

THIRTY-NINTH REPORT
ESTIMATES COMMITTEE
(1986-87)

(EIGHTH LOK SABHA)

MINISTRY OF DEFENCE—
DEFENCE CANTEEN STORES



(Presented to Lok Sabha on 1 April, 1987)

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA TO THE
THIRTY-NINTH REPORT OF ESTIMATES COMMITTEE
ON DEFENCE CANTEN STORES

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ESTIMATES COMMITTEE

(1986-87)

CHAIRMAN

*Shrimati Chandra Tripathi

MEMBERS

2. Shri Jai Prakash Agarwal
3. Shri Sarfaraz Ahmad
4. Shri T. Basheer
5. Shri Manoranjan Bhakta
6. Shri Birinder Singh
7. Shri Saifuddin Chowdhary
8. Shri Somjibhai Damor
9. Prof. Madhu Dandavate
- **10. Shri Bipin Pal Das
11. Shri N. Dennis
12. Shri G. L. Dogra
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14. Shri H. N. Nanje Gowda
15. Shri Keyur Bhushan
16. Shri Mahabir Prasad
17. Shri Hannan Mollah
18. Shri Ajay Mushran
- ***19. Shri Arvind Netam
20. Shri Ram Pyare Panika
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22. Shri Jagannath Patnaik
23. Shri Balwant Singh Ramoowalia
24. Shri Navinchandra Ravani
25. Shri C. Madhav Reddy
26. Shri P. Selvendran

*Elected w.e.f. 24-7-1986 vice Smt. Sheila Dikshit appointed Minister.
Nominated Chairman w.e.f. 20-11-1986 vice Shri Chintamani Panigrahi
appointed Minister.

**Elected w.e.f. 24-7-1986 vice Smt. Krishna Sahi appointed Minister.

***Elected w.e.f. 28-11-1986 vice Shri Chintamani Panigrahi appointed Minister

(iv)

27. Prof. Nirmala Kumari Shaktawat
28. Shri Satyendra Narain Sinha _
29. Shri P. K. Thungon
30. Shri D. P. Yadav.

SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri T. S. Ahluwalia—*Chief Financial Committee Officer*
3. Shri J. C. Malhotra—*Senior Financial Committee Officer*

INTRODUCTION

1. The Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Thirty-ninth Report on the Ministry of Defence—Defence Canteen Stores.

2. The Estimates Committee (1986-87) took the evidence of the representatives of the Ministry of Defence on 6th & 7th October, 1986. The Committee wish to express their thanks to the Officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to Maj. Gen. K. C. Mehra, AVSM (Retd.) Ex-Chairman, Canteen Stores Department for making valuable suggestions to the Committee.

4. The Report was considered and adopted by the Estimates Committee (1986-87) on 18th March, 1987.

5. For facility of reference, the recommendations/observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

NEW DELHI;
March 18, 1987
Phalguna 27, 1908 (S)

CHANDRA TRIPATHI
Chairman
Estimates Committee.

CHAPTER I

OBJECTIVES OF CSD

A. *Introductory*

1.1 The genesis of Canteen Stores Department goes back to the World War II days when the organisation was created to meet the household requirements of troops. For sometime these services were rendered by a Syndicate of Contractors called "Canteen Contractors Syndicate." During those days this organisation dealt primarily with imported goods. To bring the Canteen Stores Organisation on a war footing, the business of that organisation was taken over by the Government with effect from 1st July 1942 and it came to be known as "Canteen Services (India)." It was run on commercial lines and was expected to be self supporting.

1.2 Consequent to partition of India, the organisation discontinued its activities and went into voluntary liquidation. Two separate organisations, namely, Canteen Stores Department (India) known as CSD(I) and Canteen Stores Department (Pakistan) were set up. The CSD(I) came into being as a department under the Ministry of Defence under a Government order dated 19th December, 1947. The emphasis gradually shifted from imported goods to indigenous goods produced within the country.

B. *Objectives of the CSD*

1.3 The objectives of the CSD are :

- (a) To provide consumer goods of high quality to troops wherever they are at a price cheaper than the prevailing market rate as far as possible.
- (b) Ensure that the level of consumer satisfaction is maintained at the maximum.
- (c) Generate reasonable profitability to sustain the organisation, permit growth and provide additional facilities for troops and their families.
- (d) Formulate and execute development programmes to improve and maintain organisational effectiveness.

The basic role of the Department, according to the Ministry of Defence, is that of rendering service and trading in consumer goods for use of troops and their families *on payment*.

1.4 Canteen Stores Department buys and sells through unit run canteens durable consumer goods and daily necessities as found in the civilian

departmental shops. Major categories of merchandise purchased by CSD fall in any one of the following categories :—

- (a) Toilet Requisites
- (b) Cosmetics
- (c) Kitchenware
- (d) Cookers and Accessories
- (e) Insulated ware
- (f) Crockery, Cutlery, Utensils, Glassware and Plastic ware
- (g) Electrical, electronic appliances and Refrigerators
- (h) Time devices and watches
- (i) Sewing Machines and Accessories
- (j) Cycles, Motorised vehicles and accessories
- (k) Luggage items
- (l) Hosiery items, readymade garments, footwear etc.
- (m) Sports goods
- (n) Rum, Matured rum and IMFL
- (o) Tobacco, Matches and Bidis
- (p) Beverages, Patent food, edible and hydrogenated oils
- (q) Stationery items
- (r) Miscellaneous household requisites.

C. Procurement & Supply of tinned food

1.5 The Government transferred to CSD the responsibility of procurement and supply of tinned and processed food items for *free issue* to troops from Army Purchase Organisation, which was working under the Ministry of Agriculture, to Canteen Stores Department from the year 1982-83. The Committee have been informed that even though there is a basic contradiction between the procedures the department had to follow in trading operation and those followed for Government purchases, the department has undertaken this task and have met all the requirements of the Army in time. The question of this responsibility reverting back to Army Purchase Organisation which is now under the Ministry of Defence, was under consideration.

1.6 In a written reply, the Ministry have intimated that the procurement of such tinned food by CSD consisted of the following items :—

- (1) Fish Tinned, (2) Egg Powder, (3) Milk Products, (4) Vegetables Tinned, (5) Jam Tinned, (6) Fruit Tinned, (7) Milk Toffee, (8) Boiled Sweets, (9) Coffee Sol., (10) Pork Product, (11) Tomato Sauce, (12) Cigarettes, (13) Cheese, (14) Tea, (15) Meat Tinned, (16) Potatoes Tinned, (17) Dehy. Vegetables, (18) Cornflour, (19) Custard Powder, (20) Ice Cream Powder, (21) Drinking Chocolate, (22) Sago, (23) Jelly Crystal.

Total value of such food items procured and distributed free to troops during each of the last 4 years, was as follows :—

1983-84 Rs. 16,00,00,000/-

1984-85 Rs. 29,83,60,000/-

1985-86 Rs. 56,77,77,199/-

1986-87 Rs. 15,23,53,159/-

(till end August, 1986 only)

1.7 Explaining the circumstances under which the responsibility of procurement and supply of tinned and processed food for free issue to troops was transferred from the Ministry of Agriculture to Canteen Stores Department in 1982-83, the Ministry has stated in a note furnished to the Committee that "on analysis of working of Army Purchase Organisation contracts and the systems of procurement adopted by them for procurement and distribution of processed and tinned foodstuff *vis-a-vis* the fact that Canteen Stores Department was already trading in a large number of these items, it was felt that it would be more logical, appropriate and prudent to channelise items of tinned and processed food through the Canteen Stores Department." The Ministry has further stated that "the Army Service Corps procurement was assigned to CSD with an impression that it would be merged with our system for the purpose of procurement. Further, only those items would be given to CSD for procurement which are on the CSD range and for which CSD has got some expertise. Accordingly, the first 22 items were procured as per CSD system only but later on Ministry of Defence directed us (CSD) to follow limited tender system being Government purchases as was being done by APO. It led to following of two different systems by CSD, viz., one on the trading side and one as Government purchase. The diversion of the system for ASC procurement created additional burden and complications too as CSD has to operate both the systems simultaneously for the general range and the ASC items." The Ministry has therefore argued that "the APO earlier, was under the Ministry of Agriculture, whereas now it has come under the Ministry of Defence. Thus since both the organisations *viz.*, APO and CSD have come under the Ministry of Defence, it would be appropriate and convenient that ASC procurement is assigned to the APO."

1.8 During evidence, the additional Secretary in the Ministry elaborated further :—

"There is difference in the methodology of the CSD for their own purchases which relate to what the buyer wants. What the Government is supplying (tinned foods) relates to the purchase of items of standard specifications which are laid down and not those demanded by the consumer...CSD does not earn anything in this. When we took over this part of the responsibility and when we asked for that Wing in the Department of Food to be reverted to us, the very simple consideration was to keep with us these supplies for the welfare

of Defence personnel, and to ensure that this unit is under Ministry of Defence. It was considered appropriate that it would be very useful to exploit the organisation of the CSD. The only question remains that Government having asked CSD to carry out this responsibility, are they entitled to any compensation? That is the only question.”

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

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

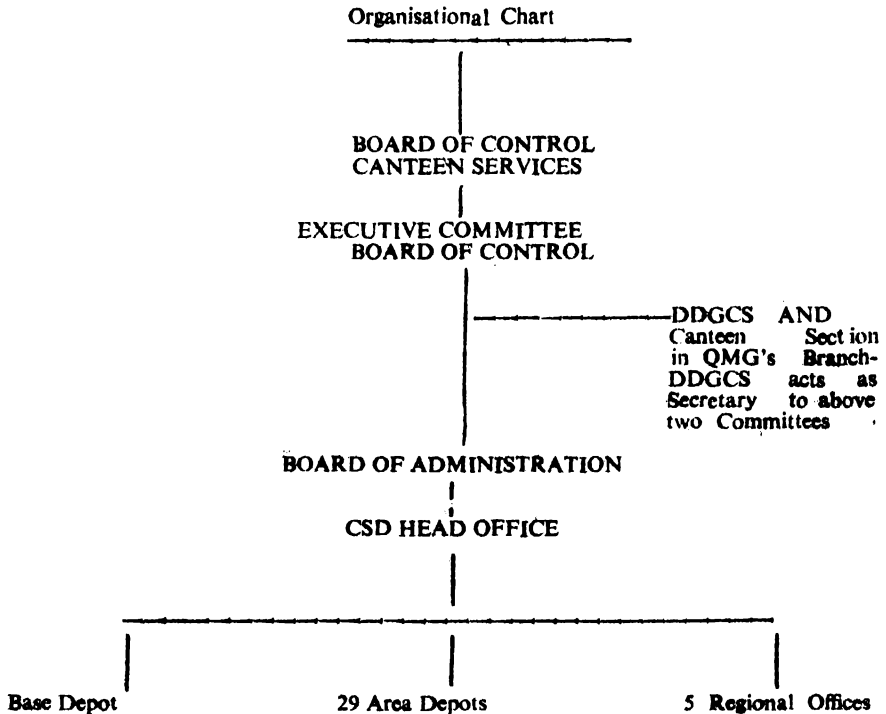
CHAPTER II

ORGANISATIONAL SET-UP

A. Organisational chart of the CSD

2.1 Canteen Stores Department (CSD) is a department under the Ministry of Defence, Government of India at present.

It is a unique department in as much as it is a full-fledged Government department but operates on commercial lines.



B. Board of Control, Canteen Services

2.2 The Ministry has stated that the composition of the Board of Control is as follows :—

Chairman

The Raksha Mantri

Vice-Chairman

Raksha Rajya Mantri

Members

The Defence Secretary
 The Financial Adviser
 (Defence Services)
 The Quartermaster General,
 Army HQ.
 Chief of Personnel,
 Naval HQ.
 Air Officer-in-Charge Administration,
 Air HQ.

Secretary

The Deputy Director General,
 Canteen Services.

2.3 The functions of the Board of Control have been stated to be as under :—

- (1) To advise Government on general policy regarding canteen Services to the defence forces.
- (2) To control general expenditure and the financial policy of the CSD and to advise Government on disposal of trade surplus.
- (3) To make appointments, dispose off appeals and hold reviews as postulated in relevant Rules.

2.4 The Ministry has intimated that during 1983, 1984, 1985 and upto January, 1986, in all five meetings were held by the Board. Generally one meeting was held per year and special meetings were held as and when required.

C. Executive Committee of the Board of Control

2.5 The Ministry has stated that the composition of the Executive Committee of the Board of Control is as follows :—

Members

The Additional Secretary.
 Ministry of Defence.
 The Quartermaster General, AHQ
 The Financial Adviser
 (Defence Services)
 The Chairman, Board of Administration
 CSD will be associated as and when
 necessary.

Secretary

The Deputy Director General,
 Canteen Services, QMG's Branch,
 Army HQ.

2.6 The functions of the Executive Committee have been stated to be as under :—

- (1) To consider and decide matters beyond the power of Board of Administration, CSD.
- (2) Issue of any direction or orders on matters within the jurisdiction of the Board of Administration/General Manager.
- (3) To consider and recommend regular establishment of CSD HO and its installations.
- (4) To consider and decide claims of Unit Run Canteens in respect of breakages, shortages and damages where the amount to be paid to the Unit Run Canteens on any one item at any one time exceeds Rs. 5,000/-.
- (5) To act as appellate authority in respect of Group 'C' and 'D' employees.
- (6) To review and to delegate powers to Board of Administration/General Manager.
- (7) To consider the recommendations of Board of Administration regarding Rum Contract and approve the rates and allocations.

During 1983, 1984, 1985 and upto January, 1986, the Executive Committee held sixteen meetings. Generally one meeting was held per quarter and special meetings were held when required.

2.7 It has been represented to the Committee that "The main weakness in the system of control (in the CSD) is that most questions referred to the Executive Committee, composed of busy executives, in turn get referred to the normal heirarchy of Ministry of Defence and Ministry of Finance (Defence). Decisions then get delayed and distorted....."

