

HUNDRED AND FIRST REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1984-85)

(SEVENTH LOK SABHA)

CENTRAL WAREHOUSING CORPORATION

MINISTRY OF FOOD AND CIVIL SUPPLIES
(DEPARTMENT OF FOOD)

[Action taken by Government on the Recommendations
contained in the 95th Report of the Committee on
Public Undertakings (Seventh Lok Sabha)]



Presented to Speaker on 19.11.1984

Laid in Lok Sabha on

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1984/Kartika, 1906 (Saka)

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1984-85)**

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Shri Madhusudan Vairale

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3. **Shrimati Gurbrinder Kaur Brar**
4. **Shri Narayan Choubey**
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15. **Shri Krishan Pratap Singh**

Rajya Sabha

16. **Shrimati Margaret Alva**
17. **Shri Nand Kishore Bhatt**
18. **Shri Jaswant Singh**

(iv)

19. Shri Sushil Chand Mohunta
20. Shri Ram Pujan Patel
- *21. Shri K. L. N. Prasad
22. Shri Gulam Mohi-ud-Din Shawl

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2. Shri M. K. Mathur—*Chief Financial Committee Officer.*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer.*
4. Shri Rup Chand—*Senior Financial Committee Officer.*

* Elected w.e.f. 23-8-1984 vice Miss Saroj Khaparde resigned.

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS
(1984-85)**

1. Shri Madhusudan Vairale — *Chairman*
2. Shri Kamaluddin Ahmed — *Convener*
3. Shri Krishna Chandra Halder
4. Shri B. D. Singh
5. Shrimati Margaret Alva
6. Shri Nand Kishore Bhatt
7. Shri Sushil Chand Mohunta

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 101st Report on Action Taken by Government on the recommendations contained in the 95th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Central Warehousing Corporation.

2. The 95th Report of the Committee on Public Undertakings was presented to Lok Sabha on 30 April, 1984. Replies of Government to all the recommendations contained in the Report were received on 5 October, 1984. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 16 November, 1984. The Committee considered and adopted this Report at their sitting held on 17th November, 1984.

3. An analysis of the action taken by Government on the recommendations contained in the 95th Report (1984-85) of the Committee is given in Appendix II

NEW DELHI ;
17 November, 1984

26 Kartika, 1906 (Saka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Ninety-fifth Report (Seventh Lok Sabha) of the Committee on Public undertakings on Central Warehousing Corporation which was presented to Lok Sabha on 30 April, 1984.

2. Action Taken notes have been received from Government in respect of all the 24 recommendations contained in the Report. These have been categorised as follows :—

- (i) Recommendations/observations that have been accepted by Government.

S. Nos. 5 to 10, 13 to 17, 19 to 22 and 24.

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

S. Nos. 4 and 12.

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

S. Nos. 1, 2 and 11.

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

S. No. 3, 18 and 23.

3. The Committee desire that the final replies in respect of recommendation for which only interim replies have been given by Government, should be furnished to the Committee expeditiously.

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

*A. Objectives and Obligations of CWC and Corporate Plan***Recommendation Sl. No. 1 (Paragraph 2.19)****Recommendation Sl. No. 2 (Paragraph 2.20)**

4. The Committee had been informed that the Corporation had so far been operating on the basis of the objectives broadly laid down in the Warehousing Corporation Act, 1962 and some physical and financial objectives though formulated by the Corporation had not been specifically approved by the Government. The Committee pointed out that in terms of the guidelines issued by BPE in 1970 and 1979, it was incumbent on all the Public Undertakings to make a comprehensive and clear statement on their objectives and obligations. These statements should be formulated by the enterprises with the approval of Government and that Ministry of Finance should be consulted before finalising the financial aspects of such statements. The Committee desired that action to formulate the micro objectives of the Corporation and getting them approved by the Administrative Ministry should be taken without further delay.

5. The Committee also desired that after finalisation of the micro objectives of the Corporation, its Corporate Plan which was long overdue should also be drawn up so that the performance of the Corporation could be judged against the set Plan and targets. They observed that objectives and obligations should be clearly specified in the Corporate Plan of the Corporation.

6. In their reply, the Government have stated that the objectives of the Corporation have been laid down in the Act itself. The CWC functions within the framework of those objectives only. It has been further stated that all the activities in the Government and Public Sector of the economy are regulated by the framework of the Five Year Plan. Therefore, the capacity to be created and the funds to be provided for that purpose are worked out within the compass of the total Five Year Plan after discussions with the Planning Commission. As such, no further break-up of the objectives and obligations is necessary.

7. The Committee are not satisfied with the reply of the Government and reiterate their original recommendations. Apart from the

Warehousing Corporations Act, 1962, wherein the objectives of the Corporation are stated to be broadly laid down, each public undertaking is required to formulate its detailed or micro objectives and a statement of its physical and financial objectives is required to be prepared and got approved by the administrative Ministry in consultation with the Ministry of Finance. This is as per the directions of Bureau of Public Enterprises issued in 1970 and reiterated in 1979. In spite of the BPE instructions, micro objectives of CWC have not been spelt out. The Committee need hardly stress that to make a periodical meaningful evaluation of the performance of the Corporation, it is necessary that it should have well defined and clearly stated physical and financial objectives. Any difficulties or doubts about formulation of statement of directives should be got clarified from the BPE. The Committee, therefore, desire that the matter be given immediate attention and objectives and the Corporate Plan finalised with the approval of the Ministry concerned in consultation with the Ministry of Finance without any further delay. They would also reiterate that the objectives and obligations should be clearly specified in the Corporate Plan of the Corporation.

