotion, Trade related activities, Production of publicity material, Legal consultancy charges for protection of IPR in domestic as well as overseas markets.

In case of transport subsidy for teas exported out of ICD, Amingaon the criterion for favourable impact may be construed as the increase in volume. For instance, total export of tea through ICD Amingaon has registered an increase of 102% during the 11th Plan period as compared to the 10th Plan period (227-23 m. kg. vs. 112.67 m. kg).

In case of export promotion, facilitating participation in international trade fairs and exhibitions through reimbursement of travel & participation costs, in line with MDA guidelines, is ongoing in nature and the accrued benefits are mainly qualitative in character (relationship marketing translated into generation of business leads) without having any quantifiable measure to assess the impact. These types of activities are intended to establish a two-way exchange process with an objective to consolidating business relationships amongst the sellers and the buyers.”

VI. FINANCIAL MANAGEMENT AND INTERNAL CONTROL

85. Audit scrutiny had revealed that financial management and internal controls in Tea Board were weak as funds had been diverted from Plan to Non-Plan from time to time for meeting Non-Plan expenditure. Internal generation of funds was not adequate and Tea Board was fully dependent on the Government for support of every activity despite its role of regulation and development of tea. Generation of resources from duty of excise as a cess on all tea produced in India was also not adequate. The rates of cess had been revised at varying intervals ranging from nearly three years to more than 14 years. The ceiling of cess at rate not exceeding 50 paise per kilogram was fixed back in 1986. Audit findings also pointed out that internal audit was not commensurate with the extent of activities undertaken by the Board.

86. Since the cess is intended to be used for development of tea, the Committee sought to know whether there was any proposal to review the rates/ceiling of cess at regular intervals. In response thereto the Department replied as under:—

"The rates of cess on tea has been revised to 50 paise per kg. for all tea produced in India other than Darjeeling and 20 paise per kg. for Darjeeling teas with effect from 01.06.2011.

As regards enhancement of ceiling beyond 50 paise per kg., amendment in the Tea Act is necessary. A proposal for amendment of Tea Act removing upper ceiling on cess at 50 paise per kg. level is under consideration.

Regarding revision of cess at regular intervals, Tea Act is silent about the interval at which it is to be done. Revision of rates are being decided on the basis of proposals submitted. However, there is a need for revision of such cess rate on regular intervals.

The existing level of cess *i.e.*, 50 paise per kg., is quite inadequate for a long term development of tea industry. Keeping in view the total average annual production of various kinds of Tea at 1000 m.kgs, maximum cess collection will be to the tune of Rs. 48 cr. only which is inadequate taking in to consideration the fact of huge additional funds requirements for overall

development of Tea Industry and expansion of Tea Board on account of creation of Small Growers Directorate with in Tea Board."

87. About steps taken by Tea Board to increase its internal generation of resources, the Committee was apprised that:—

"Efforts have been made to identify more areas for generation of IEBR. The Board in its 215th meeting in Kolkata on 29.03.2011, has approved many new areas for generation of IEBR. The proposal is now under consideration for making amendments in various control Orders issued under the Tea Act, 1953 to facilitate increase in rates of different Licence fees."

88. On the issue of diversion of amount from Plan to Non-Plan head, the Department clarified that:—

"No amount from Plan head is now being diverted to Non-plan. However, diversions prior to 2007-08, as pointed out by Performance Audit, were salary and allowances of Officers and staff engaged in Operation of R&D Scheme booked under the head 'Administrative Expenses in R&D A/c', which was duly approved by the Board."

VII. CONCLUSION

89. Audit findings concluded that Tea Board needs to carry out major structural and strategic changes in its policies and plans to perform its regulatory functions more efficiently and effectively and the Government needs to review the entire functioning of the Board and take a holistic view on its existence and future role. The Audit suggested that the Government may consider redesigning its programmes, schemes, delivery mechanism and allocate higher financial outlay to effectively address the problems that plague the tea industry in India.

90. In the light of the aforesaid observation of the Audit, the Committee sought to know whether any comprehensive review is being conducted to assess the relevance of the Tea Board. In response thereto, the Department replied through their written submission that:—

"As a follow-up to the observations in the Performance audit report, Tea Board has already engaged the Indian Institute of Management, Kolkata for a comprehensive review of the entire functions of Tea Board. The specific terms of reference assigned include the following:—

1. To review the functioning of the Tea Board in the context of its desired roles and responsibilities.
2. To suggest systemic changes in the organizational structure in the context of the objectives of the Tea Board.
3. To suggest mechanisms for data capture and dissemination from and to various stakeholders for efficient functioning of the Tea Board.
4. To suggest improvements in processes so that routine queries of the top management can be answered more quickly and more accurately.

5. To review existing deployment of Information and Communication Technology (ICT) and to suggest changes, if any, to improve efficiency.

The duration of the study is nine months commencing from July 2012."