2.8 To the question whether the whole idea of having a high powered Committee to take quick decisions did not get defeated under the above procedure, the Ministry has contended in a written note :—

"Even though the Executive Committee comprises high level executives, matters requiring greater analysis with reference to rules and regulations, are referred to working levels in the heirarchy and their comments kept in view by the Executive Committee while taking a decision. There are several matters of policy which are decided by the Executive Committee either on file or at their quarterly meetings without consulting other levels in the Ministry. The CSD contracts for goods of the value of several hundred crores annually and administers a large, dispersed organisation. In consequence, some of the decisions which the Executive Committee have to take, have far reaching financial and administrative implications. Moreover, being a public organisation, in its decision making, the

Executive Committee is expected to observe the canons of public administration and to follow in spirit, and often in letter as well, the directives and policies of Government. In order to do this, examination of major proposals, on file, is often necessary."

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

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

D. Board of Administration, Canteen Stores Department, Bombay

2.11 According to the Ministry, the Management of the Department is vested in the Board of Administration which consists of :—

1. General Manager,
Canteen Stores Department—Chairman
2. Representative of Finance—Appointed by the Ministry of Defence (Finance).
3. Representative of QMG—Appointed by QMG.

2.12 The Ministry had informed that the Board of Administration met thirty-three times during 1983, 1984, 1985 and upto January, 1986. Generally the Board held one meeting per month.

2.13 The Ministry has further informed that the decisions were taken basically on the issues which were beyond the purview of financial powers of General Manager, these are appended below and relate to the day of day/routine functioning/operations of the Department :—

- (i) Introduction of new items.
- (ii) Sanctioning of loan to Unit Run Canteens.

2.14 In a note the Ministry has informed the Committee that adequate powers, revised last in 1979, have been delegated to the Board of Administration, keeping in view the need for freedom of functioning and commercial nature of the Organisation. Asked whether the Board had brought to the

notice of the Government any difficulties in this regard, the Ministry has stated in their note :—

“The Chairman Board of Administration has submitted a case for revision of financial powers of the GM//Chairman, Board of Administration, Canteen Stores Department recently which is under examination in consultation with the GM/Chairman, BOA, CSD.”

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

E. Chairman, Board of Administration, C.S.D.

2.16 With regard to the criteria for selection, tenure and rank of Chairman, C.S.D., a non-official has represented to the Committee :—

“As the Chairman and Vice Chairman of the C.S.D. change every two to three years, the rank and file of the Department feel that they have no godfather and nobody in the Government is really conversant with their working conditions or problems or interested in their welfare. This feeling cuts against morale and *esprit de corps* of the department. I suggest, therefore, that there is a requirement for the creation of an honorary post of ‘Adviser—CSD’ analogous to the Colonel Commandant of a Service or Colonel of a Regiment, a practice which is now prevalent in all the three Services. Obviously a person of eminence and prestige and the one who knows the department and its functioning, its strengths and weaknesses and one who commands the respect and confidence of the staff can only foot the bill. Adviser—CSD can act continuously as a link between the staff of the department and the Government. This appointment should be tenable for a period ranging from 5 to 10 years so that there is continuity and a sense of confidence is generated in the staff that their problems are fully understood and will be attended to at appropriate level in the Government.

Criteria (for selection of Chairman) are well thought out and would produce the right man but lately it is noticed that some sort of prejudice has got developed against the retired officers. To say that a serving officer has more sense of responsibility or is more accountable is, in my opinion, a fallacious argument. The person should be selected according to his professional competence and character qualities and once he has these in the right measure, being a serving or retired will make no difference eitherway.

CSD is overwhelmingly a material management job. Therefore, the Chairman CSD, apart from having other qualities, should be

well versed in materials management. Whenever selection has been done by the UPSC, this fact has been given due weight. In my opinion, it will be a mistake to ignore this aspect

With the recent cadre reviews in the defence Services, all the appointments comparable to that of Chairman, CSD were upgraded to the rank of Lt. General. As usual it has only been the CSD that was neglected. In my opinion, there is more than ample justification to upgrade the appointment of the Chairman CSD to the rank of Lt. General/Air Marshal/Vice Admiral with immediate effect."

2.17 Selection.—In a note, the Ministry has informed the Committee that since CSD became a Government Department, the appointment (which is in the rank of Major General, either serving or retired) is made with the approval of the Appointment Committee of the Cabinet. The recommendation to the ACC is made by the Ministry of Defence with the approval of Raksha Rajya Mantri/Raksha Mantri. The initial screening is done by a Selection Board headed by Defence Secretary. In the event that a retired officer is considered for the appointment, the UPSC are also consulted.

2.18 Tenure.—The Ministry has further stated in their note that for appointments by deputation the Rules in force stipulate a period which "shall ordinarily be 3 years and should not in any case exceed 4 years or upto the age of superannuation prescribed for civil posts, whichever is less". The actual tenure of the Chairman, CSD during the last 10 years has been as under :—

| | |
|---|---------------------------|
| (a) Maj Gen M. R. Rajwada, PVSM, VSM, MC | 6-2-74—15-10-77 |
| (b) Maj Gen R. L. Anand | 10-2-78—15-10-79 |
| (c) Maj Gen K. C. Mehra, AVSM | 16-10-79—15-10-82 |
| (d) Maj Gen B. N. Dhar, PVSM | 2-11-82—15-11-84 |
| (e) Maj Gen Surindur Kumar, PVSM | 22-4-85—Present Incumbent |

2.19 Rank.—To a question whether the rank of Chairman, CSD was also reviewed in course of cadre review culminating in the recent upgradation of equivalent posts in the three Defence Services, the Ministry has, in a note, stated that :—

"the post of General Manager, Canteen Stores Department was not reviewed during the course of the recent cadre review and has not been upgraded. In this regard, while framing the recruitment rules for the post, in 1978, a proposal was made that the post may be tenable by an officer of the rank of Major General

or Lt. General. The UPSC, however, did not agree to make the post tenable by an officer in the rank of Lt. General and the proposal was dropped."

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

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

F. Staff Strength in C.S.D.

2.22 According to the Ministry total categorywise strength of Canteen Stores Department Employees including those posted in the office of the Deputy Director General Canteen Services as at the close of 1985, was as under :

| Category | Authorised | Posted | De f i cient |
|-----------|------------|--------|--------------|
| Group 'A' | 81 | 54 | 27 |
| Group 'B' | 59 | 43 | 16 |
| Group 'C' | 1702 | 1264 | 438 |
| Group 'D' | 1871 | 1490 | 381 |
| Total | 3713 | 2851 | 862 |

2.23 In a written reply the Ministry has attributed the deficiencies to the cumulative effect of the following reasons :—

- (i) Ban on recruitment for all categories applicable for fresh creation of posts as well as filling up of the vacancies arising due to retirement/dismissal etc.
- (ii) Non-holding of Deptt. Promotion Committee by UPSC for Group 'A' posts since 1982, as the personnel in the feeder grades had not completed time specified by the SRO.
- (iii) No direct recruitment of group 'A' Officers (Managers) due to ban.

2.24 The Ministry has added that the deficient vacancies have accumulated since the period mentioned below against each of the categories :—

| | |
|-----------|----------------------|
| Group 'A' | — Since 1982 onwards |
| Group 'B' | — Since filled up |
| Group 'C' | — Since 1984 onwards |
| Group 'D' | — Since 1984 onwards |

2.25 The Ministry has not agreed with the Committee's view that despite deficiencies, due to smooth running of the organisation, posts have become redundant. They have stated that due to deficiencies, officers at high levels had to put in extra hours of work. In addition groups 'C' and 'D' personnel were recruited on casual basis for short durations to meet day to day commitments. Due to these deficiencies the department could not function at the optimum level of efficiency.

2.26 *Staff Inspection Unit Study.*—On the review of Defence Canteen Stores the Ministry has stated that "A" recent study has been done by Staff Inspection Unit (SIU), Ministry of Finance, Department of Expenditure, Establishment Study Team (Defence) and the Government sanction for implementing their recommendations is under issue".

2.27 In a written reply the Ministry has informed that the study of the SIU was in three areas i.e. Head Office, Base Depot and Area Depots. Based on the recommendations of the SIU, Government sanction for Head Office and Base depot creating some additional posts and abolishing certain others, has been received *vide* Government of India, Ministry of Defence letter No. 8(5)86/D(Mov) dated 31 July, 1986 and since implemented. The Ministry has further intimated in a note that the SIU has recommended staffing norms for 29 Area Depots "as agreed to" by Canteen Stores Department and the same is stated to be under correspondence between CSD and with Ministry of Defence (Finance).

2.28 In its report for 1983-84, as regards manpower requirements the Board of Administration had observed that the "Recommendations made (by Staff Inspection Unit) regarding manpower have woefully fallen short of the expectations and the actual requirement. The Board of Administration is of the considered view that it would be more appropriate to hand-over the task of the review of the work of the department to a Specialist

Agency for a system study and who would be in a better position to appreciate the work being done by the Department. Unless immediate steps are taken to find a solution to this problem the working of the Department is likely to get severely affected."

In a written reply the Ministry has informed the Committee that no agency was entrusted with a second study of manpower requirements.

2.29 In the context of the deficiencies in CSD staff when the Committee drew attention of the witnesses to the increases over the years in turn-over of the Department to around Rupees 400 crores, the Addl. Secretary in the Ministry contended :—

"There are two aspects of it. One part of the increase in turn over is due to increase in prices for purchasing items which are costly. The other is the demand of every organisation is to have more staff. Even in my own Department, I want more Under Secretaries and Deputy Secretaries. But I would say that considering the nature of the operations of this Department and the fact that, to take most important decisions, they have to do quickly and expeditiously and whatever is required for the Department should normally be there. What should be the nature of this Organisation? Should it be a Government Department? these issues are engaging attention of the Government and I think we will find a solution, once the fundamental question is answered."

2.30 When the Committee expressed their doubts over the continued existence of a ban on recruitments, the Additional Financial Adviser in the Ministry clarified :—

"The position now is that for the operational requirements, those jobs can be created as if there was no ban before 1984. There are certain areas which are not operationally required. Now, once the operational aspect is there, then there is a different aspect. For CSD no new unit has been formed, no new Directorate has been formed. if a new depot is to be opened in Port Blair, in principle it is agreed, all right. But before 1984, probably, the GM or the Ministry had the power to create the posts of different levels, but today, we have to take the approval of the CCPA or the SM or the RM because this cannot be called operationally required post because it is of different nature. But a depot which is an expansion of the existing organisation, the ban can be got lifted and in a number of cases, these have been got lifted also. So, there is a relaxation of ban. I would say and that is, from 1984 onwards."

2.31 Asked by the Committee how the deficient posts in category 'B' had since been filled up, the Additional Secretary in the Ministry stated that

Departmental Promotion Committees had been held, and people who were eligible had been promoted. He added :—

“Wherever duly qualified people, under service rules, were available, DPCs were held. The number of people entitled for promotion can only be those who have fulfilled the stipulation regarding number of years of service.”

2.32 Regarding deficiency of 438 in category ‘C’ where no vacancy had been filled up even now, the witness further stated :—

“These deficiencies are made good by the General Manager under his own powers, to the extent possible and necessary, by employing casual workers. . . . In terms of the relaxation of the ban, we have to go into the procedure all over again. The basic problem of the General Manager is that he does not have as many regularly-appointed employees on shore jobs. They are civilians. But he has an equal number of casual, daily workers. They are given a gap and then re-employed. The same problem exists about Group D since 1984.”

2.33 Asked when the staff casually employed would be made regular, the witness added :—

“A person who is casually employed, does not become regular merely by passage of time. We also get from time to time directions from the Department of Personnel and Training. They are applicable to CSD viz. that if in any category there are regular vacancies, they have to be considered after such screening, scrutiny or examination as may be necessary, for regular appointment in certain scales of pay. But the problem of CSD is that they have had a deficiency since 1984; and they have had this problem because of the ban.”

2.34 On the Committee’s comment that due to these deficiencies, the Department could not function at the optimum level of efficiency, the witness admitted :—

“While I would say that there is deficiency of regular posts, the General Manager has been able to employ people as casual labour, from whom you cannot expect the requisite motivation.”

2.35 The Chairman-cum-General Manager further stated with regard to the higher level staff who had to do extra work :—

“Area Depot Manager, Assistant Manager, Superintendent, DGM and AGM at the Head Office, they have to work a number of hours. Work has to be done and the officers have to take on that load because we employ them outside the office hours. That increased overheads. . . . They are all civilians and they are paid overtime.”

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

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

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

G. TRAINING FACILITIES

2.38 *Programmes for Organisational Effectiveness* : In a written reply, elaborating the highlights of development programmes executed by the Department during each of the last 5 years, the Ministry has stated that "for the lower level staff i.e. Lower Division Clerks, Cadre courses have been organised to familiarise them with Secretarial work as well as Management concepts to broaden their horizon and approach to work. Similarly courses have been organised for Storekeepers and clerks for giving them an orientation towards computer so that they have the basic knowledge of what computer can do for them and how to handle the computer outputs as well as the attention to be paid in the input data which they prepare at their level. In addition EDP seminar has also been held for lower grade staff as well as officers for the same purpose. Cadre courses have also been held to give specialised knowledge on accounting matters for the staff opting to go into the accounts stream. As far as officers are concerned, they have been deputed to do financial and Material Management courses conducted by prestigious Institutions including College of Defence Management to familiarise them with latest Material Management concepts for application in the department. As a result of the training imparted to the officers and staff. . . . there has been improved working in their own spheres of activity. But this is something intangible, which cannot be measured except stating in general terms that the department has stood to gain by such training programmes imparted to the staff".