B. Role and scope of functions of the Central Warehousing Corporation.

Recommendation, S. No. 3 (Para 3.52)

8. The Committee were informed that in pursuance of the directions given by Government of India in 1974, a Working Group was formed to review the provisions of Warehousing Corporation Act, 1962, in the context of developments that have taken place since the inception of the Corporation. The Working Group made recommendations relating to the need for extension of role, scope and functions of the Corporation, its relationships with the State Warehousing Corporations and other pertinent aspects. The final view on recommendation of the Working Group had yet to be taken. The Committee had urged the Government to finalise their proposal at an early date.

9. In their reply, the Government have stated that the recommendations of the Working Group are under consideration of the Central Warehousing Corporation and the Corporation has been advised to finalise its views thereon expeditiously.

10. The Committee urge the Central Warehousing Corporation and also the Government to formulate and finalise their views on the proposals without any further loss of time and take necessary steps to initiate legislations in this regard, if necessary.

C. Institutional Credit through Warehouse receipts

Recommendation, S. No. 6 (Para 3.57)

11. The Committee observed that because of the difficult and cumbersome procedure adopted by the banks the farmers were not in a position to approach and get the credit from banks through the medium of Warehouse receipts. The Committee therefore urged the Government to resolve controversy regarding the procedure adopted by the banks. The matter should be taken up at the highest level to simplify the procedure so that farmers and producers derive the maximum benefits out of the scheme.

12. The Government have stated in their reply that they had taken up the matter with the Reserve Bank of India.

13. As the present difficult and cumbersome procedure of the banks directly affect the farmers who belong to a weaker section of the society, the Committee recommend that the matter may be sorted out with the Reserve Bank of India at the earliest and the Committee apprised of the final decision taken in that regard.

D. Creation of storage capacity during Sixth Plan period

Recommendation, Sl. No. 11 (Para 4.51)

14. The Committee had observed that on the basis of the mid-term appraisal of the Sixth Plan in 1982, the final target for construction of the storage capacity under the General Warehousing Programme was reduced from 16.25 lakh tonnes to 14.50 lakh tonnes. Against the revised target the capacity actually created was only 5.88 lakh tonnes in the first 3 years. The Committee, therefore, recommended that all out efforts should be made to achieve the balance capacity of 8.62 lakh tonnes according to the schedule.

15. In their reply, the Government have stated that during the first 4 years of the Sixth Five Year Plan, the Central Warehousing Corpora-

tion had constructed a capacity of 7.85 lakh tonnes. During 1984- 5, the Corporation proposes to construct a capacity of 3.12 lakh tonnes under their general warehousing programme and a capacity of 2.50 lakh tonnes under the additional storage construction programme. The total capacity to be completed during the current year would be of the order of 5.62 lakh tonnes. The Corporation thus expects to construct a capacity of 13.47 lakh tonnes during the Sixth Plan, against the target of 14.50 lakh tonnes.

16. The Committee note that the Sixth Five-Year Plan (1980-85) had envisaged construction of a capacity of 2 million tonnes during 1980-85, i.e. storage capacity of 16.25 lakh tonnes under General Warehousing Programme and 3.75 lakh tonnes under World assisted project. On the basis of mid-term appraisal of the Sixth Plan, however, the target was reduced to 14.50 lakh tonnes. According to the Corporation, the storage capacity actually created by them during the first 4 years (upto 1983-84) of the Plan was 7.85 lakh tonnes and during 1984-85 the capacity expected to be created is of the order of 5.62 lakh tonnes. Thus, a capacity of 13.47 lakh tonnes would be created during the Sixth Plan against the revised target of 14.50 lakh tonnes and overall target of 2 million tonnes.

17. The Committee are distressed to note that in spite of clear emphasis laid by them, the Corporation do not propose to endeavour to achieve by the end of Sixth Plan even the revised target of 14.50 lakh tonnes of storage capacity, as agreed to in the mid-term appraisal. The Committee feel that the Government and the Central Warehousing Corporation lack the efforts and enthusiasm to achieve even the revised target and urge the Government to make all out efforts to achieve at least the revised target, if not more.

E. Old stocks lying in CWC's Warehouses

Recommendation, Sl. No. 21 (Para 6.8)

18. The Committee had noted that at some centres, large stocks of damaged fertilizers and sugar belonging to Hindustan Fertilizers Corporation, Food Corporation of India, S.T.C. etc. were lying in the CWC's warehouses for long. They desired that the CWC should use good offices of the Ministries concerned to get removed the old accumulated stocks of public undertakings lying in the CWC's warehouses.

19. In reply the Government have stated that they have noted the recommendation of the Committee.

20. The Government have not indicated the action taken or proposed to be taken by them for removing the accumulated stocks of public undertakings lying in the Corporation Warehouses and what has been the response of the administrative Ministries concerned in this regard. The committee would like to be apprised of the precise action taken and outcome of the efforts made.

F. Outstanding Dues

Recommendation, S. No. 23 (Para 6.18)

21. The Committee noted that although the Corporation could levy 12½% penal interest on the outstanding storage charges of the CWC due beyond the normal credit period, no interest was charged for fear of losing goodwill and cooperation of the Government organisations, the major depositors, who are utilising most of the space. They felt that a credit limit should be fixed for all the Government departments, public undertakings, cooperative societies etc. and all outstanding beyond this limit should carry interest at the Bank rate. The Committee also recommended that dispute about the amount, of Rs. 78.45 lakhs outstanding against FCI should be sorted out without any further delay.

22. In reply the Government have stated that the recommendation of the Committee about fixing the credit limits for bulk depositors and to charge interest at bank rate for amount exceeding the limit is being examined by the Corporation. As regards the claim of Rs. 78.45 lakhs outstanding against FCI, the matter was being pursued vigorously.