91. The Committee opined that a strategic vision was essential for restoring the country to its original position in the global context of tea trade. Asked to state whether the Ministry have any plan towards this goal, they replied that:—

"Tea Board has drawn up a strategic vision for the tea to address the challenges before the Indian tea industry which are two fold. First one is to ensure that the tea is supplied at a price remunerative to the producers and affordable to the domestic consumers and the second is to produce sufficient surplus to meet the export requirement in order to retain and improve India's share in the world market. During the course of last four decades and the global production has gone up manifold mainly due to entry of new tea producing countries such as Vietnam and large scale expansion of tea area in African countries and consolidation of small holdings in China. For LDCs, tea is the major export earning crop and hence resorted to expansion and offer tea at a competitive prices. Whereas, tea situation in India is totally different from those countries. In India there is a strong domestic demand and it is steadily growing due to population growth. On the other hand because of old age of the plantations, the productivity is declining. Secondly, owing to surplus world production, the tea industry went through one of the longest depression from 1999 to 2007. Given this background, the strategic vision is not to chase the volume but to go in for high value teas. Thus, sustainability of reasonable prices in the domestic market and to maintain and improve the export earnings are the two main objectives and they could be fulfilled, if only the tea industry continues to maintain sustainability in production, productivity, cost control with profit for supporting the livelihood of more than 1.2 million workforce employed in the tea plantations. Keeping this in view, the production and export targets for the XII Plan period have been worked out as under:—

S.No.	Demand	Ist year 2012-13	2nd year 2013-14	3rd year 2014-15	4th year 2015-16	5th year 2016-17
1.	Exports in Million KGs	180	190	200	210	220
2.	Domestic Demand	880	900	925	950	975
3.	Total (Export+ Domestic Demand)	1060	1090	1125	1160	1195
4.	Anticipated Production in million Kgs	1050	1080	1115	1150	1185
5.	Shortfall to be made good by imports	10	10	10	10	10

The plan proposals drawn up for fulfilling the desired goals are aimed at improving Production and productivity, infrastructure for quality improvement, value addition and export backed with suitable R&D support and human resources".

92. On the issue of erosion of top soils of tea estates situated in hilly areas and also due to random use of fertilizers, the Committee was apprised through a written note that:—

"The tea gardens in Darjeeling are located between 300 to 2000 meters mostly in the mountain slopes. Because of steep gradient and high vacancy in the bush population due to old age of plantations, the top soil of the tea gardens have been eroded over the years in natural course especially in the bare slopes that are vulnerable. The degree of top soil erosion has been diverse in different areas of tea plantation and it depends on the type of cultural practices followed/ adopted. Recently, a collaborative project has been initiated between DTR&DC and TRA and the initial observation of quantification of top soil erosion in few commercial tea gardens of Darjeeling has been completed in last one year under the project. The proposed ameliorative measures are under experimentation. It is proposed to continue the data generation for some years before coming to a conclusion/solution of the problem.

Tea being a monoculture, top soil of tea estates have been damaged over the years and random use of chemical fertilizers including Urea is one of the reasons. However, most gardens use recommended doses of nitrogen through urea and such usage does not lead to degradation of soil. Over the last fifteen years, many gardens have switched over the organic and hence no urea or chemical fertilizers are used."

93. On a pointed query of the Committee pertaining to alleged employment of child labourers by the tea industry, the Department clarified that:—

"In North Indian plantations, more than 60% of the crop comes up for harvest within a short period of 3 to 4 months between July and October. It would, therefore, be unmanageable with the regular permanent workers on the rolls of the tea gardens. In order to cope up, additional casual workers are, engaged and it is a established practice. During this peak period, besides regular basic wages, workers (both permanent and casual) are given incentives based on the volume of green leaf harvested over and above the minimum volume to be plucked to earn basic wage.

Tea Board is aware of the fact that the organized sector of the industry has voluntarily imposed a code of conduct on its members and children below the age of 15 years are not engaged for any work in tea plantations.

However, as the tea plantations are located in remote corners of the country spread over 15 States and the ownership of the gardens include not only corporate but also several thousands of medium and small size holdings the number of latter exceeding more than 1.5 lakh, it would be difficult on the part of the Tea Board to answer this question with certainty that child labourers are not engaged for plucking during peak cropping months."

94. It was further supplemented that:—

"Tea Board has not received any complaints or information as to the stoppage of import of teas from India on the grounds of having employed child labourers or using chemical fertilizers like Urea. However, the producers are well aware of the importer's requirements and ensure that their tea conforms with the norms of ISO 3720 which is the international standard for tea. Many producers have voluntarily obtained quality assurance certifications such as Rain Forest Alliance, Ethical tea partnership, UTZ etc. These Certifications issued by the accredited certifying bodies gives an assurance to the importers that teas have been produced by adhering to the standard norms. The certified organic tea gardens do not use chemical fertilizers and pesticides. In other gardens only such pesticides that have been approved by the Tea Research Institutes are used in order to conform with specified MRLs."

PART II

OBSERVATIONS/RECOMMENDATIONS

The Tea Board of India came into being, as a statutory body under the Ministry of commerce and Industry, in the year 1954 and remains the apex body for overall development of tea industry in India. Its functions, as defined under Section 4 of the Tea Act, 1953 span across a wide spectrum and *inter alia* include developmental, regulatory, research, marketing and promotional activities. Various aspects of the working of the Tea Board had been examined by earlier PACs and rampant deficiencies in its performance pointed out time and again. The Committee, however, observe that despite their earlier recommendations/observations to overcome such lacunae, The Government have not been above to put in place the much needed corrective mechanism. The PAC (1969-70) and PAC (1987-88) had recommended for development of alternative markets and exploration for expansion into emerging markets of developing countries, association of competent personnel engaged in the trade for export promotion, review of functioning of Tea Centres abroad, encouragement for quality tea production especially Darjeeling tea, product diversification and value addition to tea, augmentation of research work on tea and dissemination of its results to the planters for practical application, review of the requirement of quantitative growth and qualitative improvement of tea industry which had been affected due to the Government's failure to make a realistic assessment of actual funding needs for plantation of tea and also failure to ensure replantation, review of the whole question of subsidy *vis-à-vis* further growth of the industry, etc. The Committee find that many of these observations hold relevance in equal measure and reverberate in their current findings. This is symptomatic of the systemic failure plaguing the Tea Board and undoubtedly reveals the extent of complacency that has seeped into its functioning while also exposing its unpreparedness to rise to the growing challenges of a fiercely competitive global trade in tea as reflected by the relegation of the country's ranking to the second position with China overtaking India which hitherto was the reigning top tea producer in the World for nearly a century.