Training Programmes

2.39 The Ministry have also informed the Committee that following training courses were arranged for CSD staff during the last 5 years :—

| Cadre Courses | | No. of candidates | Period from | To |
|---------------|-----------------------|-------------------|-------------|----------|
| 1 | 2 | 3 | 4 | 5 |
| 1. | Asst. Accountants | 20 | 1-9-82 | 30-9-82 |
| 2. | Store Keepers | 18 | 1-11-82 | 20-12-82 |
| 3. | Asst. Accountants | 18 | 5-1-83 | 16-2-83 |
| 4. | Store Keepers | 18 | 7-3-83 | 5-4-83 |
| 5. | Do. | 20 | 7-4-83 | 6-5-83 |
| 6. | Asst. Accountants | 15 | 9-5-83 | 7-6-83 |
| 7. | Asst. Managers | 20 | 25-7-83 | 27-8-83 |
| 8. | Asst. Accountants | 22 | 20-9-83 | 29-10-83 |
| 9. | Asst. Accountants | 29 | 21-11-83 | 28-12-83 |
| 10. | EDP Orientation | 46 | 9-11-83 | 19-11-83 |
| 11. | Store Keepers | 21 | 13-2-84 | 10-3-84 |
| 12. | Lower Division Clerks | 22 | 6-8-84 | 1-9-84 |
| 13. | Do. | 20 | 19-9-84 | 17-10-84 |
| 14. | Do. | 23 | 12-11-84 | 8-12-84 |
| 15. | Do. | 32 | 7-1-85 | 2-2-85 |
| 16. | Do. | 20 | 18-3-85 | 3-4-85 |
| 17. | Do. | 19 | 15-7-85 | 9-8-85 |
| 18. | Do. | 21 | 2-9-85 | 28-9-85 |
| 19. | Do. | 24 | 7-10-85 | 2-11-85 |
| 20. | EDP Orientation | 30 | 9-12-85 | 20-12-85 |
| 21. | Lower Division Clerks | 20 | 13-1-86 | 8-2-86 |
| 22. | EDP Orientation | 26 | 13-1-86 | 25-1-86 |
| 23. | Lower Division Clerks | 27 | 10-2-86 | 7-3-86 |
| 24. | Do. | 22 | 10-3-86 | 5-4-86 |
| 25. | EDP Orientation | 26 | 17-3-86 | 31-3-86 |
| 26. | Lower Division Clerks | 23 | 7-7-86 | 8-8-86 |
| 27. | Do. | 21 | 11-8-86 | 6-9-86 |
| 28. | EDP Orientation | 29 | 11-8-86 | 23-8-86 |
| 29. | EDP Orientation | Being conducted | 15-9-86 | 27-9-86 |
| 30. | Lower Division Clerks | Planned | 29-9-86 | 25-10-86 |

| Managerial Courses | No. of officers/ Candidates | Period from | To |
|--|--------------------------------|-------------|----------|
| (i) Two years Diploma course in management | 1 | Jan., 82 | Dec., 83 |
| (ii) Two weeks course on Financial Management at NITIE | 1 | 6-9-82 | 17-9-82 |
| (iii) One year Diploma course in Marketing Management | 1 | 1983 | 1984 |
| (iv) Two weeks concentrated course on material management at NITIE | 2 | 14-7-86 | 25-7-86 |
| (v) Material management Course of IDM Secunderabad | 1 | 8-2-82 | 6-3-82 |
| (vi) Long Defence management course at IDM Secunderabad. | 1 | 25-6-84 | 13-4-85 |

2.40 During evidence when the Committee enquired whether the C.S. had a training establishment or institute of its own for the benefit of Managers and staff, the Additional Secretary in the Ministry replied in the negative. When the Committee suggested that the C.S.D. should have a small institute for training purposes at its headquarters, the Chairman-cum-General Manager replied :—

“I have already prepared one paper on this. The overhead will increase. We should have the infrastructure. Money should be spent on that. Accommodation is required for the people who come. At present we don't have the facilities. Unless I create this infrastructure this may not come about.”

2.41 Intervening in the discussion, the Additional Secretary stated further :—

“This scheme in terms of better potential training, better management etc. is fortunately provided in half a dozen institutions which are not very distant. There are various courses in management. There is short terms course in financial management. There is another course in marketing management. There is a consolidated course in material management. There is a course in Secunderabad. I would submit that it is not necessary to take on the work of this kind of training except to the extent that it is 'in house' training where you give practical instructions and so on. . . . Keeping your direction in mind we will review all the training courses which our boys are attending and if it is found after this study that something could be organised 'in House' we shall certainly try to do what we can.”

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

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

H. LOCATION OF CSD DEPOTS

2.44 Besides the Base Depot at Bombay, the places where 29 Area Depots of the CSD are located are given below :—

1. Agra, 2. Ahmedabad, 3. Ambala, 4. Arunachal, 5. Baghdogra,
6. Bangalore, 7. Bareilly, 8. Bhatinda, 9. Bombay, 10. Calcutta,
11. Delhi, 12. Dimapur, 13. Jaipur, 14. Jabalpur, 15. Jalandhar,
16. Jhansi, 17. Khadki, 18. Lucknow, 19. Madras, 20. Meerut,
21. Misamari, 22. Narangi, 23. Pathankot, 24. Ramgarh, 25. Secun-
derabad, 26. Srinagar, 27. Udampur, 28. Visakhapatnam and
29. Leh.

2.45 It has been stated that all area depots run departmentally by CSD are dealing in wholesale trade only. Location of various Area Depots has been decided after taking into account the regional deployment of troops. As and when concentration of troops takes place at new geographical location the situation is reviewed by the Board of Control Canteen Service and new Depots are sanctioned for meeting the changed requirements.

2.46 Asked to indicate the new Area Depots opened during each of the last 5 years, the Ministry has stated in a written reply that Bhatinda and Ahmedabad Area depots were opened in 1981. No other depot was opened since then. No area Depot was closed during the last 5 years.

2.47 *New Area Depots Proposal* : It has been stated that opening of new Area depots at Port Blair, Jodhpur, Brahmana-Di-Bari (near Jammu), Cochin, Chandimandir (near Chandigarh) and Bikaner is under consideration.

2.48 As to the respective locations of existing Area Depots from where the Unit-Run-Canteens at the aforesaid places are being catered to at present, as also the respective distances between each of these places and catering Area Depot, the Ministry has stated in a written reply :—

- (i) *Port Blair*—From Madras Area depot for General Stores and Visakhapatnam depot for liquor. Appx. 1125 KMS.
- (ii) *Jodhpur*—From Jaipur Area depot. Appx. 254 KMS.
- (iii) *Brahmana-Di-Bari (Jammu)*—From Udampur Area depot, Appx. 80 KMS.
- (iv) *Chandimandir*—From Ambala Area depot. Appx. 80 KMS.
- (v) *Bikaner*—From Jaipur Area depot. Appx. 379 KMS."

It is understood from the Canteen Stores Department that at present Cochin is dependent on Bangalore Area Depot for supply of Canteen stores and the distance between the two places is approximately 97 kms.

2.49 Asked why an Area Depot had not been opened so far at a place of such strategic importance as Port Blair, the Ministry has stated in its reply that troops stationed at Andaman & Nicobar Islands were small in number till 1982. It was, therefore, not economically viable to open a CSD Depot at Port Blair. With the rise in concentration of the troops thereafter, necessity for a depot was felt and the same was sanctioned in 1982.

2.50 On the question whether the existing Area Depots at Pathankot and Udhampur are adequate to cater to Unit Run Canteens in Jammu area the Ministry has stated in its reply that Udhampur depot is at present overloaded with 262 URCs. The depot is not able to cope up with the extra commitments within the existing infrastructure facilities and units are put to inconvenience. Further, with Jammu-Tawi being connected by a broad gauge link, it will become easier for CSD to reach the stores up to Jammu from where units dependent could draw the stores directly. This will also reduce the extra load and double handling of stores at Pathankot depot which is at present receiving the stores by rail for Udhampur, Srinagar and Leh area depots for onwards despatch by road to them. This will also result in saving in POL and transport besides transit losses in despatch of these stores by road from Pathankot to upcountry depots. Jammu thus, will become a transit point for further despatch of stores to Srinagar and Leh in addition to catering to units in the Jammu sector directly. Further, sales potential of Jammu, Udhampur and Pathankot depots have been assessed and it is found that all the three depots could be operated and will be economically viable.

2.51 When the Committee expressed the hope that for opening a new Depot at Port Blair there would be no difficulty, the representative of the Ministry replied in the affirmative.

Asked whether the Government had acquired land and completed other formalities for establishing a new Area Depot at Port Blair, the Additional Secretary in the Ministry stated :—

•

“All that has been tied up. We are seeking Cabinet’s approval for the establishment of a new depot.”

2.52 In a statement the Ministry has supplied the following data showing depot-wise distribution of dependant unit-run-canteens alongwith annual turnover of each of the area depots during 1985-86 : —

| Sl. No. | Area Depot | No. of URCs. Dependant (1985-86) | Annual Turnover Rs. (in lakhs) |
|---------|---------------|----------------------------------|--------------------------------|
| 1. | Agra | 42 | 758.49 |
| 2. | Ahmedabd | 76 | 759.59 |
| 3. | Ambala | 253 | 2705.00 |
| 4. | Arunachal | 73 | 488.85 |
| 5. | Baghdogra | 168 | 704.91 |
| 6. | Bangalore | 89 | 2290.32 |
| 7. | Bareilly | 98 | 1397.83 |
| 8. | Bhatinda | 128 | 1400.27 |
| 9. | Bombay Area | 100 | 1909.44 |
| 10. | Calcutta | 72 | 491.28 |
| 11. | Delhi | 101 | 2177.98 |
| 12. | Dimapur | 171 | 1311.17 |
| 13. | Jabalpur | 122 | 1447.00 |
| 14. | Jaipur | 238 | 2222.00 |
| 15. | Jalandhar | 102 | 1682.95 |
| 16. | Jhansi | 69 | 446.95 |
| 17. | Khadki | 91 | 1661.92 |
| 18. | Leh | 93 | 466.89 |
| 19. | Lucknow | 142 | 2401.58 |
| 20. | Madras | 71 | 1408.08 |
| 21. | Meerut | 156 | 1621.59 |
| 22. | Misamari | 113 | 574.10 |
| 23. | Narangi | 63 | 418.95 |
| 24. | Pathankot | 172 | 1405.38 |
| 25. | Ramgarh | 55 | 941.01 |
| 26. | Secunderabad | 69 | 1729.77 |
| 27. | Srinagar | 188 | 1058.04 |
| 28. | Udhampur | 277 | 2238.00 |
| 29. | Visakhapatnam | 46 | 753.41 |
| Total | | 3438 | |

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

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

I. Staffing pattern of Unit-run-Canteens

2.55 The Ministry has stated that retail trade is carried on by Unit-run-Canteens under the guidance of their Service Headquarters, and are managed by Officer Commanding of those Units under their own arrangements. In a written reply on the management and staffing pattern in the Unit-run-Canteens, the Ministry has stated as follows : —

“A newly raised unit applies for opening its unit-run-canteen (URC) to CSD Head Office Bombay who give a Registration Number to it and the CSD Depot from whom they are to collect their stores.

A URC employs civilians to run the canteen. However, the responsibility of running the URC cannot be given to a contractor. The method of collection of stores from CSD Depots is uniform for all URCs as also the retail rates which are laid down centrally by CSD Head Office Bombay and intimated to all URCs through half yearly price lists and monthly changes/amendments.

Accounts of all URCs form part of the unit's Regimental Funds and are audited as per instructions for auditing of Regimental Funds.”

2.56 When the Committee asked the witnesses during evidence to explain specifically the management and staffing pattern in the canteens, the Quarter Master General stated :—

“... There is a manager, an NCO/JCO who is incharge, and then two or three other persons depending on the size of the canteen. Secondly, with regard to their working conditions, undoubtedly in a unit-run-canteen, the manpower is diverted from the unit itself. Of course, they do not work like a soldier for 14, 16 or 18 hours. Their timings are laid down. They have to work, say, from 10 a.m. to 12 a.m. and from 4 p.m. to 6 p.m., depending upon when our men are free to go there, or when can their families go there without disturbing the functioning of the organisation... Nobody is permanently expected to run a canteen. He remains basically a soldier so that his basic job as a soldier does not get diluted. There is a periodical turn over of these people both at the officer level and at

the soldier level A major unit canteen would not be staffed by more than 2, 3 or 4 jawans and a minor canteen may be having one or two jawans A major unit-run-canteen where the strength (of the unit) will be around 600 to 700 people, will have a canteen management strength of 1 : 3 or 1 : 4. While employing them, we also try to make sure that if there are certain low medical category people who are not fit really to undergo the rigours of the training that the unit demands, they are made to work there. There are also battle casualties in a unit. There may be a man who is not fit to accompany the unit to a high altitude. When he comes down, he writes to us that he is available for this work. So, we try to use this man also for that job. I must make it very clear that his basic task of soldering remains. That is task No. 1. In terms of numbers, as I said, the ratio is 1 : 4, that is, one top man and 3 to 4 helpers. Take Army Headquarters, for example. This is also a unit-run-canteen, but practically it is 100% staffed by civilians. But they are being governed by those who are not very familiar with labour laws, etc. Therefore, though it is a unit-run-canteen, but it does not fit into the scheme of things. Take for example, the College of Combat. There perhaps it will be a mix, that is, a certain number of combatant staff and a certain number of non-combatant staff . . .”.

2.57 Asked when URCs employed civilian staff, were their terms and conditions the same as those of the combatant staff and if not, what was the difference between them, the witness clarified :—

“Their terms and conditions are not the same. One reason for this is that we cannot have the civilian staff under the Army Act. One is a combatant soldier who is employed as per the terms prescribed by the Government of India and the other one is dependant upon the local conditions. As I said, in respect of Delhi canteens, I have to get their terms cleared from the Labour Commissioner and various other organisations which are determining their terms and conditions.”

2.58 When the Committee commented that while the Combatant staff of URCs was taken care of under the Army Act, the civilian staff appeared to be comparatively insecure with regard to their services the witness further stated :—

“There is a set system which has been laid down and action is taken according to that . . .”.

2.59 In a note on the mode of management and, staffing pattern of Unit-run-Canteens, stating the proportion of civil and military segments of employees as also ex-service personnel, if any, employed by them; the Ministry has stated that :

“There are three distinct types of Unit-run-Canteens namely :—

- (a) Large Canteens at static formations Head-quarters/Schools of Instructions/Training Centres.

- (b) Unit Canteens of major units, having 600 to 700 personnel.
 (c) Unit Canteens of minor units, having 100 to 200 personnel.

The staffing patterns of the above canteens are as under :—

(a) *Large Unit Canteens*

| | | |
|----------------|---|--------------------------------|
| Manager | — | 1 |
| Asstt. Manager | — | 1 |
| Storeman | — | 1 |
| Accountant | — | 1 |
| Salesmen | — | 2 to 4 (Dependent on the size) |
| Peons | — | 2 to 4 |

Generally, these comprise retired Officers/JCOs and Other Ranks. A few technical posts like those of the Accountant may be held by civilians, if suitable ex-service personnel are not available.

(b) *Major Unit Run Canteens*

| | | |
|-------------|---|---|
| Manager | — | 1 |
| Storekeeper | — | 1 |
| Salesman | — | 1 |

Generally, serving personnel, are employed and Extra Duty pay is given to them. They are rotated after three months.