23. The Committee are surprised to note that the Ministry is still examining their recommendation about fixing credit limit for bulk depositors and for charging interest at bank rate for all outstanding beyond the credit limit. They feel that the Corporation should not have taken such a long time to examine the Committee's recommendation. They would like to know what precisely are the difficulties of the Government in implementing this recommendation expeditiously. The Committee would also like that the Ministry should use its good offices for sorting out expeditiously the dispute of the amount of Rs. 78.45 lakhs outstanding against FCI. The Committee would await the outcome.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 5 (Paragraph 3.56)

The Corporation introduced Farmers Extension Service Scheme in 1978-79 with the objectives (i) to educate the farmers on the advantages of scientific storage and utilisation of public warehouses and (ii) assisting the farmers in getting loans from the banks against the pledge of warehouse receipts. The Committee find that the number of farmers all over India who utilised the services under this scheme was only 259 in 1980-81, 409 in 1981-82 and 344 in 1982-83. The reasons for contacting such a small number of farmers are stated to be that the CWC warehouses are mostly at the All India centres and their locations are far off from the villages. While the M.D., CWC admitted during evidence that "our coverage of the scheme has been insignificant and the impact has been less", the Food Secretary stated, "It is not that the farmers are not utilising the service. It is the CWC coverage which has not been that much." He further stated, "On our part I don't know why the farmers had not responded fully. We find that the figure is 409 out of 15,830 in 1981-82. I have no knowledge why only 409 came to utilise the service".

The Committee desire that extension service work should be expanded on a larger scale and greater efforts be made to approach the farmers and educate them on the advantages of scientific storage and utilisation of public warehouses, with the assistance of cooperatives and the State Warehousing Corporations.

Reply of the Government

Consistent with the rather limited role of the Central Warehousing Corporation in the rural areas as explained in reply to recommendation No. 4, the Corporation has initiated action for the expansion of its

extension services suitably. The Corporation has also advised the State Warehousing Corporations suitably in the matter.

Recommendation, Serial No. 6 (Paragraph 3.57)

The Warehousing Corporations in the Public Sector were set up under special legislation for achieving *inter alia* the objective of extension of institutional credit to farmers through the medium of warehouse receipts. The financial objectives of CWC lay down that the Corporation is required to create a negotiable paper to provide an instrument for extension of credit through commercial banks for the benefit of depositors. During evidence, the MD, CWC admitted that "extension of institutional credit is one area where the objectives have not been fully achieved". Difficult and cumbersome procedure adopted by the banks are stated to be the reasons for which the farmers are not in a position to approach the banks. In this context the Secretary, Department of Food, denying this charge stated, "I do not think it is quite correct. The banks have been giving credit though the margin is high". As regards cumbersome procedure for advances against warehouse receipts he stated, 'I am sorry this has not been brought to my notice'.

The Committee would like the Department/CWC to resolve the controversy regarding the difficult and cumbersome procedure adopted by the banks for advances against warehouse receipts. If the procedure is difficult and cumbersome as stated by the MD, CWC the matter should be taken up at the highest level with the concerned authorities with a view to finding ways and means to simplify the procedure so that farmers and producers derive that maximum benefit out of the scheme of institutional credit through warehouse receipts.

Reply of the Government

The Ministry has since taken up the matter with the Reserve Bank of India.

Comments of the Committee

(Please see Para 13 of Chapter D)

Recommendation, Serial No. 7 (Paragraph 4.47)

The Committee are unhappy to note that no proper survey has so far been conducted for determining the total requirements of storage

space in the country as a whole area/region-wise. They have been informed that some *ad-hoc* surveys have been made. The Committee note that the Ministry has been stressing the need from time to time in a number of conferences of Warehousing Corporations and on the Managing Directors for undertaking a survey, State-wise or area-wise. However, no such survey has been undertaken in a systematic manner. The Committee desire that the Central Warehousing Corporation should undertake, in collaboration with the State Warehousing Corporations, an intensive survey in order to assess the extent of requirement of additional warehousing capacity in the country and to decide locating new centres of all-India importance and extending warehousing facilities wherever necessary.

Reply of the Government

The Corporation has already initiated action to undertake a survey to assess the requirement of additional warehousing capacity in the country.

Recommendation Serial No. 8 (Paragraph 4.48)

The Committee note that the Corporation is operating both in hired and own constructed godowns. Out of the total storage capacity of 44.82 lakhs M.T. as on 31.3.1983, more than 35% of the capacity was in hired godowns. The hired godowns are stated to be more remunerative than owned constructed godowns. The Committee, however, suggest that more and more warehouses should be built in the areas where warehousing facilities are not available. For this purpose the Corporation should utilise the profits earned in good areas for building godowns in areas of less profitability so that services of warehousing could be extended to such areas. After all, there should be some cross-subsidisation in activities like this.

Reply of the Government

The recommendation made by the Committee has been noted.

Recommendation, Serial No. 9 (Paragraph 4.49)

The Committee further note that the construction of warehouses by th CWC is proceeding at a slow pace. This should be speeded up. In this connection, the Committee would like to reiterate their earlier recommendation made *vide* para 3.6 of their 24th Report that the CWC should be provided with sufficient funds for building its net work of godowns throughout the country so that it may gradually come up to play effectively the role of handling of storage work for all public undertakings in future. In reply the Government had then stated that Committee's recommendntions had been noted. The Committee would like to know the present position of the matter, *i.e.* the extent of funds provided by the Government to C.W.C. for this purpose and the amount of storage capacity provided by CWC and utilised by the various public undertakings since 1979.

Reply of the Government

The role of the Central Warehousing Corporation is neither restricted to providing warehousing facilities to public sector undertakings only nor is it meant to handle storage work for all public sector undertakings. The facilities provided by the Corporation are for use by individuals, cooperative societies and other institutions. In other words, besides public sector undertakings, others are also free to utilise facilities provided by the Corporation.