2. The Committee are concerned to note the declining productivity of tea from 1865 kg. per hectare in 1997 to 1663 kg. per hectare in 2008, steady decline in the prices fetched by the Indian tea over the last decade as compared to countries like Sri Lanka and Mauritius, increase in the cost of production with Indian having the highest cost of production amongst tea production countries in the world and the only country where cost of sales was above the auction realization. The Committee further observe that while India's production share declined from 41 per cent in 1950 to 26 per cent in 2008, India's export share had also declined from 48 per cent in 1950 a dismal 12 per cent in 2008 putting it at a mediocre fourth position in overall world rankings in terms of volume of tea export. In an area where the country can take a lot

of pride with tea being indigenous to India and a glorious heritage of taste, what is intriguing is the fact that the import of tea had gone up from 1.37 million kg. in 1992-93 to 25 million kg. in 2009. It was in the above context that the C&AG decided to conduct a performance audit of the role of Tea Board in the tea development of India and scrutinized records of its functioning covering the period from 2002-03 to 2008-09. The deficiencies observed in Audit were, largely accepted by the Ministry of Commerce.

3. The Committee are deeply concerned that even after 57 years of existence of the Tea Board, as of 2010, 125216 tea growers constituting more than 80 per cent of the small growers continue to remain outside the ambit of the Tea Board and are continuing tea cultivation without requisite permission in terms of the provisions of the Tea Act, 1953. The Committee observe that non-enumeration of such a large number of small growers remains one of the most important cause of failure of Tea Board to effectively discharge its basic regulatory role while also adversely impacting the effectiveness of its other functions. The Committee's examination revealed that redundant and rigid provisions of the governing Tea Act and the rules framed thereunder stood in the way of possible facilitation of regularization of these growers. While sections 12 and 14 of the Tea Act, 1953 and Rule 30A of the Tea Rules, 1954 mandates a tea garden owner to furnish specific documents in support of his ownership/grant/lease of the land, survey maps, soil suitability reports, etc. for grant of planting permission or registration of the tea garden, these existing laws simply do not have any provisions for *post facto* planting permission thereby disabling regularisation of plantations already in existence. The Committee note that the provisions for issuance of permit for planting tea under sections 12 and 14 of the Tea Act was incorporated to fulfil the country's obligations to the International Tea Agreement which was in force at the time of enactment of the Act, the main thrust of which was to regulate over production and glut in the global tea market by means of earmarked quotas of production. Startlingly, by the Ministry's own admission, even though the aforesaid Agreement expired way back in 1956, these archaic and redundant provisions of the Act still continue to be enforced by the Tea Board. The Committee recommend that Sections 12 & 14 of the Tea Act may be suitably amended.

4. The Committee are dismayed to find that the difficulties faced by the small growers are further compounded as they are required to produce documentary evidence of legal ownership of the land under plantation and other mandatory supporting records for registration. Land being a State subject, State Governments, grappling with this onerous responsibility of establishing title deeds of the area under tea cultivation, were already issuing possession certificates for those unsettled areas to facilitate Tea Board to extend common benefits due to these growers on the basis of such possession certificates issued to them. The Committee, however, find that for availing individual benefits such as subsidy for replanting/rejuvenation or irrigation, the grower still needs to establish legal ownership of the land under cultivation, for which requisite revision of relevant provisions of the extant laws remains the only solution. Consideration

the imperatives of expeditious enumeration of small tea growers with a view to bringing them under the ambit of the regulatory framework, the Committee desire that the Ministry make an all out effort towards a two pronged strategy to regularise all existing unlisted growers within a specific timeframe while also simultaneously enforcing a stringent registration/enlistment of any new plantation. To this end, the Committee desire the Ministry to also explore other alternate means of enlistment such as issue of valid identify cards to 'qualified tea growers', not necessarily linked to their ownership of land under cultivation so that genuine tea growers are not deprived of the benefits due to them for want of land documents. The Committee further recommend that such efforts should be adequately augmented by an aggressive sensitisation drive on the benefits of registration/enlistment and also provision of appropriate platforms and incentives to motivate these excluded small tea growers to come forward on their own to enlist themselves. The Committee observe that the Ministry's ongoing endeavour for a complete census to create a database of small tea growers through surveys by State Governments, enlistment from growers Associations, Self Help Group, etc., though long overdue and much belated, are nevertheless the need of the hour and desire that the same should be expeditiously carried out. The Committee also hope that the setting up of a separate Small Growers Directorate and the proposed IT based National Programme on Tea Regulation for a complete computerised data on tea growers by the 12th Five Year Plan period would pave the way for a more robust and effective regulation of the tea industry. The Committee would like the Ministry to keep them apprised.