(c) *Minor Unit Canteens*

| | | |
|--|---|---|
| Manager-cum- Storekeeper- cum-Accountant | — | 1 |
| Salesman/ Asstt. Manager | — | 1 |

Generally, serving personnel are employed and Extra Duty Pay is given to them. They are rotated after 3 months.”

2.60 The Committee feel that management and staffing pattern of Unit-run-Canteens seems to be more geared towards the exigencies of soldering than that of an efficient retail service of consumer goods to be the personnel of the three Services. This is evident from the fact that combatants of “low medical” and “battle casualties” categories and other serving personnel are deployed by rotation to run the URCs for limited periods. Under these circumstances it is difficult to expect a modicum of professional efficiency from the management and staff of these Canteens as they are hardly physically and mentally equipped to pick up the requisite competence to run these establishments competently. The Committee therefore recommend that the Ministry of Defence should get immediately the management and staffing pattern of Unit run-Canteens reviewed by a Committee of experts with a view

to providing management and staff of competent calibre for reasonably long periods (in peace-time), as also to review the service conditions of civilian employees with a view to inculcating among them a greater stake in the efficient running of these canteens.

J. Computerisation in C.S.D.

2.61 In the CSD Newsletter for March 1986, the Chairman-cum-General Manager has observed that CSD "have adopted computer to analyse our sales and denial data" and has referred in this context to some "unexpected and uncatereed problems."

2.62 On the compelling reasons that led the CSD to go in for computerisation, the Ministry has stated in a written reply that the Department adopted the EDP to capture data related to past sales and denials to work out the future order quantities, so that greater customer satisfaction was achieved, besides increasing sales in the department with as minimum inventory as possible. This would also bring in savings in terms of inventory carrying costs and increased turnover of CSD funds. Disciplines in which computerisation has been introduced are Stores Management activities encompassing sales analysis, forecasting and ordering. Disciplines in which computerisation is proposed to be introduced later are Financial Management and Personnel Management.

2.63 Elaborating the problems faced by the Department in the process of its computerisation programme, the Ministry has stated that the EDP activity was introduced in the Department on an experimental basis in 1978 by hiring computer time. However, with the passage of time and improvement in the state of technology within the country, it was felt that the Department ought to have an inhouse mini-computer to optimise its commercial activity and, accordingly, the requirement for the same was accepted in principle in 1984. The type of computer system to be obtained by the CSD has now been finalised and is likely to be installed soon. There was an initial resistance to change amongst the staff but, with EDP orientations courses and seminars organised for the clerks and storekeepers, they have now started appreciating its advantages. The programmes and system planning had to undergo several changes to refine the output for optimum utilisation. The Ministry has added that there are no major problems in the computerisation programme now. One system analyst and two programmers sanctioned by the SIU recently are to be recruited. A case is being taken up to finalise their recruitment rules in consultation with the Department of Personnel and Training and the UPSC.

2.64 In a note the Ministry has stated with regard to (i) the expenditure incurred so far on computerisation of the operations of CSD and (ii) magnitude of the resultant savings if any, accrued therefrom :—

“(i) *Expenditure incurred by CSD on Computerised Operations :*
The expenditure incurred by the department on EDP work since 1978-79 is given below :

| <i>Year</i> | <i>Expenditure (in lakhs of Rs.)</i> |
|-------------|--------------------------------------|
| 1978-79 | 0.03 |
| 1979-80 | 0.83 |
| 1980-81 | 1.56 |
| 1981-82 | 1.53 |
| 1982-83 | 1.69 |
| 1983-84 | 3.57 |
| 1984-85 | 6.61 |
| 1985-86 | 9.35 |

.....The introduction of computerisation was not intended to effect savings in manpower but increasing the efficiency of management. No manpower savings are therefore likely as a result of computerisation. However re-deployment of existing manpower may become necessary to optimise organisational efficiency”

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

CHAPTER III

FINANCIAL SET-UP OF CSD

A. Funds of the C.S.D.

3.1 With regard to the funds of the C.S.D., the Ministry has stated that :—

“In 1947 the CSD(I) inherited Rs. 48 lacs as a starting capital. The business was carried out with this capital and the loan taken from the Government. The department then started building up its funds for sustaining its operation and the surplus earned after meeting establishment expenses was distributed to the three services for their major welfare activities as per the decision taken by the Board of Control. The Government loan was subsequently returned fully with interest from out of the earnings of the department

The Public Accounts Committee of the Parliament objected to the funds generated by the department from its receipts being used for making payments without voting by Parliament, as a Constitutional irregularity. It was, therefore, decided to merge the funds of the CSD(I) with the Consolidated Fund of India with effect from 1st April, 1977 and since then the department is known as Canteen Stores Department and suffix (I) was deleted . . .

Channelising of funds through Consolidated Fund of India, has been a mandatory requirement after the observations made by the Public Accounts Committee in early fifties. The Cabinet while approving the merger of the funds has agreed to the continuance of :

- (a) Firstly, the existing organisational set up of the CSD.
- (b) Secondly, maintaining the basic commercial character of the department.
- (c) And lastly, uncurtailed accruing of the benefits to the defence forces as before.

Thus from a modest beginning of Rs. 48 lacs with which the department started functioning as its working capital, it has grown steadily and during the current year the department has funds to the extent of Rs. 70 Crores, which have been built up entirely on its own earning The department however, sustains itself on its own earnings and do not either take or depend on public exchequer for their fund requirements. Similarly all earnings of the department are partly retained for building up its working capital and reserves, and balance distributed to the three Services for welfare measures. Thus the CSD though termed as a Government department under the Ministry of

Defence has its unique features and stands out as a service oriented, self-supporting and profit earning commercial organisation with welfare of the troops and their families weighing top most consideration in all its trading operations."

3.2 On the reasons that prompted the Department to take Government loans when at the 1947 price level the amount of Rs. 48 lakhs is considered quite high, the Ministry has stated in a written reply that "on taking over the stock valued Rs. 78,11,807/- and office furnitures valued Rs. 88,084/- from the Canteen Services (India) (in liquidation) on 1st January, 1948, the allotted working capital of Rs. 48 lakhs was not found sufficient. In addition, landed properties of Canteen Services (India) at various Stations was also required to be taken over by the Department. For this purpose, a loan of Rs. 52 lakhs in the form of Cash Assignment was provided" by the Government during 1948-49. "The loan was paid back within two years with interest."

B. Accounting of CSD Receipts & Expenditure

3.3 In their Fourteenth Report (1954-55) the Public Accounts Committee had made the following recommendation with regard to Canteen Stores Department :—

"It has been pointed out in the Audit Report that the Canteen Stores Department was being run as a Government commercial undertaking but its receipts and expenditure were still being kept outside the Government Accounts (Consolidated Fund of India) is contravention of the provisions of Article 266 of the Constitution. The effect of this irregular procedure has been that expenditure incurred on this Organisation and sums appropriated out of its profits for the purpose of welfare and amenities to troops from time to time had not been submitted to the vote of Parliament. The Committee are informed that the whole matter regarding the future set-up of this Organisation is under consideration of Government. They should like to know in due course the decision arrived at in the matter."

3.4 In para 10 of their 40th Report (Third Lok Sabha), (1964-65), the Public Accounts Committee *inter alia* observed as follows :—

"All that they are anxious to ensure is that the Constitutional irregularity in keeping the financial transactions of the Canteen Stores Department outside the Consolidated Fund of India should be rectified."

3.5 In paras 2.51—2.52 of their 52nd Report (Third Lok Sabha), (1965-66), the same Committee *inter alia* observed as follows :—

"...this matter should be finalised early, as the Constitutional irregularity in keeping the financial transactions of Canteen Stores

Department outside the Consolidated Fund have been continued for several years.”

3.6 In their 231st Report, Public Accounts Committee (1984-85) *inter alia* noted as follows :—

“In pursuance of the recommendations of the Public Accounts Committee contained in their 52nd Report (1965-66). Government informed the Committee in July 1976 that it had been decided that the Accounts of the Canteen Stores Department (India) would be brought into the Consolidated Fund of India and that further details for the implementation of the decision were being worked out. The Public Accounts Committee (1977-78), while recording their displeasure at the long time, wellnigh seven years, taken in setting the modalities of merger, took note of the fact that Government had finally decided to merge the accounts of the Canteen Stores Department (I) with the Consolidated Fund of India with effect from 1 April, 1977. Thus, on the recommendation of the Public Accounts Committee, the funds of the Canteen Stores Department were merged with the Consolidated Fund of India in 1977. A specific provision was then included in the “Scheme for payment and accounting of the Canteen Stores Department” introduced in the Government of India, Ministry of Defence letter No. 8(5)/77/13520D(Mov) dated 28-3-77 for incorporating Financial Review-cum-Commercial Accounts of the Canteen Stores Department in the Appropriation Accounts of the Ministry of Defence, which form part of the Civil Appropriation Accounts.”

3.7 In the aforesaid Report, the PAC *inter alia* observed as follows :—

“The Committee have given a careful thought to the proposal made by the Controller General of Accounts, Ministry of Finance (Department of Expenditure) for discontinuance of the practice of inclusion of Financial Review-cum-Commercial Accounts of the Canteen Stores Department in the Civil Appropriation Accounts. They see force in the argument advanced by the Controller General of Accounts that there is hardly any point in including the Financial Review-cum-Commercial Accounts of the Canteen Stores Department as an appendix to the Civil Appropriation Accounts when this is not being done in respect of 41 other departmentally run undertakings, some of which are major organisations of Government, both in respect of outlay and realm of activities compared to the Canteen Stores Department. The Committee also has taken note of the assurance of the Controller General of Accounts that discontinuance of the practice of inclusion of Financial Review-cum-Commercial Accounts of the Canteen Stores Department will not in any way change the existing practice regarding the preparation of the Financial Review-cum-Commercial proforma accounts of the Canteen Stores Department.

In view of the foregoing, the Committee agree to the proposal made by the Controller General of Accounts for discontinuance of the practice of inclusion of Financial Review-cum-Commercial Accounts of the Canteen Stores Department from the Civil Appropriation Accounts for 1983-84 and onward."

3.8 *Format of Annual Commercial Accounts* : In his Reports on the Annual Commercial Accounts of CSD for the years 1983-84 and 1984-85, Controller of Defence Accounts has been complaining that the "Government have not yet prescribed the format for preparation of commercial Accounts by the CSD."

3.9 In a written reply the Ministry has stated that "the format is under examination as certain observations of the Director of Audit Defence Services are still under discussion." Asked to explain the difficulties being encountered by Government since 1947 in finalising a format of Commercial Accounts for the Canteen Stores Department, the Ministry has further stated in its reply that "DADS has suggested deletion of 'reserves' from the format which have been kept so far for meeting additional requirements of Grants-in-Aid or for meeting the capital requirements of CSD for which no moneys are otherwise taken from the Government exchequer. The issue is stated to be still under discussion with the DADS."

3.10 During evidence the Additional Secretary explained the difficulties in this regard in the following words:—

"One of the problems is that normally we maintain the accounts as a typical Government Department does. The manner in which we are doing this has been under discussion for quite some time. We are yet to formalise this... We are at it. We have made some progress."

3.11 *Dues from and to Government* : In his Reports on the annual commercial accounts of the CSD for the year 1984-1985 the Controller of Defence Accounts has *inter alia* observed that :—

"The CSD have been taking Government as a party in their transactions and have been adjusting amounts due from Government (GPF, Ordinary Pension, Interest on GPF, Interest on CDS etc.) against the amounts due to Government (CGES, Income Tax, Liability for Audit Fee, GPF, Pension, Gratuity etc.) and depositing the net amount in the RBI at the end of the year though this practice is against the provision of Rule 5 of General Financial Rules... It is considered that as far as Income Tax recoveries from Pay and Allowance of the officers and bills of contractors are concerned the same should not be held back by CSD for eventual adjustment against the dues from Government, but should be deposited with the RBI in the Accounts of Income Tax Deptt. at

the end of each month. The CSD authorities have agreed to consider this point in consultation with the Higher Authorities."

3.12 Clarifying the matter in a written reply to the Committee, the Ministry has stated *inter-alia* that for preparing commercial Accounts of the department on accrued basis and also to show the funds belonging to the troops separately, the amounts due to Government and due from Government are adjusted together and only the balance amount is deposited with Reserve Bank of India at the end of each quarter of the year. As per Board of Control, Canteen Services letter No. BOCCS/00861/Q/CAN dt. 30 Aug., 1984, CGDA has agreed to remitting of all the amounts in respect of Pension, GPF, and Income-tax etc. on quarterly basis. In their reply the Ministry has further stated that "the matter is under consideration for refining it further."

3.13 Asked during evidence whether the Department's funds were voted by the Parliament in view of their merger with the Consolidated Fund of India, the Additional Secretary in the Ministry stated that "This would fall under the civil estimates. But they are voted." When the Committee suggested that the information given in the Preliminary Material created an impression that the funds were not voted, the Additional Financial Adviser in the Ministry explained :—

"There is a separate budget head which comes under the civil budget vetted by the Finance and combined with the civil budget. But whatever profit is there, it is not going back. This is an area which is still under discussion with the Director of Audit and the Ministry. . . . Before 1977 it was not a Government Department and it was not voted. But now it is voted. . . . These funds are part of the Consolidated Fund of India. The whole system is being formulated. The Auditor General of India has asked for some format to be devised. Another issue that is going on is whether they should continue with the present system or a new system be evolved. We are at present showing under the Civil budget and getting the approval of Parliament."

3.14 Asked whether in view of CSD funds having been merged with Consolidated Fund of India the earnings of the CSD were also accounted for thereunder, the Financial Adviser added :—

"I would like to mention here that the system which is now being followed is that the receipts which are coming to the Defence Canteen Stores and the expenditure which we are making out of Consolidated Fund is quarterly balanced."

3.15 On being pointed out that what the witness was now saying was contradictory to what the Ministry had said in their material, the Additional Secretary stated :—

“While being a Government Department and part of the civil estimates the receipts as well as the demands are shown in the budget but only notionally in the sense that no money ultimately goes out of Government. This is an accounting procedure and the profits which ultimately accrue to CSD are distributed according to certain policies and principles which have been laid down.”