The Government is providing sufficient funds to the Central Warehousing Corporation for construction of warehouses, keeping in view the internal and institutional resources of the Corporation. The construction programme of the Corporation is funded through budgetary support provided by the Government and the extra budgetary resources, which include internal and institutional resources. The position in this regard since 1979-80 is as follows :—

(Rs. in crores)

Year	Budgetary support by the Govt.	Extra Budgetary resources of the Corporation	Total
1	2	3	4
1979-80	4.78	0.76	5.54
1980-81	—	8.83	8.83
1981-82	5.00	5.06	10.06
1982-83	3.00	9.06	12.06
1983-84	—	8.38	8.38

In addition, funds are also provided by the Central Government to the Central Warehousing Corporation, to the extent necessary, keeping in view the Corporation's budgetary resources, for contribution towards the share capital of the State Warehousing Corporations so as to assist them in construction of storage capacity. The funds released by the Central Government for this purpose since 1979 are as follows :—

			(Rs. in crores)
1979-80	...		Nil
1980-81	...		2.24
1981-82	...		2.59
1982-83	...		2.51
1983-84	...		Nil

In fact, the funds availability is worked out in the overall five year plan for the plan period, and is fitted into the size of the annual plan finalized for each year of the plan.

The position about utilisation of the warehousing capacity of the Corporation by public sector undertakings and Central/State Governments during 1980 to 1984 was follows :

As on	Total covered capacity (Lakh tonnes)	Utilisation of capacity by Public Sector Undertakings (Lakh tonnes)	%age of Col. 3 to Col. 2	Utilisation of capacity by Public Sector Undertakings & Central/State Govts. (Lakh tonnes)	%age of Col. 5 to Col. 2
1	2	3	4	5	6
31-3-80	34.39	23.50	68.3	25.16	73.1
31-3-81	36.64	23.29	63.6	25.91	70.7
31-3-82	40.54	28.15	69.4	31.93	78.8
31-3-83	44.82	31.90	71.2	34.06	76.0
31-3-84	45.81	30.77	67.2	33.50	73.1

Comments of the Committee

Recommendation, Serial No. 10 (Paragraph 4.50)

The Committee find that during 1981-82 and 1982-83, the Corporation had to close down 22 warehouses—14 in 1981-82 and 8 in 1982-83, as they were found uneconomical and in some cases the warehouses which were hired for a specific period, were surrendered. The Committee feel that the closure of warehouses implies that the initial surveys conducted by the Corporation were not very realistic. The Committee need hardly point out that a closure of a warehouse entails certain infructuous expenditure, especially when the warehouses are own construction. They suggest that the programme of construction of warehouses should be taken up after examining thoroughly the business potential at each centre so that warehouses may not have to be closed down in future due to low utilisation of space.

Reply of the Government

The suggestion of the Committee has been noted by the Corporation. It may, however, be mentioned that no warehouses owned by the Corporation has ever been closed. The Corporation generally opens a warehouse at a centre in a hired accommodation after assessing the business potential. On the basis of utilisation of the hired capacity and keeping in view the additional business potential likely to be available at the centre, the Corporation takes a decision to construct its own warehouse at the centre with requisite capacity. In case the utilisation of the capacity at the hired warehouse does not improve after allowing for sufficient gestation period, the warehouse is closed and the hired capacity released.

Recommendation, Serial No. 13 (Paragraph 4.53)

It has been stated that while every efforts is made to avoid duplication, yet at times some of the agencies prefer to have their own storage at the centres where the Central Warehousing Corporation is already operating. According to the Managing Director, CWC this took away a part of the market potential for warehousing thus affecting the programme of construction envisaged for the Central Warehousing Corporation in the Sixth Five Year Plan. The existence of several agencies who took up construction work at the same centres made the

programme of construction competitive rather than mutually supportive. Although the Secretary, Department of Food stated that the problem has been magnified too much, the Committee cannot but emphasise that there is need for complete coordination in the construction of storage godowns and in the operation of the same to avoid duplication of efforts.

Reply of the Government

Government has been conscious of the need for close coordination and review of the programmes of construction by various agencies at Central and State level with a view to avoiding duplication of efforts. With this objective in view, the Government set up a Central Storage Committee in 1966. This Committee is expected to coordinate the programme; taken up by the central agencies such as the Food Corporation of India and Central Warehousing Corporation and to resolve disputes arising from different agencies wanting to take up construction at a centre.

Similarly, at the State level also, State level coordination Committees have been set up by the State Governments, at the instance of the Central Government. With the introduction of the scheme of National Grid of Rural Godowns the State Governments were recently addressed to make the State Level Coordination Committees more broad based so that all construction programmes taken up at the State level could be coordinated by a single committee in the State.

Recommendation, Serial No. 14 (Paragraph 5.26)

The Warehousing Corporations Act, 1962 provided for establishment of Central Warehousing Corporation and State Warehousing Corporations in each of States. It also provided that the Central Warehousing Corporation and the respective State Governments would be equal shareholders in the State Warehousing Corporations so that an integrated approach could be made for the development of public warehousing activity in the country. The Food Secretary in evidence stated "There may be occasional cases of difference of opinions, but by and large they are working in an integrated manner." The Committee,

however, find that sometimes the State Governments appoint Chairman/Managing Director of the State Warehousing Corporations without obtaining prior approval of the Central Warehousing Corporation as required under the Act, which is a pointer to the fact that there is lack of coordination between the two organisations in this regard. The Committee would like the Ministry/Corporation to ensure that in the matter of appointments to the senior positions in the State Warehousing Corporations, provisions of the Act laying down the prior approval of the Central Warehousing Corporation are strictly followed by the State Governments.