5. The Committee note with profound concern that a highly tolerant inspection regime coupled with underterrering penalties and gross information deficit on activities of various stakeholders of the trade remains the major impediment in the exercise of effective control over them resulting in failure to ensure fair practices and quality products. Surprisingly, the Committee find that even the penalties stipulated under sections 36 to 42 of the Tea Act for major contraventions such as illegal cultivation, illicit export, etc. still remained unrevised and abysmally low at ₹ 100 - ₹ 5000. The Committee also note that lack of adequate manpower inhibited regular periodic inspections of the activities of manufacturers/buyers of tea, with inspections invoked only on complaints received. Further, non-submission of requisite returns by the manufacturers and buyers on a regular basis compromised effective monitoring and also timely compilation of tea statistics. The Committee observe that a system incorporating instantaneous access to crucial real-time data not only on tea statistics but also information on manufacturers/buyers coupled with a robust inspection regime with inbuilt provisions for mandated periodic as well as surprise checks by an empowered inspection team with requisite powers of search and seizure and state-of-art technical support a stringent enforcement of deterrant punitive/financial penalties remains one of the key requirements to meet the increasing challenges of high technology trading malpractices all across the globe. The Committee deprecate to

find that the much belated initiative of the Ministry to engage Indian Institute of Management (IIM), Kolkata to re-engineer the existing process of information collection and create an online database with provisions for e-auction system, electronic sale for non-auction route, online buying system, etc. is still in the proposal stage. The Committee are, therefore, distressed to note that the Tea Board is way behind in their e-commerce initiative for more transparent, reliable, accessible and faster transactions. Needless to say, this leaves a huge gap in the race for a sharp competitive edge in the global market while also compromising effective monitoring of the trade. The Committee, therefore recommend that the Tea Board ramp up its efforts to introduce e-commerce supported by a Computerised Management Information System to register business transactions and commercial operations of Tea Board through automated documentation and an online real time database. The Committee would like the Ministry to apprise them on the action taken in this regard.

6. The Committee deprecate that the rehabilitation of closed tea gardens, a regulatory role of the Tea Board as mandated under Section 16E of Tea Act, 1953 suffered heavily due to reluctance of banks to carry out restructuring as per the Scheme devised affecting the livelihood of 11,417 workers working in 12 gardens with financial liability of ₹ 92.51 crore of which ₹ 70.33 crore was towards liability of banks. The Committee find that such a situation resulted due to the failure of Tea Board to obtain formal commitment through bilateral agreement/MoUs with the financing banks at the time of formulation of the Scheme. The Committee are saddened to observe that lack of oversight in the formulation of the scheme resulted in non-achievement of targeted rehabilitation of closed tea gardens and desire that the Tea Board should exercise utmost care to ensure that such schemes having implications for the very livelihood of tea growers are not rendered dysfunctional due to want of appropriate and legally enforceable agreements with the financing banks. The Committee's examination further revealed many inherent limitations of the enabling provisions made in Section 16 of the Tea Act mainly providing for handing over the management of sick tea gardens to authorised persons/private entrepreneurs for rehabilitations *viz.* absence of provision for any sort of compensation either to the existing owner or for management/development of the tea garden; provision of only caretaker status to the authorised persons without ownership rights over land making them unable to mobilise funds from banks; maximum tenure of only 11 years giving little time for either any meaningful return on investment or to make the garden turn around; and unfavourable verdict of Courts/Govt. putting the onus of bearing the liabilities of the tea garden under liquidation to the private entrepreneurs. Noting that such difficulties have resulted in poor response from the public to take up the management control for requisite rehabilitation of the sick tea gardens, the Committee recommend that the Ministry should bring forth appropriate amendments to the Act to rectify the limitations and also desire that a conducive package be worked out with adequate incentives to make the offer attractive enough for private sector to invest so that sick tea gardens are turned around in the minimum possible time for higher productivity.

7. The Committee observe that a strong and vibrant legal framework with a strict enforcement regime is undoubtedly the first essential step for any effective regulation. The Committee are, however, anguished to find the Ministry's indifference to this very important aspect as exuded by the presence of numerous redundant, rigid as well as gaping holes in the various provisions in the extant laws governing the tea industry standing in the way to effective regulation, which the Ministry have so far chosen to ignore all through their nearly six decades of existence. They deplore that the initiative to amend the Tea Act for exempting small tea growers from the purview of sections 12 and 14 and also for revision of penalties as provided under sections 36 to 42 is still in the proposal stage. Taking cognizance of the fact that the long overdue response of the Ministry is a little too less and too late, the Committee recommend that a comprehensive review of all existing legislations/regulations be carried out a well crafted framework, alive to the present global challenges and customised to the ground realities, by way of requisite amendments to existing laws or formulation of new regulations wherever needed, be brought out expeditiously, in a time bound manner and the Committee apprised.