3.16 On the existing anomaly in the budgeting procedure in so far as receipts and expenditure of the CSD were concerned, the Additional Secretary informed the Committee :—

“It is technical. The question is whether the inflow should go into the Government revenues and the distributable profits would be subject to the Ministry of Finance directions as applicable from time to time. While we are within the overall Government structure as part of the Consolidated Fund, subject to the vote of Parliament, in recent years the CSD have not been fully following the procedure laid down. Some kind of via media has been found to satisfy the audit from time to time.”

3.17 When the Committee drew the witness's attention to the recommendations of the PAC, the Additional Secretary further stated :—

“With the approval of the CGDA, the reconciliation is done on quarterly basis. They take into account what the Government owes to them and what they owe to Government and then they do plus minus. It is not a very happy situation. The ultimate answer is that we have to take a very frontal view of the structure of this organisation”

3.18 On being asked how the profits were actually being accounted for by the CSD, a representative of the Ministry stated :—

“The equivalent of that is also withdrawn, but it is not reflected in the Budget. It is provided for and this is the amount which is distributed to the three Services within the control of the heads of the three Services.”

3.19 When the Committee pointed out that the Ministry/Department could spend only that much amount which is budgeted and not the profits which the CSD “worked out”, the representative of the Ministry replied that “the figure is again reflected in the accounts.” However, the Additional Secretary in the Ministry added by way of clarification :—

“After the PAC's recommendations, the Ministry had gone to the Cabinet with certain proposals which the Cabinet had approved in 1976. As regards the question of profit which was just now referred to, at the time of the netting transactions, CSD is competent to withdraw that amount which in the books emerges as profit

and distribute it according to the policy approved by the Board of Control and the Government, which was inherited at the time when it became a Government Department....”

3.20 On the Committee's comment that a pre-determined figure was put in the budget on account of profits, the Additional Secretary stated that “It has to be done in that way because it cannot be otherwise drawn later.”

3.21 In a detailed note furnished by the Ministry it has been stated that :—

“CSD (I) came into existence as a Department under Ministry of Defence in 1947. The capital was found partly out of liquidation of the predecessor organisation and partly from Govt. loans. The CSD (I) after returning the loan with interest, built its assets from its own earnings. The financial transactions of CSD (I) even after becoming a Department under the Ministry of Defence with effect from 1947 continued to be kept outside the Government Accounts and the Consolidated Fund of India. The expenditure incurred and sums appropriated out of its profits were not submitted to the vote of Parliament.

2. The question of giving a suitable status of CSD remained under consideration of Government for quite sometime. However during 1976, it was decided not to change the then existing organisational structure and commercial system of accounting of the Department and the arrangement for distribution of profits for troops welfare and amenity. The Cabinet in their meeting in September, 1976 while approving the proposal of the Ministry of Defence suggested to channel the transactions of CSD (I) through *Civil Accounts*. As a result of the above, it was decided during 1977 the merger of CSD (I) funds with the *Consolidated Funds of India*.

3. In accordance with this decision the accounts of the CSD (I) continue to be maintained on commercial basis. The Head Office of the Canteen Stores Deptt. (India) now known as the CSD has been placed for the purposes of their accounts with a Defence Accounts Officer viz. CDA (CSD), by the Controller General of Defence Accounts who functions as the Principal Accounts Officer. All receipts and payments of the CSD pass into Govt. accounts through the CDA (CSD). Accordingly, GM, CSD opened *Public Fund Accounts* in the SBI Bombay, w.e.f. 1-4-77 for carrying out financial and Commercial transactions respectively to which all cash balances standing to the credit of the CSD (I) on 31-3-77 were transferred and treated as receipts, into these accounts. All receipts of the Deptt. were authorised to flow into the PF accounts in the same manner as these were deposited into the accounts of CSD (I) at that time. GM, CSD and officers under

him were authorised to make all payments from the PF accounts in the same manner as payments used to be made at that time in accordance with relevant orders of the Department. The GM/CSD and the Depot Managers were authorised to have imprest accounts. Each transaction of receipt and payment was to be classified and compiled to *appropriate head of account*. A maximum ceiling limit of holding cash in the Public Fund account of the CSD was fixed at Rs. 2 crores at the close of each month. After preparing the monthly statement of receipts and disbursements in the first week of the following month, any funds in excess of Rs. 2 crores were to be deposited with the RBI, However, the CSD was authorised to draw funds from the Defence Accounts Officer, posted in Bombay, upto the limit of total deposits of surplus funds made by them with the RBI, Any further requirement of funds subject to overall budgetary provision was to be made only after approval of the Executive Committee of the Board of Control, CSD. A monthly statement of receipts and disbursement was required to be submitted by the GM, CSD to the Defence Accounts Officer in the form prescribed by the DGDA by 10th of the following month.

Form the statements of receipts and payments received from the CSD Head Office, Defence Accounts Officer was to compile monthly accounts and to submit the same to the Principal Accounts Officer (CGDA) not later than 20th of the 2nd month following.

Financial Adviser (Defence Services) was made responsible for the preparation of the Budget of the CSD in coordination with Ministry of Defence and for the distribution of Budget allotments to the CSD and for ensuring adequate control of expenditure consistent with the needs of a commercial Department.

4. As regards the profit earned by CSD some amount is utilised for further expansion activities of the CSD and the balance is released as Grants-in-aid for welfare activities. The Grants-in-aid are reflected in the Budget as voted expenditure."

3.22 When the Committee pointed out that the Ministry's note did not at all refer to the recommendation of the Public Accounts Committee the Additional Financial Adviser stated :—

"Their recommendation was why it should not be given to the Consolidated Fund of India, Government took the decision that it should be done and the Cabinet approval was taken in 1976.

Now whatever is the expenditure we put in the budget and the budget is got approved from Parliament. Income is automatically coming through the Government accounts. It is all coming to the Consolidated Fund of India. Upto Rs. 2 crores he (General Manager) maintains and the differences is put in the Reserve Bank. Under the system if he has lot of money coming then he has to put

in the Reserve Bank but that stage has not reached because the payments become due."

3.23 Asked whether in the budget CSD showed both expected receipts and estimated expenditure, the witness replied that "we are only showing expenditure in the budget. The income is automatically flowing to the Government accounts."

3.24 On the Committee's comment that from the Ministry's not it was clear that they were somehow or other circumventing the recommendation of the Public Accounts Committee, the Addl. Financial Adviser replied :—

"The Cabinet decision was to the effect that original commercial concept should continue. Now they have balance-sheet concept in addition to budgeting. That stipulation was accepted by the Cabinet. CAG has been insisting that some system should be devised and the CSD has agreed to quarterly review."

3.25 When the Committee commented that even the estimated profits did not form part of the budget of CSD, Additional Secretary replied :—

"While they (CSD) continue to be a Government department with parliamentary approval, in actual functioning, they are still continuing the old practice with the approval of the Cabinet. There is no adverse effect on their day-to-day functioning, except that there is an obligation that when the amounts in hand at the end of the month exceed Rs. 2 crores, the surpluses should go into the RBI. Before that stage arises, they have a situation of more payments to be made. They keep this under Rs. 2 crores by maintaining their books accordingly and, therefore, the problem does not arise."

3.26 The witness further stated that "if we strictly follow the Government system for CSD all the units which run the canteens have to go for treasury receipts. They will create complications."

3.27 Commenting that when the CSD was following an abnormal procedure only for the reason that profits should not be shown on receipt side of the Budget how the Financial Advisor had fulfilled his duties in this regard, the Additional Financial Advisor replied that "The Financial Advisor has been asked to do this job within the decision of the Cabinet."

3.28 On the profits not being shown in the CSD Budget, being a violation of the Constitution (Article 266), the Additional Secretary explained :—

"What is primarily being done is not to deviate from any situation. On the one side, we have the Constitutional Directive. My colleague has explained to you that as compared to the conventional typical manner in which Government receipts, expenditure and profits should be reflected, that is not happening. We have given

that in writing. Following the Cabinet decision of a dispensation being to this organisation for being able to carry on their commercial transactions, these kinds of compromises have been made. The next question is : Is this the correct way of dealing with it ? That is the point that we have been considering. It has taken time and we are quite near to coming to some decision and the issue that has arisen is whether it should continue to remain as a Government Department. That is the basic question."

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

are brought in conformity with the relevant provisions of the Constitution and the Financial Rules.

C. Expenditure on the Department

3.30 In a written reply the Ministry has intimated that the Budget Estimates, Revised Estimates and Actual Expenditure incurred by the Department during each of the last five years were as follows :

| | (in thousands of rupees) | | | | |
|-------------------|--------------------------|-----------|-----------|-----------|-----------|
| | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 |
| Budget Estimates | 155,42,50 | 216,94,50 | 233,70,00 | 357,21,40 | 406,41,30 |
| Revised Estimates | 181,91,35 | 229,12,60 | 307,49,27 | 364,00,10 | 421,89,00 |
| Actual | 178,02,26 | 227,98,02 | 303,92,06 | 363,67,86 | 411,15,25 |

3.31 Asked during evidence to justify the huge variations between Budget Estimates and Revised Estimates, the Additional Secretary in the Ministry contended :—

“Depending on the previous of year’s actual, next year’s projections are higher. Only in one year, the difference is slightly significant, i.e. in 1983-84, where the initial projection was 233 crores revised estimates were 307 crores. This happened because of certain additional purchases and as per a policy decision, it was not shown separately earlier. . . . I would like to submit that in 1981-82, 1982-83 and 1984-85 and 1985-86, it is reasonable.”

3.32 Asked to explain the huge variations between Budget Estimates, Revised Estimates and Actual Expenditure during 1985-86, the witness stated :—

“There were certain items which were obligatory to be purchased. We had to ask the CSD to purchase ASC items. This kind of fluctuation or variation is bound to be there. . . . And then the requirements also change.”

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

*D. Proportion of Operational Expenditure**Percentage of Operational to total Expenditure :*

3.34 In a written reply the Ministry have furnished the following data with regard to percentage of Operational Expenditure to the total expenditure in respect of each depot for each of the last five years :—

| | 1981-82% | 1982-83% | 1983-84% | 1984-85% | 1985-86% |
|------------------------|----------|----------|----------|----------|----------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Agra | 1.54 | 1.46 | 1.46 | 1.47 | 1.72 |
| Ambala | 2.62 | 2.76 | 2.92 | 2.58 | 2.50 |
| Arunachal | 1.51 | 1.29 | 1.21 | 1.37 | 1.59 |
| Baghdogra | 2.08 | 2.01 | 2.21 | 2.03 | 1.93 |
| Bangalore. | 2.68 | 2.44 | 2.36 | 3.04 | 2.64 |
| Bareilly | 1.80 | 1.67 | 1.70 | 1.76 | 1.93 |
| Bombay Area | 2.96 | 2.58 | 2.52 | 2.76 | 2.72 |
| Bombay Base | 5.31 | 4.99 | 5.08 | 5.01 | 4.82 |
| Calcutta | 1.59 | 1.49 | 1.53 | 1.48 | 1.60 |
| Khadki | 2.17 | 2.19 | 2.16 | 1.94 | 2.17 |
| Delhi | 3.70 | 3.35 | 3.17 | 4.32 | 3.25 |
| Dimapur | 2.41 | 2.29 | 2.19 | 2.15 | 2.20 |
| Jaipur | 2.11 | 2.01 | 1.94 | 2.05 | 2.29 |
| Jabalpur | 2.03 | 1.75 | 1.89 | 1.90 | 1.96 |
| Jhansi | 0.92 | 0.89 | 0.92 | 0.91 | 0.99 |
| Jallundur | 2.58 | 2.31 | 2.40 | 2.62 | 2.72 |
| Lucknow | 3.27 | 3.10 | 3.10 | 3.12 | 3.29 |
| Madras | 1.65 | 1.62 | 1.45 | 2.03 | 1.71 |
| Meerut | 2.09 | 1.83 | 2.02 | 1.93 | 2.13 |
| Misamari | 1.61 | 1.49 | 1.32 | 2.60 | 1.51 |
| Narangi | 1.79 | 1.65 | 1.71 | 1.38 | 2.07 |
| Pathankot | 2.89 | 2.61 | 2.54 | 1.97 | 2.61 |
| Ramgarh | 1.41 | 1.37 | 1.36 | 2.06 | 1.50 |
| Secunderabad | 1.96 | 1.83 | 1.89 | 2.27 | 1.96 |
| Srinagar | 2.22 | 2.06 | 1.95 | 1.60 | 2.15 |
| Udhampur | 2.19 | 2.43 | 2.10 | 1.43 | 2.33 |
| Vizag | 1.32 | 1.24 | 1.21 | 1.10 | 1.37 |
| Leh | 2.11 | 1.46 | 1.51 | 1.21 | 1.41 |
| Bhatinda | 2.69 | 1.09 | 1.05 | 1.95 | 1.35 |
| Ahmedabad | 2.95 | 1.53 | 1.11 | 1.37 | 1.45 |
| Head Office | 31.84 | 39.20 | 40.02 | 36.57 | 36.15 |

3.35 According to the Ministry steady increase in 'Operational Expenditure' of the Department during the last five years, even though the percentage to the sales registered a decline, is due to the following reasons :—

- (i) With increase in volume of turnover, additional expenditure on transportation of stores had to be incurred.
- (ii) Transportation Charges increased due to increase in the cost of petrol, diesel and other allied incidentals.
- (iii) Expenditure on salary and wages increased due to the sanction of Dearness and other Allowances by Government from time time.
- (iv) Postage/Telegram and Telephone Charges increased due to their rates increased by Government.
- (v) Printing & Stationery Charges increased due to increase in the cost of paper, labour, colour and printing charges.
- (vi) Audit Fee as per the expenditure incurred by the Office of CDA (CSD) increased constantly from Rs. 9.1 lacs in 1983-84 to Rs. 12.8 lacs in 1985-86.

3.36 In their reply the Ministry have, however, stressed that 1.39% of Operating Expense to sale Ratio of the Department is the lowest as compared to most of the undertakings in public or private Sector Working on commercial basis.

3.37 Asked during evidence to account for the high operating expenditure in Base Depot Bombay, the Additional Secretary in the Ministry stated :—

“That is the nodal point of all the activities and that is where the senior staff is working and an organisational set up, at that level is more expensive compared to other depots elsewhere in the country. Also, because of the inflation, the cost of linkages are definitely higher in Bombay.”

3.38 On being pointed out that in Lucknow also it was going up, the witness explained that “The offices of the Regional Managers are located in Bombay, Delhi and Lucknow. These stations have a higher percentage.”