Reply of the Government

The recommendation of the Committee has been noted. The State Chief Ministers have been addressed in the matter at the level of Union Food Minister. As and when there is default in any individual case, that is and would continue to be taken up with the concerned State Government.

Recommendation, Serial No. 15 (Paragraph 5.27)

Under Section 35 of the Warehousing Corporations Act, 1962, in case of any difference of opinion between the Central Warehousing Corporation and State Warehousing Corporations regarding their respective functions and powers under the Act, the matter shall be referred to the Central Government for decision. The Committee feel that in the operational areas, there is not much coordination as a number of State Warehousing Corporations are reported to have urged the Central Government to set up a Commission to review and redefine the operational areas of both the Central and State Warehousing Corporations. This is a matter of deep concern to the Committee. The Committee would urge the Government to look into the matter and take steps to resolve differences between the two sets of organisations in field of their operations.

Reply of the Government

The recommendation of the Committee has been noted. A Working Group has been constituted to demarcate broadly the areas of activities

of Central and State Warehousing Corporations. The report of the Working Group is awaited. Based on the report of the Working Group, guidelines for defining the area of activities of the Central and State Warehousing Corporations would be formulated.

Recommendation Serial No. 16 (Paragraph 5.28)

The Committee have been informed that the CWC is required to set up warehouse at markets of all-India importance and the State Warehousing Corporations are to set up warehouses at district and taluk level. They have been informed that the Government of India has prepared the list of centres for operation by the CWC and SWCs in each State in consultation with the State Governments concerned so as to ensure proper coordination and to avoid overlapping of the functions of two organisations. The Committee have also been informed that all out efforts have been made to avoid duplication and competition between the two organisations at the same centre. The Committee desire that the position should be kept under continuous review.

Reply of the Government

A rigid centre-wise allocation between Central and State Warehousing Corporation in each State is not considered feasible. Some element of flexibility is required in determining the area of operation of the Central and State Warehousing Corporations. For instance, centres where there is considerable business potential and which cannot be fully tapped within a specified time schedule by a single corporation, could be allocated to both Central and State Warehousing Corporations on mutually agreed terms. Efforts are therefore underway to broadly demarcate the areas of their operations. Also, efforts are and would continue to be made through the Central and State level Coordination Committees to avoid needless duplication and competition.

Recommendation Serial No. 17 (Paragraph 5.29)

The Committee are concerned to note that as many as 10 State Warehousing Corporations out of 16 have not been functioning well and

incurring losses. They desire that the Central Warehousing Corporation should extend a helping hand and provide more guidance to the State Corporations directly or through its nominees on the Board of Directors of the State Corporations to put them on sound footing. Besides, only such persons as are able to devote sufficient attention to the work of a State Warehousing Corporation and have the necessary expertise should be nominated on the Board of Directors of a SWC. The CWC should also be more vigilant while approving the appointments of Chairman and M.Ds. of the State Warehousing Corporations.

Reply of the Government

The recommendation of the Committee has been noted. With a view to assisting the State Warehousing Corporations in improving their performance, the Central Warehousing Corporation has started taking performance review meetings with each State Warehousing Corporation from this year and necessary guidance/requisite assistance is given by the Central Warehousing Corporation to enable them to improve their overall performance.

Recommendation, Serial No. 19 (Paragraph 5.33)

The Committee also feel that since the average return of 2% on the investment made by CWC in SWCs has been very inadequate and there is a considerable strain on the CWC due to additional liability for payment of guaranteed dividend on the investment made in the SWCs, some of the profitable business avenues should be explored for the State Warehousing Corporations in order to enable them to sustain their growth and improve their profitability.

Reply of the Government

The Central Warehousing Corporation has started taking performance review meeting of the State Warehousing Corporations from this year. Based on this review, requisite guidance and assistance is given to the State Warehousing Corporations with a view to improving their performance and profitability. A Working Group is already considering

the question of the demarcation of broad area of activities of Central and State Warehousing Corporations. Based on the report of the Working Group, guidelines would be formulated keeping in view the recommendation of the Committee.

Recommendation, Serial No. 20 (Paragraph 5.34)

The Committee desire that the Government should ensure in consultation with State Governments concerned that the SWCs declare dividends whenever their profitability position allows and there should be no hesitation on their part to do so. The provisions of Section 30 of the Warehousing Corporations Act, 1962 should be complied with by all SWCs.

Reply of the Government

The recommendation of the Committee has been noted.

Recommendation—Serial No. 21—(Paragraph 6.8)

The Committee find that at some centres, some of the stocks are lying in the warehouses for long. For example, large quantities of damaged fertilizers and sugar belonging to Hindustan Fertilizers Corporation, Food Corporation of India, STC etc. were lying in the CWCs warehouses at Calcutta for several months. The Corporation has stated that although deliveries are generally taken by the private customers/fertilizers manufacturers etc. according to the age of stocks, it is not practically possible to adhere to the principle of releasing stocks on first-in-first-out basis due to various reasons. The Corporation has also stated that they keep on writing to the depositors for taking delivery of the old stocks, but they have not taken up the matter of lifting of old stocks by the Public Undertakings at the Government level. The Committee would like the CWC to use good offices of the Ministries concerned to get removed the old accumulated stocks of public undertakings lying in the CWC's warehouses.

Reply of the Government

The recommendation of the Committee has been noted.

Comments of the Committee

Please see para 20 of Chapter I.

Recommendation, Serial No. 22 (Paragraph 6.17)

The Committee are concerned to note that the outstanding storage charges of the CWC against depositors, particularly the Public Undertakings, have been continuously increasing. The major defaulters are reported to be Food Corporation of India, STC, JCI, MMTC, CCI etc. FCI and STC constitute more than 50% of the total outstanding storage charges and these include Rs. 282.96 lakhs against FCI out of which Rs. 78.75 lakhs are stated to be under dispute. The Committee recommend that there should be stricter credit control.