8. The Committee are deeply concerned to note that India's production share in global tea production had declined from 29.80 per cent in 1993 to 23.76 per cent in 2010. Notably, while productivity in respect of all major tea producing countries had been increasing over the period from 1994 to 2009, productivity in India had been declining. The Committee find that one of the primary reasons for low productivity and sub-standard quality of tea in India was ageing plantations and the total area commercially unproductive bushes alarmingly increased from 42 per cent in 1997 to 57 per cent in 2009 posing a serious threat to the tea industry. What, however, concerns the Committee is the criticality of the situation as brought home by the fact that at the current pace of replantation, it would take as long as 149 years to wipe off the back log. Admittedly, the stark statistics as submitted by the Ministry that as per their latest baseline survey of 2011, as much as 37 per cent of the total standing tea bushes in India are more than 50 years old, the economic threshold age for tea plants as compared to that of China wherein nearly one-third of its plantations, equivalent to the total current area in India, is less than 10 years of age exposing the level of comparative disadvantage the country suffers in terms of productivity. The Committee observe that an aggressive replantation drive remains the main solution to the present crisis facing the tea industry. The Committee, therefore, would like the Government to draw a long term replantation plan indicating the age of current plantation and the time schedule for replantation for the next twenty years and then apprise them.

9. Mindful of the fact that replantation, besides being a capital intensive activity with resultant loss of crop arising out of uprooting and a long gestation period of a minimum of five years time before the new tea bushes gives yield and almost nil returns on investment during the gestation period, the Committee feel that, as of now, adequate Government support in the form of subsidy remains the only effective means

for inducing planters to go in for large scale replantation. In the context, keeping in view the fact that the tea industry sustains the livelihood of a sizeable section of the population, the Committee support the recommendation of the Department Related Parliamentary Standing Committee on Commerce made in their 102nd Report of 15th Lok Sabha pertaining to consideration for a compensation package for workers laid off during the gestation period of replantation. The Committee are also concerned to note the failure of the Tea Board to evaluate the long term impact of rejuvenation pruning which has a lesser gestation time and is one of the most important operations next to plantation determining the productivity of tea bushes. The Committee desire that due importance should be given to rejuvenation pruning as well and the Tea Board should put in necessary checks and procedures to ensure that it is carried out during the prescribed period in order to get the maximum yield.

10. The Committee are appalled to find that even after the launch of the Special Purpose Tea Fund (SPTF) in 2007 to facilitate large scale plantations, the rate of replantation averaged at 1.53 per cent per annum which hitherto hovered dismally at 0.5 per cent per annum. The issue of the imperative need for a continuous and steady replantation had engaged the attention of the Committee since 1969 and the PAC (1987-88) in their 107th Report of 8th Lok Sabha, particularly observed that the failure of the Tea Board of India to ensure replantation at the rate of 2 per cent per annum of the total planted area as per the Scheme intimated to the PAC (1969-70) affected the industry both quantitatively and qualitatively and had urged for close monitoring of the progress of plantation in coordination with planters, research bodies and plantation workers. While admitting that achievement of 2 per cent per annum target of replantation depends largely on the industry's initiative and availability of resources for investment, the Ministry of Commerce in their Action Taken Notes on the aforesaid observation stated that a National Committee was set up to draw up a long term strategy and plan for the tea industry. The Committee are constrained to observe that the gravity of the present day crisis facing the Indian tea industry could perhaps been avoided had the Ministry taken up earnest action on the observations/recommendations of the earlier PACs for effective implementation. While reiterating their earlier recommendation that realistic and achievable targets for replantation be fixed after a scientific and coherent assessment of fund needs and mobilisation of all resources including technological know-how to ensure achievement of the targets so fixed, the Committee observe that the need of the hour calls for serious retrospection on the part of the Ministry and the Tea Board and come forth with a comprehensive and concrete plan of action for rejuvenation of our tea industry, increase in production, productivity and for preserving its quality and image. The current domestic demand for tea as well as global tea market must factor in while preparing such a plan, in consultation with all stakeholders as well as experts and scientists connected with the tea industry. In their considered view all out and comprehensive strategy must be evolved in order to secure the pre-eminent position of Indian tea in the world trade.

11. Inadequacy of funds was one of the main reasons for tardy pace of replantation. Worse, the failure of the Tea Board to realistically estimate requirement of funds for replantation and want of proper intervention is evident from the fact that the Tea Board spent a mere ₹ 21.06 Cr. during the Xth Five Year Plan and yearly ₹18.87 Cr. in the first four years of the XIth Plan (March, 2011) against the worked out capital investment of ₹ 6091.21 Cr. for replantation of 2,47,610 hectares of tea bushes aged more than 40 years as on 1 January, 2009. The enormity of the task of replantation of aged bushes spread over 2,47,610 hectares calls for developments of a perspective plan and concerted action plan. The Committee recommend a comprehensive perspective plan be developed and implemented in a phased/time-bound manner for replantation of all tea bushes more than 50 years within the 12th Plan period. The Committee would like to be apprised of the detailed plan alongwith the time lines for replantation for the 12th Plan year-wise and hectare-wise.

12. The Committee find that the SPTF launched in the year 2007 for extending financial support in the ratio of 50% loan component, 25% subsidy and 25% cost to be borne by the industry met with only modest achievements as the low rate of subsidy component did not result in planters going in for large scale replantation. The Committee's examination revealed that the identification of the areas for replantation, basically left to the option of growers and done usually in batches, strengthens the case for an imperative need for devising a much more attractive and incentivised subsidy scheme for replantation, factoring in all hitherto inhibitive reasons and an aggressive awareness drive amongst the growers on the long term benefits of replantation. The Committee appreciate the proposal to make the STPF more attractive by discontinuation of the loan component *w.e.f.* 1.4.2012, revising the unit cost after factoring in wage and input costs and also enhancing the subsidy rate. The Committee are pleased to note the other initiative of the Government to provide incentives for replantation through the provision of Income Tax exemption under Section 33AB of the Income Tax under which 40% of the taxable income is exempted from tax-provided the funds so exempted are utilised for replanting and other developmental activities as notified by the Tea Board under the Tea Development Account Scheme. The Committee also desire that the Ministry give due weightage to the suggestions given by the Institute of Plantation Management, Bangalore that the identified beneficiaries of a more robust and attractive Scheme be implemented through Authorised Financial Institutions from a consortium of Banks to ensure financial discipline required for the implementation of critical development Schemes like the SPTF with Tea Board acting as the facilitator. The Committee would like to be apprised of the action taken in this behalf.