3.39 Asked what the witness thought was the ideal percentage so far as operational expenditure was concerned, the Chairman-cum-General Manager CSD explained :

“The percentage of operational expenditure varies depending on the number of units, the workload, the taskforce employed and so on. In the case of Bombay, some reduction has been brought about because I have been able to prevail upon some squads to despatch directly to where they are located so that the mother depot is not over-burdened and double handling is avoided.”

3.40 Asked what action did CSD normally take in the area depots to reduce operational expenditure, the witness added :—

“We keep a watch... mainly the demurrage charges which I have paid, i.e. the casual labourers being employed, the overtime paid and that adds on to this... We keep advising the depot Manager to reduce this. Also man to man, the human element is there. But we are very much concerned with his. We keep directing our Area managers to keep the overheads to the minimum. We keep a special watch on anything that adds on to the overhead.”

3.41 The Committee however, felt that the comparison of percentage of Operating Expenses to sale ratio between C.S.D. and Public Undertaking was odious as C.S.D. was not paying income tax and was also not giving any general surplus revenues. The Additional Secretary agreed that comparison should not have been done.

3.42 The Committee are unhappy to note the continuous high percentage of operational expenditure to total expenditure in Head Office of C.S.D., Base and Area Depots at Bombay and Area Depots at Delhi, Lucknow, Ambala and Bangalore. During evidence the representatives of the Ministry of Defence attributed the high percentage of operational expenditure at Bombay, Delhi and Lucknow to the location of Regional Managers also at these Stations. However, the material placed before the Committee indicates that Regional Manager for Bombay Region is based at Pune and not Bombay. Even if the Operational Expenditure with regard to Regional Manager at Pune has been included in that of Area Depot at Bombay, its percentage of the operational expenditure at 2.72 with 100 dependent unit-run-canteens and a turn-over of Rs. 1909 lakhs only in 1985 is very much on the high side when compared with the corresponding percentage of 2.33 in an over-loaded area depot at Udhampur where also a Regional Manager is based, and which catered to the maximum of 277 Unit-run-Canteens with a turn over of Rs. 2238 lakhs during the same year. Similarly the Area Depots at Delhi and Lucknow, where also respective Regional Managers are based, stand poorly in comparison with Udhampur area Depot with higher corresponding percentages of operational expenditure at 3.25 and 3.29, dependent unit-run-canteens numbering 101 and 142 and with turnovers of Rs. 2178 lakhs and Rs. 2402 lakhs respectively. In the Area Depot at Bangalore where no Regional Manager is based, the Operational Expenditure percentages of 2.64 with only 89 Unit-run-Canteens to cater to, and turn-over of Rs. 2290 lakhs is also relatively excessive in comparison with Area Depot at Udhampur.

3.43 The Committee area of the firm view that maintenance of both the percentage of operational expenditure to total expenditure and cost operation ratio at optimum levels is very essential for a commercial organisation like the C.S.D. The Committee therefore suggest that the Ministry should entrust the examination of operational expenditure and cost operation ratio of Head Office of C.S.D., its Base Depot and Area Depots to a group of experts with a view to suggesting on a time bound basis, effective measures to reduce the operational expenditure in the Department and its Depots and to modernise its operations commensurate with its commercial nature.

CHAPTER IV.

STORES

A. Procurement of Stores

4.1 *Direct Procurement* :— The Ministry has stated that “the Department buys directly from the manufacturers consumer goods at special rates, but at the same time maintaining the quality and sells the same to troops through military canteens which are run by military units.” According to the Ministry the value of stores procured directly from manufacturers in India during last five years was as under :—

| | | |
|---------|---|---------------------|
| 1981-82 | — | Rs. 157.20 Crores. |
| 1982-83 | — | Rs. 187.62 Crores. |
| 1983-84 | — | Rs. 259.59 Crores. |
| 1984-85 | — | Rs. 296.73 Crores. |
| 1985-86 | — | Rs. 316.41 Crores.* |

*Data incomplete

4.2 Asked to specify the machinery employed at procurement stage to ensure the quality of stores being brought from the manufacturers, the Ministry has stated in a written reply that the Department as far as possible goes in for branded goods manufactured by reputed firms. Before a product is approved for procurement it has to pass through five stages. An Introduction Committee consisting of five senior officers of the Department carry out a preliminary scrutiny of the request for introduction. This is followed by a market survey conducted by CSD officers and thereafter a detailed scrutiny of the application form for the introduction and the sample are carried out. Subsequently, the rates and terms are negotiated by a Committee of Officers and their recommendation is approved by the General Manager. Finally, a case is put up to the Board of Administration alongwith samples. The negotiated prices at which CSD procures goods from suppliers are generally 5% to 20% below their whole-sale prices. In its reply the Ministry has further informed the Committee that the above procedure of procurement is reviewed periodically with the objective of improving it.”

4.3 Asked during evidence when the procedure was reviewed last, the Additional Secretary in the Ministry stated :—

“The broad intention of making the statement was that, if one goes back to the 50s, the manner in which they had been going about is that their business has been undergoing a change every few years. First of all, they were buying everything from one place and distributing it from one place. Over the years all that has changed. I would submit that while there is no formal review at any given point of time, the basic difference is the management information system. Whenever the organisation comes across any area which is contributing to the higher cost, they proceed for its solution and

that becomes a review. Now, the computerisation has come only a year ago and they had been constantly monitoring and trying to find solutions to ensure that the number or movements of the goods is reduced to the minimum, that is, the overhead, transportation cost, handling cost are reduced to the minimum. Therefore, the overall running costs are being reduced to the minimum... According to our understanding, there had been no formal review as such."

4.4 Asked further whether any periodicity had been laid down for such reviews, the witness replied in the negative. On the Committee pointing out that in that case it was not a periodic review, but done as and when considered necessary, the witness agreed.

4.5 *Local Supply Order System* : A non-official has represented to the Committee that the system of direct procurement by Area Depots on the basis of requisitions placed by depot managers "can be misused in the hands of unscrupulous staff who may place exorbitant orders for extraneous considerations. That is why there is need to delegate this authority with great care and restrict the quantum to 30 days consumption only at one time. Even then there have been cases of overstocking through non-judicious use of L.S. Order System."

4.6 Asked during evidence what measures had been taken by the Department to prevent misuse of the authority delegated to Area Depot Managers to requisition canteen stores direct from the manufacturers, the Chairman-Cum-General Manager CSD, admitted :—

"I took over this department in April 1985 and it took me some time to understand this department. I found that the local purchase authority given to the area depot was being misused. I was constrained to stop it from 1st October, 1985. This practice I stopped except the items like Dalda, tea, oil and Cigarettes."

4.7 *Patronisation of small scale/cottage Industries* : The Ministry has stated in the Preliminary Material that for procurement, the CSD deals directly with manufacturers of consumer goods, which includes private entrepreneurs, small scale industries, cooperative societies, Government owned firms etc.

4.8 Asked to state the value of stores procured from suppliers of small scale/cottage industries sector and other sectors during the last five year the Ministry has stated that no such data was available with them. The Department went in for procurement of stores depending upon the popularity of the product and actual requirement of troops.

4.9 However, it has come to the notice of the Committee that in the Information Brochure for Suppliers, the CSD has directed the firms interested in doing business with the CSD to fill in a form of Application, namely, Form CSF 512, for enlistment as approved suppliers to CSD. Under Columns 5 and 6 under the Section re : General Information of

Industries in this format, the aspiring suppliers have to fill in the following particulars of their enterprises :—

“5. Type of Industry with date of registration and No.

- (a) Heavy
- (b) Medium
- (c) Small Scale
- (d) Khadi & Village.

(score out whichever is not applicable)

6. Status, whether

xx

xx

xx

(c) Ex-servicemen's enterprises or cooperative enterprise.”

4.10 Asked to state the precise reasons, why the Ministry/Department is not maintaining separate data showing the stores procured from small scale/cottage industries sector and other sectors separately, the Ministry has stated in a written reply that “as the stocking and sale of goods by CSD has traditionally been dictated by ‘Consumer Preferences’, the source of its manufacture has not been relevant and hence this data has never been compiled.”

4.11 Meanwhile the Committee received a memorandum from a non-official stating *inter alia* that “CSD is patronising the small scale industries as per the percentage laid down.”

4.12 In reply to a further question, the Ministry has defined that any percentage had been laid down by the Department for procurement of stores from small scale/cottage industries sector and has reiterated that “procurement of stores is not based on the status of the supplier but depending upon the preference and requirements of the troops.”

4.13 During evidence when the Committee observed that CSD had not done enough to open its doors to small scale/cottage industries sector for supply of suitable stores, the Additional Secretary assured :—

“We accept the observations of the Committee that whatever special efforts which are possible, can be made both for ex-servicemen and these people.”

4.14 *Introduction of Items* : The Ministry has stated that the criteria laid down for introduction of an item in Canteen Stores range are :—

“Popularity of an item in the open market. Adequacy of the number of items with the same functional value already available in the inventory.

Additional benefits which the suppliers are prepared to offer.”

4.15 Asked during evidence what specific additional benefits were given to CSD apart from the reduced prices by the suppliers in course of procurement of stores, the Chairman, CSD stated :—

“Payment of those goods is made in 30 days. That money is available to us. In those 30 days we might have sold the item.

Some of the suppliers send the goods to the Area Depot at their own cost."

4.16 Asked whether in this process the CSD had come across any cases of subjectivity and corruption, the witness stated :—

"As far as I know, I do not think in this sort of a situation anybody has been caught. But it was inherent in the system of local purchase. It was known but nobody was caught.

4.17 Pointed out that the selection or rejection of an item was also a subjective matter, as certain ex-servicemen's Cooperative Societies had not been able to get their items introduced in the C.S.D. Stores even after having taken up the matter at the Ministerial level and that something ought to be done to promote such cooperatives by the Ministry, the witness stated :—

"I must put it very frankly before you that when I took over this department, we had an application form for any supplier being registered with us. That form was not given easily to a supplier who came and applied for it for the reasons that the work of the department would be increased. But I found that that was a very retrograde step that all control leads to corruption. So, I removed that obstacle. Now any supplier can come, pay for the form and apply for it. It has increased the work of the department, but that is acceptable to us. Regarding items for ex-servicemen, we are very much concerned about them. They are our brother officers and we would like to help them. But we are very much concerned about quality of the goods, because they (troops) are paying from their own pockets. If it is of a poor quality, then they will suffer. Otherwise, we are very much in agreement and alive to this problem. I want to encourage ex-servicemen cooperatives so that they can do business."

4.18 The witness agreed with the Committees that with wider publicity and a certain amount of relaxation of formalities for introduction of items without sacrificing the quality, such cooperatives or enterprises could certainly be helped.

4.19 The Committee are constrained to find that the local purchase authority delegated to the area depots was being misused for all these years and it was only towards the end of October, 1965 that some corrective steps were initiated to stop mal-practice. Had the policy and procedures for the procurement of CSD Stores been kept under constant review, such a situation would not have surfaced. The Committee therefore, recommend that for the up-keep of healthy business practices, the Ministry should immediately arrange to conduct a formal review of the policy and procedures for the procurement of stores so as to streamline the same.

4.20 The Committee are unhappy to note that in the procurement policy for stores, the Ministry/CSD seems to be obsessed with the yardstick of

“popularity (of an item) in the open market” disregarding the fact that standard quality stores of a number of categories like electric gadget, crockery, cutlery, utensils, plasticware, luggage items, tobacco, matches, bidies, etc. can be easily procured by the CSD from small scale cottage industries, ex-servicemen’s cooperatives/enterprises and other cooperative societies. The Committee would like the CSD that, other things being equal such organisations should be given preference in the procurement of stores as compared to the established large scale manufacturers.

B. Procurement from Abroad

4.21 The following figures indicate the value of stores procured by CSD from abroad during the last five financial years :—

| Year | Procurement from Abroad (Rs. in lakhs) |
|-------------------|---|
| 1981—82 | 31 |
| 1982—83 | 31 |
| 1983—84 | Nil |
| 1984—85 | 9 |
| 1985—86 | 15 |

4.22 In a written reply the Ministry has stated that the stores procured, from abroad during the last five years were Liquor (Scotch Whisky, Special Brands of Brandy, Wines and Liqueurs) and Sports Goods (Golf Sets, Golf Balls, Squash Balls, Fishing Tackles & Tennis Balls). According to the Ministry these stores were not available in the country.

4.23 Asked whether any review had been made recently to find out whether some of the stores being procured from abroad could be dispensed with so as to save the precious foreign exchange, the Ministry has stated that they have since discontinued the import of the Tennis Balls as they are now manufactured in India.

4.24 During evidence when asked why the Ministry imported Scotch Whisky for the troops while it was locally available, the Quarter Master General replied :—

“Notwithstanding the fact that there is still a marked preference for imported liquor, Government has taken a firm view that from 1989-90 onwards Armed Forces will not import it. I stand committed. We must learn to patronise our own production. Every bit of foreign exchange which is being saved will be utilised in procurement of a wide range of variety of goods. We take the demand pattern from the troops. If they want fibre glass pole vaults which are not available in the country, we will have to import but not the liquor. . . . But one thing I would like to bring to your notice. Because of the fact that we are not importing liquor, but we are importing sports goods, can we not be exempted from customs and from duty? It is because this Rs. 25 lakhs would help us to make some headway.”

4.25 The Committees are distressed to note that during each of the last five years huge amounts in foreign exchange ranging from Rs. 9 lakhs to Rs. 31 lakhs have been spent by the Ministry of Defence on the import of liquor and sports goods for sale through the CSD despite the fact that almost comparable brands of liquor and many of the sports goods so imported are manufactured and are available in India. The assurance of the Quarter Master General during evidence that imports of liquor would be stopped with effect from the year 1989-90 is a post-dated cheque. In order to save foreign exchange as also to develop habit for preference for indigenous goods among our Armed Forces, the Committee recommend that the troops should be motivated to gradually curb their "marked preference" for the foreign liquor and imports sports goods and opt for the Swadeshi stuff with effect from 1987-88 so that there is no change in the target for stopping the imports from 1989-90. The Committee would in fact appreciate if the import of liquor could be stopped forthwith.