Reply of the Government

The recommendation of the Committee has been noted.

Recommendation, Serial No. 24 (Paragraph 6.21)

The Committee feel that in the matter of monitoring, the administrative Ministry has not played the role expected of it. During the last 5 years, the Ministry held only 6 meetings instead of 20. Although the Ministry has claimed that there are other meetings where the review takes place, the Committee cannot but stress that in order to make the concept of accountability of the enterprises to Government effective and purposeful, the performance review meetings should be held every quarter regularly as per guidelines issued by the BPE. It need hardly be mentioned that such review meetings are mutually useful to both the Undertaking and the administrative Ministry in sorting out various problems, pushing through proposals, expediting decisions and issuing necessary guidelines.

Reply of the Government

The recommendation of the Committee has been accepted.

CHAPTER III

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

Recommendation, Serial No. 4 (Paragraph 3.53, 3.54 & 3.55)

The Central Warehousing Corporation and State Warehousing Corporations were set up under special legislation primarily with a view to provide scientific storage facilities to the agriculturists for storing their agricultural produce, seeds, manures, fertilizers, agricultural implements, etc., as also to help them in getting better prices for their products. The Committee's examination of the working of the Corporation during the last 22 years revealed that precious little had been done to provide necessary facilities to the agriculturists. The depositor-wise utilisation of Central Warehouses in the past has revealed that about 80% of the capacity has been utilised by bulk depositors like Government/Public Undertakings and the balance of 20% of deposits was shared by merchants, cooperatives and producers. All along the utilisation of warehousing space by farmers/producers has been very low. The main reasons for the very low percentage of deposits from farmers and producers are stated to be that under the three-tier system the markets of all-India importance only are served by the CWC and the storage needs at the village and taluk level are looked after by the Cooperatives. The Managing Director, CWC admitted during evidence that "at the village level, the utilisation of the Warehouses has not been satisfactory". He further stated "we will increase our efforts in this direction. We have done it, but what we have done is not adequate". The Committee are not impressed by the plea of the Corporation/Department that "our object was to provide at the all-India level certain facilities to the farmers and not at the village level...We are basically meant for a higher activity rather than at the village level. The Corporation is not meant to provide facilities at the rural or village level."

One of the functions for which the CWC was set up was to popularise warehousing practices and making their advantage felt in the rural areas. From the data furnished, the Committee find that the facilities provided by the CWC appear to have been availed of mainly by the Government/Public Undertakings and merchants. It is the farmer/producers who need greater warehousing facilities, particularly during post harvest period to protect them against distress sales of their produce. Although the Committee learn with satisfaction that to encourage deposits from agriculturists, 10% rebate is being extended on deposits from producers, they are still of the view that more intensive efforts are needed to attract deposits from producers and cooperatives for whose benefits these facilities were originally contemplated.

The total post-harvest loss of foodgrains from the field to the consumer's and has been estimated to be as much as 9.30 per cent to 30 per cent. However, the utilisation of warehousing space by farmers has been less than 1 per cent. The Committee suggest that the farmers should be motivated to make maximum use of warehousing facilities. The Corporation should utilise the services of Cooperative Organisation, and other Rural Development Agencies instead of approaching the farmers directly through their technical staff.

Reply of the Government

The Central Warehousing Corporation operates under the Warehousing Corporations Act, 1962. The role of the Corporation in rural areas has, therefore, to be seen as it flows from the Act. The Act leaves it to the Corporation to acquire, build and run warehouses at such suitable place in India as it things fit for storage of agricultural produce and other commodities offered by individuals, cooperative societies and other institutions. The Act lays stress on the provision of facilities by the Corporation for the storage of agricultural produce irrespective of whether it is brought by individual producers themselves, cooperatives or other institutions/individuals. It would, therefore, not be correct to presume that the Central Warehousing Corporation was set up originally or mainly for providing warehousing facilities to the farmers/agricultural producers and cooperatives.

This apart, the role of the Corporation in providing storage facilities to the farmers in the rural areas has to be considered/assessed in the

context of price support operations undertaken in respect of foodgrains. As a result of these price support operation, the farmers do not have to resort to distress sale and therefore they generally prefer to dispose of their produce to procurement agencies of the Government for ready cash instead of keeping it in storage. In any case, the provision of storage capacity for such of the produce as they may decide to hold back for disposal at a later date is looked after by the cooperative organisations and a sizable capacity of about 7.19 million tonnes as on 31-3-1984 has already been created at taluk/mandi/village etc. level in the cooperative sector. There are programmes in the cooperative sector to augment this capacity further. Besides, Ministry of Rural Development is also implementing a scheme which seeks to create additional storage capacity in the rural areas. This approach is also in line with the three-tier scheme envisaged in the report of the All-India Rural Credit Survey Committee which left the development of warehousing facilities at the taluk/village level to the cooperative organisations. In this situation the role of the Central Warehousing Corporation in the provision of storage facility in rural areas has necessary to be very restricted. The Corporation would, however, continue to lend its support to the farmers by supplementing the efforts of the Food Corporation of India in creating the capacity required for storage of foodgrains procured from the farmers under price support operations and also to extend to the farmers the rebate of 10% on the normal storage charge.

Recommendation—Serial No. 12 (Paragraph 4.52)

The Committee also regret to note that the matter regarding allotment of centres by the Food Corporation of India, where Central Warehousing Corporation has surplus land to put up a capacity of 13 lakh tonnes, has not been settled for so long. The Committee have reason to believe that if the matter regarding clearance by the Food Corporation of India of the capacity to be constructed by the Central Warehousing Corporation had been settled in time, the exigency of the escalation in the cost of land and construction leading to revision in the outlay to Rs. 69.46 crores against Rs. 58 crores would have been avoided.