13. The Committee note the failure of the Tea Board to provide relevant maps and data pertaining to tea gardens to Indian Space Research Organisation (ISRO) resulting in non-commencement of the remote sensing project costing ₹ 5 Cr. for identification of area for replantation using Normalised Difference Vegetation Index (NDVI) techniques of satellite data processing. Mindful that the applications of remote

sensing technology have emerged as cost effective means for efficient management of the nation's natural resources and a promising tool for sustainable development, the Committee deplore callousness on the part of Tea Board which resulted in delay in mapping of potential areas for replantation, the proverbial first step in any large scale replantation scheme. The Committee also note with profound concern the failure of the Tea Board to popularise use of even mechanical aids such as pruning machines, widely in practice in other tea producing countries for reduction of labour cost as well as for increasing efficiency. Notably, in this age of rapid improvements in technological prowess, timely upgradation of technology/techniques and mechanisation holds the key for constant improvements of efficiency in any industry. The Committee, therefore, recommend an aggressive modernisation drive for replacement of old inefficient practices with more state-of-the-art machines and mechanical aids to bring about more efficiency and productivity at lower cost. To this end, the Committee desire adequate popularisation campaigns strongly advocating the benefits of these mechanical aids supported by affordable, easy and accessible finance to help growers obtain these aids.

14. The Committee are dismayed to note that lower increase in price realisation from export of Indian tea was primarily due to inferior quality, adverse product mix and other marketing factors. The Committee further note with concern that the percentage of orthodox tea production in India which was as high as 66 per cent in 1961 of the total production came down drastically to a mere 8 per cent in 2005, though it is the orthodox tea variant which the world market demands. The Committee find the Tea Board's efforts towards conversion from CTC (Cut, Tear and Crush) variant of tea to orthodox tea production through their various Schemes such as Orthodox Tea Production Subsidy Scheme, Quality Upgradation and Product Diversification and Price Subsidy Scheme, did not meet the desired objectives of correction of imbalance in the product mix and product diversification due to various deficiencies *viz.* absence of a benchmark for perceptible increase in orthodox tea production; excess/irregular payment of subsidy; non-maintenance of proper record of payment of subsidy to small growers and ineffective monitoring of impacts/benefits accrued. The Committee desire that the Tea Board's proposal for revision of the subsidy Scheme for the XIIth Plan period to further incentivise the growers and producers to switch from CTC to orthodox tea production should be effectively implemented for timely achievement of targets. The Committee further desire that a strict monitoring regime be put in place to ensure that the offtake of subsidies correlate to actual quantifiable outcomes in terms of higher production of the Orthodox tea variant. The Committee also find that the failure of the Tea Board to take action for reduction in the cost of production as one of the main factors contributing to the declining productivity. Keeping in view that cost advantage if not cost leadership is, but, one of the most prominent strategies for competitive advantage in marketing of any commodity, the Committee desire that the Ministry should not undermine this aspect. The Committee, therefore, recommend a systemic, periodic and regular cost studies with mandatory follow up action to identify elements contributing to cost escalation with a view to initiate immediate steps for appropriate and quick redressal thereof. Further, the Committee note deficiencies in training activities under the Human Resource Development Scheme aimed at improving the productivity of

manpower for overall cost reduction. The Committee observe that constant skill upgradation of workers/pluckers as well as capacity building of entrepreneurial skills of managers through appropriate training inputs and exposure to new methods, procedures, technology and mechanical aids is needed for the Indian tea industry to synchronise itself to the advancing global market requirements. The Committee, therefore, recommend that the Tea Board should pay full and proper attention to this vital aspect and devise appropriate training modules for all levels of workers in the tea industry in collaboration with reputed training institutes in India and abroad.

15. The Committee are, concerned to note the Audit findings that during the period under review neither any deliverables were transferred for the use of the tea industry nor were any patents filed indicating want of tangible research activities. The Committee are of the considered view that continuous renovation of field assets and Research & Development on a sound footing covering not only technologies and processes but also financial, organisational, managerial and marketing aspect are essential for sustainable growth in both quality and quantity tea production. Admittedly, research work on various areas *viz.* integrated nutrient management; development of new superior tea cultivators with higher yield, quality and resistance to drought, biotic stresses, etc; innovative approaches to tea manufacturing and processing technologies; integrated package for electronic essential for quality testing/monitoring of tea; quality improvement and value added tea products; pest control and disease management; effect of climate change in tea; and health benefits of tea are currently being carried out by various research institutes. The Committee desire that the research should produce quantifiable and positive outcomes backed by requisite statistical data on the input output correlation on the investments made *vis-a-vis* productivity and quality enhancement. Statedly, tea factories are also being advised to go in for ISO 22000 HACCP certification as part of their modernisation drive to raise the quality of tea to conform to norms of ISO 3720, the international standard for tea. The Committee emphasise that such certifications have become a compelling necessity as they provide the much needed credibility and brand image to Indian tea products in the international market. The Committee, therefore desire that the Tea Board to come out with stringent regulations for effective enforcement of the mandatory standards and also encourage additional accreditations which though not mandatory are nevertheless best adhered to so as to gain further competencies and brand building in global tea marketing.