C. Inspection of Stores

4.26 *Food and Liquor Items* : All food and liquor products are sent to Composite Food Laboratories (CFLs) for detailed analysis to confirm on their fitness for consumption by troops prior to introduction. If favourable verdict is received for the product from the CFL, only then it is introduced. Thereafter periodical checks are conducted by drawing samples at random at the depot level and getting them tested through CFLs for confirming their fitness for issue/consumption by the troops. Any adverse report is taken up with the suppliers and left out stocks of that particular batch withdrawn from the depots/URCs and returned to the suppliers for free replacement or affording credit.

4.27 In a written reply the Ministry has informed the Committee that the number of tinned food and liquor items that were sent to Army/Composite Food Laboratories during the last five years were as follows :—

| Year | Food | Liquor |
|------------------|------|--------|
| 1982 | 41 | 68 |
| 1983 | 72 | 49 |
| 1984 | 154 | 68 |
| 1985 | 149 | 118 |
| 1986 | 182 | 125 |
| (Till Aug. 1986) | | |

4.28 The following adverse reports were given by the Army/Composite Food Laboratories during the last five years :

| Year | Food | Liquor |
|------------------|------|--------|
| 1982 | 12 | 28 |
| 1983 | 38 | 7 |
| 1984 | 5 | 2 |
| 1985 | 1 | NIL |
| 1986 | 4 | 4 |
| (Till Aug. 1986) | | |

The above food and liquor items were either not introduced if the same were found unfit during the introductory stage or the stocks were returned to the suppliers if they were found unfit during periodic analysis.

4.29 With regard to inspection of food and liquor items the Ministry has further stated in a detailed note :

- “(a) **Liquor/Beer & Rum** : Testing of random samples is done once in a quarter for all brands supplied.
- (b) *Food stuff and Beverages* :
- (i) ISI or Agmark certified products and products of repute like Bournvita, Horlicks, Malted Milk, Viva, Nestray, Milk Powder, Oil Hydro and so on, are subjected to test once in six months from samples taken from any CSD Depot/Canteen (nominated by the CSD Head Office).
- (ii) Food products or beverages other than those mentioned above are subjected to tests once in three months from samples taken from any CSD Depot/Canteen (nominated by the CSD Head Office).
- (c) In addition to above, testing is undertaken whenever it is specifically required e.g. for rum, initially, at the time of Rum Contract, for other food items, before introduction of an item or whenever there is a complaint.”

4.30 *General Stores and Household Items* :

In regard to selections of items and whether they conform to the requisite specifications, it has been stated that firstly, the items are chosen by brands and their popularity in the Civil market. Secondly, for items like electrical, electronic and high value items, products stamped as ‘ISI’ or made to ISI specifications are accepted and given over-riding preference over others. Thirdly, at the time of introduction, the quality standards of the product, the respect it commands in the market, the status and ability of the supplier to produce standard quality products are some of the factors taken into consideration before acceptance is given to the introduction of the item. Lastly, by visual inspection of the items the quality and durability of the item could be established by CSD personnel who have adequate expertise in this field because of experience in dealing with such products for several years. Since items are dealt by brand names and their popularity and acceptance in the civil market are good, assurance of good quality is normally found to exist in such products and complaints are far and few.

Samples are maintained in a sample room and random checks are carried out either when complaints are received regarding the product from the customers or where special reasons warrant such a check to be done. Where such random checks reveal disparity between the samples held by the

department and the actual supplies made by the firm, they are taken up with the suppliers and settled mutually between the parties. In exceptional cases, where required, samples drawn during random checks are sent to authorised Government agencies for testing and certification. However, in all cases of complaints received from any customer, it is always ensured that either the defective items is rectified or replacement is given to the individual. In some cases suppliers even refund money if the customer has expressed his desire to get cash refund.

4.31 In their detailed note on inspection of Stores the Ministry has further stated with regard to General Stores and household items :—

Cigarettes & Bidies : Since only those Bidies which carry ISI marks are introduced, these are not tested. In the case of cigarettes, these are subjected to laboratory tests on the basis of random samples drawn from stock supplied during that particular year. In addition, testing is undertaken whenever there is a complaint against any particular product.

Medicines : As CSD is handling only the items of proven mark from reputed manufacturers, testing of these items is not undertaken. However, it is ensured that drugs and medicines "With expiry date" are used or disposed of within the specified dates.

Cosmetics and Toilet Requisites : As the specifications are not laid down, it is difficult to carry out the regular test. However, whenever, complaints are received, these are sent for testing.

Holdalls, Brief Cases, Suitcase, Sports Goods & Textiles :

At the time of introduction of such items, representative samples are obtained in accordance with the specification agreed upon. Consignments received are inspected in comparison with these samples. The representative samples are also sent to depots where goods are received direct from manufacturers for comparison and report.

Durable goods like Table Fans, Scooters, Sewing Machines :

Complaints received from consumers are taken up with the suppliers and, when necessary, testing is done through prescribed sources.

Electric Appliances : Before introduction, each item is tested the Local Military Workshop. After introduction, samples are tested whenever a complaint is received."

4.32 In a written reply the Ministry had informed the Committee that the system of inspection currently in vogue in CSD was introduced in 1978 and has not been reviewed/revised ever since.

4.33 *Standardisation of Specifications* : Asked how it was prudent to rely exclusively on specifications given by manufacturers for stores not covered by ISI or Agmark specifications, the Ministry has stated in a written reply that CSD dealt primarily with consumer goods and even amongst these generally preference is given to established brand names. Many of these goods may not be subject to ISI specification and in fact specifications may not even exist, but the consumers/Defence personnel want to buy them non-the-less. In the case of food products and beverages, however, it is ensured that these are not injurious to health. The specification supplied by the suppliers is relevant only for the purpose of ensuring that sub-standard goods below what is specified in the contract are not supplied.

4.34 On the feasibility to create a set-up of its own for standardisation of specifications for general stores, household goods, liquor, etc. by the C.S.D., the Ministry has stated in their reply that the stocking of goods by CSD being dictated by "Consumer preferences" and these goods being consumer goods, there would appear no need to prescribe specification/standard for them.

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

D. Storage Capacity

4.36 In a written reply the Ministry has informed the Committee that the storage capacity at the disposal of CSD at base Depot, Bombay

and each of the 28 Area Depot is as follows :—

| S. No. | Name of Depot | Storage space required in sq. ft. | Storage space available | Owned by CSD/MES |
|-----------------|-------------------------------------|-----------------------------------|-------------------------|------------------|
| 1. | Agra | 60,000 | 46,800 | MES |
| 2. | Ahmedabad | 60,000 | 46,000 | CSD |
| 3. | Ambala | 1,00,000 | 74,000 | MES |
| 4. | Arunachal | 60,000 | 21,050 | MES |
| 5. | Bombay Base & Bombay Area | 1,20,000 | 90,000 | BPT (hired) |
| 6. | Bareilly | 75,000 | 44,990 | CSD |
| 7. | Baghdogra | 60,000 | 58,900 | MES |
| 8. | Bangalore | 90,000 | 48,500 | CSD |
| 9. | Bhatinda | 75,000 | 52,800 | CSD |
| 10. | Calcutta | 45,000 | 16,308 | MES |
| 11. | Delhi | 1,20,000 | 38,000 | CSD |
| 12. | Dimapur | 75,000 | 43,000 | MES |
| 13. | Jabalpur | 75,000 | 21,000 | MES |
| 14. | Jaipur | 90,000 | 63,700 | CSD |
| 15. | Jhansi | 45,000 | 33,000 | CSD |
| 16. | Jalandhar | 90,000 | 66,100 | CSD |
| 17. | Khadki | 90,000 | 51,490 | CSD |
| 18. | Lucknow | 1,00,000 | 36,000 | CSD |
| 19. | Madras | 75,000 | 18,500 | MES |
| 20. | Meerut | 90,000 | 43,700 | MES |
| 21. | Misamari | 60,000 | 36,000 | MES |
| 22. | Narangi | 45,000 | 31,600 | MES |
| 23. | Pathankot | 75,000 | 65,000 | MES |
| 24. | Ramgarh | 60,000 | 21,650 | MES |
| 25. | Secunderabad | 75,000 | 51,000 | CSD |
| 26. | Srinagar | 75,000 | 51,000 | MES |
| 27. | Udhampur | 90,000 | 45,730 | MES |
| 28. | Visakhapatnam | 60,000 | 25,500 | MES |
| Total | | 21,35,000 | 12,41,318 | |

4.37 The Ministry has admitted that storage space available with the CSD is not adequate. It has been further stated that the tinned and processed food items, the procurement and supply of which was transferred to CSD in 1982-83, are despatched directly by the suppliers to Army Supply Depots.

4.38 Asked during evidence what the Ministry proposed to do to overcome the shortage of storage space required by CSD, the Additional Secretary stated :—

“The Department is making formal request for allotment of land... certain stocks are kept covered in the open. They have now

planned to make up the deficiency. . . . It takes time. They need more and more space."

4.39 The Quarter Master General further clarified :

"In the future planning, let me reassure you that we are not only looking at this particular set up as on today, but for the future also. . . . Even in the construction procedure, we had always come to MES for it. Now the hon. Minister the other day in the Board Meeting has given permission to go to other agencies to get the construction work done so that the wastage is reduced. Demands are changing, the para-military forces have always come up with their demands. Therefore, a phased plan has been made to accommodate all these things."

4.40. Asked whether the CSD was paying rent for the storage space provided by MES, the General Manager stated that "These pertain to the Army accommodation that is taken for rent."

4.41 On the Committee's suggestion that the Ministry/CSD should strive for transfer of rented MES storage space to CSD so that they could further improve and add on to those structures, the Quarter Master General stated :

"There is what is known as key location plan in every cantonment. Wherever they are in an accommodation meant for somebody else, they are required to keep their own land and construct the building. Any standard depot has a line plan prepared according to it. Wherever they are in accommodation which is going to be used for their purpose, we can examine whether that can be transferred. . . . The second point is wherever they are in a wrong location, this canteen man sitting at a wrong place, we have to resume that from him."

4.42 In a note the Ministry has stated that the total storage capacity constructed/acquired during the last 10 years is 5,06,340 sq. ft. as under :—

| Sl. No. | Depot | Year | Area (Sq. ft.) | Remarks |
|---------|---------------------|----------------------|----------------------|-----------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| 1. | Ahmedabad | 1981 | 46,000 | New Complex constructed by CSD, |
| 2. | Ambala | (a) 1983 (b) 1985 | 16,000 } 16,000 } | Augmentation of storage capacity. |

| 1 | 2 | 3 | 4 | 5 |
|-----------------|-------------------------|----------|----------|--|
| 3. | Baghdogra | 1985 | 3,900 | Augmentation of storage capacity |
| 4. | Bareilly | (a) 1980 | 44,190 | New depot complex constructed by C.S.D. |
| | | (b) 1985 | 800 | Augmentation of existing storage capacity. |
| 5. | Bhatinda | (a) 1981 | 39,800 | New depot complex constructed by CSD. |
| | | (b) 1984 | 5,000 | Augmentation of storage capacity. |
| 6. | Dimapur | 1985 | 3,300 | Augmentation of storage capacity. |
| 7. | Jabalpur | 1984 | 3,300 | Augmentation of storage capacity. |
| 8. | Jaipur | (a) 1981 | 47,000 | New depot complex constructed by CSD. |
| | | (b) 1985 | 16,700 | Augmentation of storage capacity. |
| 9. | Jalandhar | 1986 | 66,100 | New depot complex constructed by CSD. |
| 10. | Jhansi | 1976 | 28,000 | On rent from Army. |
| 11. | Khadki | (a) 1980 | 40,000 | New depot complex constructed by CSD. |
| | | (b) 1986 | 11,490 | Augmentation of storage capacity. |
| 12. | Lucknow | 1983 | 11,200 | Augmentation of storage capacity. |
| 13. | Meerut | 1986 | 12,000 | Augmentation of storage capacity. |
| 14. | Misamari | (a) 1976 | 30,000 | On rent from Army. |
| | | (b) 1978 | 6,000 | Augmentation of storage capacity. |
| | | (c) 1983 | 2,000 | Augmentation of storage capacity. |
| 15. | Narangi | 1984 | 3,000 | Augmentation of storage capacity. |
| 16. | Pathankot | 1985 | 12,000 | Augmentation of storage capacity. |
| 17. | Secunderabad | 1985 | 7,000 | Augmentation of storage capacity. |
| 18. | Udhampur | 1984 | 10,060 | Augmentation of storage capacity. |
| 19. | Visakhapatnam | 1977 | 25,500 | On rent from Navy. |
| TOTAL | | | 5,06,340 | |

4.43 The Ministry has further intimated in their note that the yearwise details of rent paid by CSD to MES and other agencies towards hire of depots during the last 10 years is as follows :—

| Year | Rent paid by the CSD |
|---------|----------------------|
| 1976-77 | Rs. 5,18,918.88 |
| 1977-78 | Rs. 5,29,248.12 |
| 1978-79 | Rs. 5,29,248.12 |
| 1979-80 | Rs. 5,29,248.12 |

| Year | Rent paid by the CSD |
|---------|----------------------|
| 1980-81 | Rs. 5,29,248.12 |
| 1981-82 | Rs. 5,29,248.12 |
| 1982-83 | Rs. 4,37,164.88 |
| 1983-84 | Rs. 4,37,164.88 |
| 1984-85 | Rs. 4,37,164.88 |
| 1985-86 | Rs. 4,37,164.88 |

4.44 In another note the Ministry has intimated after evidence that there has been "no loss of stores (in the CSD) due to lack of storage/poor storage facilities during the last five years."

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

E. Government Concessions on Stores handled by CSD

Concessions by State Governments :

4.46 It has been stated that "CSD stores are procured at its Base Depot at Bombay and at other places taking into consideration the different tax concessions allowed by various State Governments." According to the data supplied by the Ministry, procurement of all stores handled by CSD has been exempted from local (Sales) tax under certain regulations by the State Governments of Andhra Pradesh, Bihar, Gujarat, Jammu & Kashmir, Karnataka, Kerala, Nagaland, Punjab and Union Territory of Chandigarh. Exemption under regulations is awaited from Tamil Nadu State. Madhya Pradesh, Maharashtra, Uttar Pradesh Governments and Delhi Administration have similarly granted partial exemption. The State Governments/Union Territories which have not yet granted such exemption to the CSD are Haryana, West Bengal, Assam, Himachal Pradesh, Manipur, Meghalaya, Orissa, Rajasthan, Sikkim, Goa, Daman & Diu, Pondicherry, Tripura, Andaman and Nicobar Islands, Arunachal Pradesh, Dadra and Nagar Haveli, Lakshadweep and Mizoram.