Reply of the Government

It may be clarified that Central Warehousing Corporation's construction programme is not tied up with Food Corporation of India's decision on individual locations. Central Warehousing Corporation has in any case to take up construction to meet the needs of Warehousing generally based on its own assessment. While it does not have to hold up the implementation of its programme indefinitely for want of Food Corporation of India's response, it can and does take into account the locations indicated by Food Corporation of India at the stage individual locations are under consideration. It would not therefore seem correct to attribute the cost escalation to any delay in Food Corporation of India's response.

As a matter of fact, the increase in the original outlay of the Central Warehousing Corporation for the Sixth Five year Plan became necessary because the cost of construction increased during the Five Years of the Plan over which the target capacity was to be built. The cost of construction of godowns by Central Warehousing Corporation rose from about Rs. 358/- per tonne at the time of the preparation of Sixth Five Year Plan to about Rs. 420/- per tonne at the time of mid-term appraisal of the Sixth Plan, when the outlay was revised from Rs. 58 crores to Rs. 69.46 crores.

CHAPTER IV

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

Recommendation—Serial No. 1 (Paragraph 2.19)

Although the Central Warehousing Corporation was set up as far back as March, 1957, its specific objectives and obligation-economic, social and financial, have not yet been spelt out in detail. The Committee have been informed that the Corporation has so far been operating on the basis of the objectives broadly laid down in the Warehousing Corporations Act, 1962 and some physical and financial objectives though formulated by the Corporation have not been specifically approved by the Government. The Managing Director, CWC was frank enough to admit the failure in this respect. He, however, stated in the evidence that "we draw each years' objectives, as also the five years objectives". Obviously, these objectives have not been produced in the form of a document and got approved by the administrative Ministry. In terms of the guidelines issued by BPE in 1970 and 1979, it is incumbent on all the public undertakings to make a comprehensive and clear statements on their objectives and obligations. Further, these statements should be formulated by the enterprises with the approval of Government and that Ministry of Finance should be consulted before finanlising the financial aspects of such statements. The Committee would like that action to formulate the micro objectives of the Corporation and getting them approved by the Administrative Ministry is taken without further delay.

Reply of the Government

As already explained during the course of hearing to the Committee, the objectives of the Corporation have been laid down in the Act itself. The objectives were approved by Parliament when the Act was brought into being. The CWC functions within the framework of those objectives only. As regards the annual financial and physical targets,

obviously, those cannot be formulated at one point of time. All the activities in the Government and public sector of the economy are regulated by the framework of the Five-Year Plan. Therefore, the capacity to be created and the amount of money required for that purpose are all worked out within the compass of the total Five-Year Plan. Again, for each year of the plan, the capacity to be created and the funds to be provided are worked out for the Annual Plan after discussions with the Planning Commission. Therefore, no further break-up of the objectives and obligations than these is necessary.

Comments of the Committee

(Please see para 7 of Chapter I.)

Recommendation—Serial No. 2 (Paragraph 2.20)

The Committee note that not only the Corporation does not have a Corporate Plan, they are not even aware of the guidelines issued by BPE in this regard. In terms of these guidelines each public undertaking is required to prepare a Corporate Plan, which after approval by the respective Board of Directors is required to be formally ratified by the Administrative Ministry. The Committee desire that after finalisation of the micro objectives of the Corporation, its Corporate Plan which is long over due should also be drawn up so that the performance of the Corporation could be judged against the set plan and targets. They also desire that objectives and obligations should be clearly specified in the Corporate Plan of the Corporation. The Committee would like to be apprised of the action taken in this behalf.

Reply of the Government

The position has been explained in reply to recommendation at Serial No. 1 (para 2.19).

Comments of the Committee

(Please see para 17 of Chapter I.)

Recommendation—Serial No. 11 (Paragraph 4.51)

The Sixth Five Year Plan envisaged construction of a capacity of 2 million tonnes during 1980–85 i. e. a capacity of 16.25 lakh tonnes under General Warehousing Programme and 3.75 lakh tonnes under World Bank assisted project. On the basis of mid-term appraisal of the Sixth Plan in 1982, the initial target for construction of capacity

under the General Warehousing Programme was reduced from 16.25 lakh tonnes to 14.50 lakh tonnes. Against the revised target of 14.50 lakh tonnes of storage capacity to be created during the Sixth Plan (1980—85), under General Warehousing Programme, the capacity actually created was only 5.88 lakh tonnes in the first three years leaving a capacity of 8.62 lakh tonnes still to be achieved in the next two years. During evidence, the M.D., CWC admitted that the progress of the work had been rather slow. The main reasons, among others, for the shortfall in the completion of the capacity are stated to be a delay of more than one year in the approval of terms and conditions for the operation of large sized depots by the Food Corporation of India which were cleared by Central Storage Committee in July, 1981 and also delay by FCI in the allotment of centres where CWC has surplus land to put up a capacity of 13 lakh tonnes.

The Committee are distressed to note that the progress made by the Corporation in the creation of capacity during the first three years of the Sixth Five Year Plan has been extremely slow. The Committee desire that all out efforts should be made to achieve the balance capacity of 8.62 lakh tonnes according to the schedule.