16. Patenting a product and getting a Geographical Indication (GI) tag not only ensures that none other than those registered as authorised users are allowed to use the popular product name but also identifies the product to the region of origin while

also giving competitive advantage in marketing the product. Undoubtedly, filing of patents for variants of tea of indigenous Indian origin is important for patronising it for promotion abroad as well as for effective deterrent action on their unauthorised marketing. The Committee are, however, dismayed to find that after the Darjeeling Tea was proudly declared as the first Geographical Indication tagged product of India in 2004-2005, the Tea Board could not file a single patent despite the great variants of indigenous Indian tea with glorious heritage of taste and demanded globally. The Committee, therefore, recommend that the Ministry take urgent steps to identify these indigenous variants eligible for the GI tag and file for their patents and the Committee be apprised.

17. Dismal performance in the exports sector of the tea industry revealed itself in the declining export share from 15.17 per cent in 1993 to 11.15 per cent in 2010. The Committee note with profound concern that market diversification efforts including exploring new markets through the overseas offices of Tea Board and other promotional activities did not yield any effective results and the three schemes for promoting exports viz., Export Incentive Scheme, Transport Subsidy Scheme and Export Promotion Scheme did not make even marginal impact having benefited a mere 11 per cent of total exporters. Intriguingly, Rs. 36 crore was spent on domestic promotion campaign without specifying the outcomes achieved. The Committee observe that enhanced differentiated customer needs all over the world changing the hitherto bulk tea demand as a commodity to that of value added tea products in branded packs underlies the imperatives of product diversification for increasing global market share of Indian tea. The Committee had made a similar recommendation as early as 1969, but unfortunately the counsel remained largely unheeded. Further, keeping in view that branding and value addition go hand in hand and have emerged as the best strategy to retain customers, the Committee recommend that the Tea Board initiate more pro active measures for strong brand building and differentiated value addition to tea products as per the consumer demands after conducting a thorough market research. The Committee also desire that the Tea Board should make tangible efforts to continuously identify and imbibe evolving successful marketing strategies such as niche marketing, cost leadership, extensive distribution networks, customer focus and quick delivery of products while also moving towards and efficient e-marketing strategy to capture the vast sale potential of Indian tea.

18. The Committee hope that the Project 5-5-5 Scheme concentrating efforts for increasing export to for five major countries through execution of five specific activities for five years stated to commence from the year 2012-13 at the cost of ₹ 5.5 crore produce the desired result. The Committee further desire aggressive marketing campaign for brand promotion including the possibility of outsourcing such activities to professional private agencies for focused targeted campaigns on specially identified potential consumer groups with adequate linkages to incentives and disincentives for effective and timely achievement of targets. The Audit had observed

that these functions could instead be performed through the Economic Wing in the Indian Missions/Posts abroad in harmony with their earlier recommendation. The Committee therefore reiterate that the role and performance of these foreign offices be reviewed and evaluated in the light of the valuable assistance rendered by our Missions/Posts abroad and the Committee apprised. Having regard to the remedial measures proposed for implementation during the 12th Plan period emphasizing on *inter-alia* health, wellness and lifestyle aspects of tea for enhanced tea consumption among the youth; infrastructure development like tea parks; tea warehouses, laboratories, etc. through Public Private Partnership, visual advertisements through social networks, etc. the Committee recommend that the Ministry monitor the implementation of these initiatives; set up a robust monitoring mechanism and apprise the Committee in course of time.

19. The Committee are concerned to note diversion of funds from Plan to Non-Plan from time to time for meeting Non-Plan expenditure, inadequate internal generation of funds, total dependence on Government support for every activity and weak financial management and internal controls. Further the Committee note that the rate of cess on tea has been revised to maximum permissible limit of 50 paisa/kg. for all variants of tea other than Darjeeling Tea for which the rate of cess is 20 paisa/kg. Apparently, the projected cess collection of ₹ 48 crore per annum is grossly inadequate for the overall development of the tea industry and the expansion of the activities of the Tea Board. The Committee, therefore, recommend that the Tea Act be amended suitably so that the rate of cess can be calibrated as per the requirements. Keeping in view the dictum that increase in revenue generation is one of the most significant markers of the financial growth of any organization, the Committee also wish to impress upon the Tea Board not to undermine the importance of revenue generation and put in sustainable operational measures for self-reliance in financial matters. The PAC (1988-89) had also observed that grant of subsidy did not speak highly of the entrepreneurial ability of tea industry. In this context, the Committee recommend that dependence on subsidies and other Government support should be taken as temporary alleviative measure which ought to be phased out eventually, moving towards a more profitable regime. The Committee also recommend streamlining and restructuring of internal audit system for more effective and efficient internal control system commensurate with the extent of activities undertaken, which is but the *sine-quo-non* of a robust financial management system.

20. To sum up, the Committee finds that many systemic and other deficiencies plague the Tea Board and the tea industry. In order to meet the growing challenges of a fiercely competitive global trade in tea, steep decline in India's tea export from 48% to 12%, the Tea Board needs to initiate urgent measures to address the problems so that India attains its pre-eminent position in terms of quality and quantity of tea produced. The Committee further recommend that the small growers may also be brought within the purview of the Tea Board by effecting necessary amendments in the Tea Act while ensuring that statutory amenities and facilities are provided to the tea plantation workers including health and education of their families. The Committee also reiterate the recommendation of the Departmentally related Parliamentary Standing Committee on Commerce made in their 102nd Report of

15th Lok Sabha pertaining to consideration for a compensation package for workers laid off during the gestation period of replantation. The Committee, therefore, ardently hope that the strategic vision of the Ministry of Commerce to meet these challenges would accomplish not only its mission of restoring the Country to its deserved original position in the global tea market but also fulfil its social obligations of a more promising standard of living of all those who are dependent on the fortunes of the tea industry. The Committee, therefore, reiterate the need for comprehensive review of the extant legislation and the working of the Tea Board in order to boost production and productivity of Indian tea and to ameliorate the living conditions of the workers engaged in the tea industry.

NEW DELHI;
28 December, 2012

07 Pausa, 1934 (Saka)

DR. MURLIMANO HAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FIFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 21st JUNE, 2012

The Public Accounts Committee sat on Thursday, the 21st June, 2012 from 1130 hrs. to 1320 hrs. in Room No. 53, Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Shashi Tharoor
3. Dr. Girija Vyas

Rajya Sabha

4. Shri Prasanta Chatterjee
5. Shri Satish Chandra Misra
6. Shri Sukhendu Sekhar Roy
7. Shri J. D. Seelam
8. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Smt. A. Jyothirmayi — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri A.K. Patnaik — Dy. Comptroller and Auditor General of India
2. Ms. Revathy Iyer — Director General
3. Ms. Geetali Tare — Pr. Director (Scientific Departments)

Representatives of the Ministry of Commerce and Industry (Department of Commerce)

1. Shri Madhusudan Prasad — Additional Secretary
2. Ms. Aditi Das Raut — Director

Representatives of Tea Board

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|----|---------------------|---|-----------------------------|
| 1. | Shri M.G.V.K. Bhanu | — | Chairman |
| 2. | Ms. Roshni Sen | — | Deputy Chairman |
| 3. | Shri G. Boriah | — | Director (Tea Development) |
| 4. | Shri Rajeev Roy | — | Financial Advisor and Chief |

Accounts Officer

2. At the outset, the Chairman welcomed the Members, the Audit Officers and the representatives of the Ministry of Commerce and Industry (Department of Commerce) and the Tea Board. Apprising that the Sitting was convened to take evidence of the representatives of the Ministry of Commerce and Industry (Department of Commerce) on the subject '**Role of Tea Board in Tea Development in India**', based on the C&AG Report No. 10 of 2010-11, the Chairman impressed upon the witnesses to keep the deliberations of the Committee confidential until the Report on the subject was presented to the House. He then requested the Additional Secretary, Department of Commerce to give a brief account of the follow up action taken by the Ministry on the Audit findings and to improve the overall functioning of the Tea Board. The Additional Secretary, accordingly, briefed the Committee on action taken by the Government on various aspects which included increasing productivity by replantation of commercially unproductive tea bushes, prices of Indian Tea as compared to that of major tea producing countries, issue of patents, manner of implementation of Export Incentive Scheme for assistance to tea exporters and financial management and internal controls in Tea Board.

3. The Members sought clarifications on several aspects that had been brought out in the Audit Report. During the course of deliberations, the Committee expressed their displeasure over the tardy progress made by the Department in taking action on several deficiencies pointed out by the Audit. In addition, the Committee sought to know if random usage of fertilizers had eroded top soil thereby damaging the tea estates. Clarifications were also sought regarding alleged employment of child labourers during plucking season, and illegal human trafficking and change of land use. In order to get to know the problems faced in the tea growing areas, some of the Members suggested that the Committee undertake an on-the-spot study visit to some of the tea estates. The Chairman then asked the Additional Secretary, Department of Commerce to send the status report at the earliest on the various issues that were raised and which could not be replied satisfactorily or for which information was not readily available.

4. Thereafter, the Chairman thanked the representatives of the Ministry of Commerce and Industry (Department of Commerce) and the Tea Board for appearing before the Committee and furnishing valuable information on the subject. The representatives were informed that they would be called before the Committee for further clarifications, if need be. The Chairman then thanked the Members for their active participation in the discussion on the subject. The Chairman also thanked the representatives of office of Comptroller and Auditor General of India for providing assistance to the Committee.

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the Sitting has been kept on record.

The Committee, then adjourned.

APPENDIX II

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 28TH DECEMBER, 2012

The Committee sat on Friday, the 28th December, 2012 from 1500 hrs. to 1610 hrs.
in Room No. 62, Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Bhartruhari Mahtab
5. Shri Shripad Yesso Naik
6. Shri Abhijit Mukherjee

Rajya Sabha

7. Shri Prasanta Chatterjee
8. Shri Satish Chandra Misra
9. Shri Sukhendu Sekhar Roy
10. Shri J. D. Seelam
11. Shri N.K. Singh
12. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Ms. Miranda Ingudam — *Under Secretary*
4. Shri A.K. Yadav — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri P. Sesh Kumar — Director General (C)
2. Shri Nand Keyolar S. — Director General
3. Ms. R. Rajalakshmi — Director General
4. Ms. Divya Malhotra — Director General