Reply of the Government

During the first four years of the Sixth Five Year Plan, the Central Warehousing Corporation has constructed a capacity of 7.85 lakh tonners, as indicated below :—

Year	Capacity (in lakh tonnes)
1980-81	2.03
1981-82	1.73
1982-83	2.12
1983-84	1.97
	7.85

During 1984-85, the corporation propose to construct a capacity of 3.12 lakh tonnes under their general warehousing programme. In addition, the Corporation is likely to construct a capacity of 2.50 lakh tonnes under the additional storage construction programme during 1984-85. The total capacity expected to be completed during the current year would be of the order of 5.62 lakh tonnes. The Corporation thus expects to construct a capacity of 13.47 lakh tonnes during the Sixth Five Year Plan against the target of 14.50 lakh tonnes.

Comments of the Committee

Please see para 17 of Chapter I.

CHAPTER V

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

Recommendation—Serial No. 3 (Paragraph 3.52)

With regard to the role and scope of functions of the Central Warehousing Corporation, the Committee had been informed by the Corporation that in pursuance of the directions given by the Government of India in 1974, a Working Group headed by the Deputy General Manager of the Corporation has been formed to review the provisions of the Warehousing Corporation Act, 1962 in the context of development which have taken place since the Corporation was established. The Working Group has made recommendations relating to need for extension of role, scope and functions of the Corporation, its relationship with the State Warehousing Corporations and other pertinent aspects, relating to scheme of public warehousing in the country. The Committee have also been informed that final view on the recommendations of the Working Group is yet to be taken for carrying out such amendments to the Act as may be deemed appropriate. The Committee urge the Government to finalise their proposals at an early date and take necessary steps to initiate legislation in this regard.

Reply of the Government

The recommendations of the Working Group are under consideration of the Central Warehousing Corporation. The Corporation has been advised to finalise its views thereon expeditiously so that further action can be taken.

Comments of the Committee

Please see para 10 of Chapter I.

Recommendation—Serial No. 18 (Paragraph 5.32)

The Committee feel that when the Act envisaged share of equity capital in equal proportion, the share capital of SWCs should also be guaranteed like the share capital of CWC for the payment of a fixed minimum dividend. This matter should be examined by the Government

in all aspects and effective steps, including amendment of the Act, if necessary, may be taken.

Reply of the Government

The recommendation of the Committee has been noted and is under consideration.

Recommendation, Serial No. 23 (Paragraph 6.18)

From the material supplied to the Committee, it is seen that although the Corporation can levy 12½% penal interest for the period of delay, no interest is charged for fear of losing goodwill and cooperation of the Government organisations, the major depositors, who are utilising most of the space. The Committee feel that a credit limit should be fixed for all the Government Departments, Public Undertakings, Cooperative Societies etc. and all outstandings beyond this limit should carry interest at the Bank rate. The Committee are of the view that charging of interest will make the defaulting departments more vigilant in making payments promptly. The Committee would also like that dispute about of Rs. 78.45 lakhs outstanding against FCI should be sorted out without further delay.

Reply of the Government

The recommendation of the Committee about fixing the credit limits for bulk depositors and to charge interest at bank rate for amount exceeding the limit is being examined by the Corporation. As for the claims of about Rs. 78.0 lakhs outstanding against Food Corporation of India, the matter is being pursued by CWC with the FCI vigorously.

Comments of the Committee

Please see para 23 of Chapter I.

NEW DELHI

17 November, 1984

26 Kartika, 1976 (Saka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

APPENDIX I

*Minutes of the 19th sitting of the Committee on Public Undertakings
held on 17.11.1984.*

The Committee sat from 11.00 to 12.00 hrs.

PRESENT

Shri Madhusudan Vairale—*Chairman*

MEMBERS

2. Shri Kamaluddin Ahmed
3. Shri Ramnath Dubey
4. Shri Multan Singh Chaudhary
5. Shri D. K. Naikar
6. Shri T. S. Negi
7. Shri B. D. Singh
8. Smt. Margaret Alva
9. Shri Nand Kishore Bhatt
10. Shri Sushil Chand Mohunta
11. Shri Gulam Mohi-ud-Din Shawl

SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri M. K. Mathur—*Chief Financial Committee Officer*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer*
4. Shri Rup Chand—*Senior Financial Committee Officer*

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same :

1. Ninety-eighth Report on Action Taken by Government on the recommendations contained in the 97th Report of CPU (1983-84) on Productivity in Public Undertakings.
2. Ninety-Ninth Report on Action Taken by Government on the recommendations contained in the 88th Report of CPU (1983-84) on National Small Industries Corporation Ltd.
3. Hundredth Report on Action Taken by Government on the recommendations contained in the 94th Report of CPU (1983-84) on HMT Ltd. (excluding Tractors Division).
4. Hundred and First Report on Action Taken by Government on the recommendations contained in the 95th Report of CPU (1983-84) on Central Warehousing Corporation.

The Committee authorised the Chairman to present these Reports to the Hon. Speaker. They also desired that the Hon. Speaker may be requested to order the printing, publication and circulation of the above mentioned Reports of the Committee. The Committee further desired that the Hon. Speaker may be requested to direct that matters of factual nature or patent errors may be corrected in these Reports under Direction 71A(4) before publication and circulation.

The Chairman took the opportunity of thanking the Members of the Committee for their cooperation in conducting the work of the Committee during the year. The Member of the Committee present thanked the Chairman for providing able guidance and leadership in the work of the Committee.

The Committee then adjourned.

APPENDIX II

(Vide Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Ninety-fifth Report of the Committee on Public Undertakings.
(Seventh Lok Sabha)

I. Total Number of recommendations made	24
II. Recommendations that have been accepted by the Government (<i>vide</i> recommendations at S. Nos. 5 to 10, 13 to 17, 19 to 22 and 24).	16
Percentage to total	66.6%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendations at Sl. Nos. 4 and 12)	2
Percentage to total	8.4%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Sl. Nos. 1, 2 and 11)	3
Percentage to total	12.5%
V. Recommendations in respect of which final replies of Government are still awaited.	3
Percentage to total	12.5%

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