4.47 On the Committee's observations during evidence that the interaction between Ministry of Defence and the State Governments/Union Territories which had not granted such exemption at all or in full, was less than adequate, the Additional Secretary in the Ministry of Defence assured :—

“At least once a year Army-Civil liaison meetings take place with the State Governments and Union Territories. These are attended by Chief Secretary, Home Secretary, Director General, Army Commanders etc. I have been associated with this discussion in the past. Sometimes in a particular State Government the overall policy being what it is, they afford to grant full or partial exemptions and so on. This is a kind of debate which is going on. We can further examine his aspect and we will see if we can address letters from our Minister to the State Governments. We can explore that. The State Governments have their own view in the matter. It is not always easy. We will definitely review this matter and take such further steps as are found necessary.”

4.48 Asked why there should not be a uniform policy by both the Central and State Governments with regard to exemption of CSD purchases from Excise duty strating with the Government of India, the witness added :—

“It is done at regional level. This is discussed at the level of the Regional Group of Ministers to which I made a reference.”

4.49 About the position in Bombay where most of purchases were being made by the CSD, the Chairman-cum-General Manager clarified :—

“We have got Mother Depot in Bombay. The Maharashtra Government has given us facilities. Once we procure in Bombay, it comes to the Government stores.”

Central Sales Tax

4.50 CSD Stores are not exempted from Central Sales Tax as is evident from a written reply of the Ministry citing the increase in Central Sales Tax as one of the reasons for decline in the profits of CSD during 1983-84.

Concessional Railway Transportation

4.51 In the Preliminary Material the Ministry has state that “No concession/subsidy from the Government is allowed in the selling prices of CSD stores except that Military Credit notes for transportation of CSD Stores by rail at concessional rates are used by the Department. It is emphasised that CSD is a commercial organisation which is self-supporting entirely working for welfare of troops. All concessions enjoyed by the department are obtained from the suppliers/manufacturers only and no subsidy is given by the Government.”

4.52 Asked to state the percentage of concession involved in railway rates for transportation of CSD stores availed of through Military Credit Notes, the Ministry sent the following written reply :—

“As against the uniform rate charged by Railways for the transportation of different types of CSD stores on MC notes, there are about 30 different kinds of civil stores. It is, therefore, extremely difficult to quantify the concession enjoyed by the Department in using the concessional railway rates for transportation of CSD stores on Military Credit Notes.”

Storage Space hired from Central Government Agencies

4.53 According to the data furnished in a written reply by the Ministry, out of storage space of 12,41,310 sq. ft. available to the CSD, the Department has hired storage space of 90,000 sq. ft. from Bombay Port Trust and 6,52,746 sq. ft. from Military Engineering Service of the Ministry of Defence at seventeen stations in the country where the area Depots of the Department are located. It is obvious to the Committee that the rates at which the CSD pays the rental of storage space hired from both the aforesaid agencies must be below the market rates.

4.54 The Committee are convinced that the Ministry's contention that “All concessions enjoyed by the Department are obtained from suppliers/manufacturers only and no subsidy (meaning concession) is given by the Government”, is not borne out by facts. The Department does enjoy certain concessions from the Government side also, namely, (i) the full or partial exemption from local/sales taxes granted by eleven State Governments and two Union Territory Administrations on purchases of Stores by the Canteen Stores Department, (ii) concessional rates charged by the Railways in the form of Military Credit Notes on transportation of Stores by the CSD and (iii) concessional rates of rent being paid by the CSD on their major portion of storage space hired from Military Engineering Services at various stations where area depots of the CSD are located and from the Bombay Port Trust etc.

4.55 The Committee find that over the years since the inception of Canteen Stores Department, the Ministry of Defence has been able to obtain for CSD stores full exemption from local/sales tax from the Governments of 8 States and 1 Union Territory only, namely, Andhra Pradesh, Bihar, Gujarat, Jammu and Kashmir, Karnataka, Kerala, Nagaland, Punjab and Chandigarh and partial exemption of the said tax from 3 States namely, Madhya Pradesh, Maharashtra and Uttar Pradesh and the Union Territory of Delhi. Full exemption is stated to be still awaited from Tamil Nadu Government also. The Committee are, however, distressed to note that not only rest of the States and Union Territories but even the Central Government themselves have lagged behind in according this privilege, so rightly deserved by our armed forces defending round the clock the territorial integrity of our entire country. The Committee feel that the Ministry of Defence has not been

doing all they could to persuade the Union Government and remaining State Governments and Union Territories to fall in line with the States and Union Territory which have granted full exemption. The testimony of the Additional Secretary in the Ministry during evidence that army-civil liaison meetings take place once a year for the purpose with the State Governments and Union Territories concerned leads the Committee to the conclusion that these meetings have in fact been more ritualistic than fruitful in so far as the States and Union Territories which are not willing to grant the concession to the Canteen Stores Departments are concerned.

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

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

CHAPTER V

DISTRIBUTION OF STORES THROUGH UNIT-RUN-CANTEENS

A. Role of Unit-run-Canteens

5.1 The CSD has covered the entire country in their distribution network and the location of CSD Area Depots dealing in wholesale trade only, are in such places where the troops are posted. The retail trade of stores dealt with by CSD Depots is carried on amongst troops etc. by Unit-run-Canteens. All Units of Army and Air Force are dependant on CSD. In case of Navy their Indian Navy Canteen Service draws stores from CSD to Naval Canteen in some cases. At present there are 3,438 URCs of the three Services. These canteens buy stores from the CSD Area depots on a month-to-month basis. They project their requirements based on the preference indicated by the troops stationed and attached to their Units. The CSD depots stock all those items which are normally demanded by the URCs dependent on them and on receipt of their monthly requirements they are issued to those canteens against payment. The canteens which are located close to CSD depots collect the stores under their own arrangements and in the case of URCs located away from CSD depots the stores are duly packed and despatched to the canteens by rail/road.

5.2 The value of sales by Area Depots of the CSD to Unit-run-Canteens during the financial years 1981-82, 1982-83, 1983-84, 1984-85 and 1985-86 was Rs. 187.39 crores, Rs. 232.02 crores, Rs. 297.58 crores, Rs. 377.41 crores and Rs. 392.80 crores respectively.

B. Denials and Consumer-satisfaction

5.3 Appealing to the suppliers to give publicity to their products in CSD publications, it has been observed in the Information Brochure for Suppliers :—

“Often the ultimate consumers *i.e.* the troops do not come to know much about the product range in CSD. Due to this lack of knowledge of the product they do not demand the items through Unit-Run-Canteens. While products of big firms and multinationals are widely publicised and covered through TV media, same is not the case with many others.....”

5.4 In an article captioned “Safeguard Against Denials” appearing in the November, 1985 to January, 1986 issue of the CSD Newsletter, Shri A. S. Pall, Deputy General Manager (LIF), has *inter alia* stated :—

“It has been seen from experience that the denial of stores which happens at the canteen ends and generally pegged on to CSD is not of the making of CSD but mostly of the unit canteens themselves

This can be vouchsafed from the fact that most of the items denied by the canteens are generally available with the CSD area depots on which they are dependent. As CSD has no control over the functions of unit canteens, it is, therefore, primarily the duty of the Canteen Officers to see for themselves as to where the malady lies. This premise is based on the studies undertaken by our RMs at times who have confirmed this state of affairs almost at all canteens as they are not following the suggested stocking pattern *i.e.* one month working stock one month reserve stock and one month in the pipeline. It has also been seen by our field force that unit canteens invest their trading profits in FDs (even for 15 days) but are always reluctant to invest the same back into the business where the returns are substantial. This not only gives them better financial gains but they can also at the same time keep their canteens well stocked and raise the level of consumer demand satisfaction."

5.5 Chairman, Board of Administration, CSD has also observed in the Newsletter for May, 1986 :—

"Denials of some ranges of items have been reported to me either by D.O. letters or during visits to units/formations. When such cases were investigated, I found that those items were available at the area depots and customers were not getting them at the canteen due to non identifying of these items by unit run canteens from area depot. . ."

5.6 Asked to identify the machinery for ascertaining consumer choices and preferences and ensuring consumer satisfaction with proper feedback from distribution outlets *i.e.* Unit Run Canteens, the Ministry has stated in its written reply to the Committee :—

"Consumer choices and preferences are obtained by a feedback system by either of the following methods :—

- (i) Unit/Formation Commanders reporting to their respective service HQ in their periodical returns related to welfare and morale. Similarly they also write to the CSD HO on such matters.
- (ii) The URCs giving a feedback in the quarterly meetings being conducted at the area depot locations.
- (iii) URCs filling up the 'suggestions and views form' attached to the monthly CSD Newsletter and returning them to the CSD HO.
- (iv) The URCs writing to the depot and HO as and when required.
- (v) The individual customer himself writing to the area depot and HO as and when required. The suggestions are received and processed in Head Office by Managements Services Branch. . . . liaison and co-ordination is maintained as indicated above besides supplementing them by personal visits by General Manager, Deputy General Managers and Regional Managers as and

when they visit any area depot as a part of their duties. The Managers of area depots also visit the canteens periodically to know about their supply problems."

5.7 In a note the Ministry has stated that close coordination is maintained by area depots with URCs, among other things, also by (i) ensuring distribution of priced catalogue of stores in CSD inventory, to all URCs once in every six months, (ii) displaying newly introduced items at the quarterly URC meetings for the URCs to see the items and place indents if required, and (iii) displaying the items in show cases at the area depot for the URCs to see during their visits to the depot.

5.8 Elaborating during evidence the system of placing demands and collection of stores by Unit-run-canteens the Quarter Master General stated :—

"There is monthly, or in some cases bi-monthly system of demands being placed by the unit-run-canteen on the depot. The depot concerned calls representatives of all the unit run canteen managers to come and collect the stores on an assigned date. If there are any denials, the reasons are explained. If these denials are to be met with subsequently, that is also indicated. If items denied cannot be supplied, substitutes are offered. And in this manner, basic consumer satisfaction is attempted to be achieved. I mark the words 'attempted to be achieved' because the constraints for non-supply are not attributable to the inability of the depot to provide them with the required items. There are also constraints with regard to manufacturers, etc. . . . I have a system of monitoring on the denials both in terms of particular items as also on a general percentage basis as to what is the degree of denial of a particular item or a number of items."

5.9 On being asked about the efforts being made by the Unit Commander and General Manager to make available to the Jawans the stores needed by them, the witness added :—

"The Unit Commander is to daily get in touch with the Jawans. In fact, we have a very good system. The Unit Commander apart from his own sacred responsibility to know about the quality of free rations which are being issued to the troops also checks whether the canteen is meeting the satisfaction of the troops or not. Secondly, we have in the Unit, second-in-Command, what we call the PRI—Presidents of Regimental Institute. One of their basic duties is to run the Regimental Institute and lay down orders as per the Unit standing orders. In the unit standing orders, it is clearly spelt out how the Canteen should function. The third is the unit Subedar Major who supervises, the operations of the Unit Regimental Institutes or any other area of activity. . . . three to four times, a week,

a Unit Commander is expected to make planned as well as surprise visits to the Canteen, not only during office hours but also during outside office hours when the office are closed. Officially, we open the canteen and see what they have purchased and other things and total the royalties."

5.10 Asked whether Unit run Canteens maintained any complaint/Suggestion boxes and how action was taken on such complaints or suggestions the QMG replied in the affirmative and explained :—

"There is one officer in the unit who is known as the Unit Canteen Officer who checks up the complaint or suggestion papers. He may also be a JCO. But it depends upon the size of the Unit. There are two channels through which we operate. One reports to the Subedar Major and the other to the Unit Second-in-Command. In fact, though it is a little costly, but very often, we do not have chits, but we have registers so that, there is a total record available and we do not have to paste the chit anywhere. If there is any problem which may upset the Unit or troops, he checks up that thing. The point I am making here is that the gut issues are being conveyed to Commanding Officers."

5.11 The Additional Secretary in the Ministry of Defence drawing attention of the Committee to the methods adopted for meeting the needs of consumers as listed in their written reply, stated :—

"Besides there are *sammelans* and get togethers where such problems are subject to discussion and review. As such, the structure makes all possible efforts to keep itself informed. However, based on the observations of the Committee, we will do our best to see that if something further needs to be done, it is done because our effort is to ensure welfare."

5.12 When the Committee drew the attention of the witness to the fact that inspite of the existing arrangements for consumer satisfaction there were as many denials by Depots of CSD as 7 lakh items in 1981-82, 11 lakh item in 1985-86 out of the items indented by unit-run-canteens, the witness explained :—

"The percentage of denials works out to 26.37 in 1981-82. I am taking the average situation asked for 100 items. On an average, they will get 75. This is the dynamic situation. The denial may be 10 per cent, may be 100 per cent in respect of single item for 1 or more days. The position could be much better or it could be worse. On an average, taking the time factor and demand out of 100 items demanded, 75 are supplied."

5.13 When the Committee reminded the witness of item available in area depot not being made available to consumers in canteens for many months the witness admitted :—

"There is absolutely no debate about your observation that there should be a better picture to find out the reasons of the deficiency.

etc. We have in the recent past resorted to progressive computerisation. Now, for each item we would hopefully, in the coming months, be able to capture each information almost immediately.....”

5.14 On being asked when a particular thing is not available in the canteen and the jawan may not report about it to the higher officer, how was it brought to the notice of authorities concerned notwithstanding the fact that Unit canteens had two parts—CSD items and non-CSD items and for the non-CSD items a commanding officer immediately procured and made it available to the jawans, the Chairman of CSD stated :—

“There is a suggestion book kept in the canteen. If a particular item which is demanded by the consumer is not there, he can make an entry in that book. That book is inspected every day by the canteen officer. So, next month all such items which are not there will be indented. But all the items 100% are not kept or available in the depot all the time. The second thing is about the feedback. There is a monthly sales summary. In that one of the columns is, what are the items denied and what are the reasons. Certain items are denied due to reasons beyond the control of the CSD.....But the units will go on demanding it. I have repeatedly said in my letter that this item is not available because there is a production problem. But the units keep on demanding. Take the case of blades. There is a firm which has got monopoly in the country. They are not able to meet our demand. We have repeatedly written to them to meet our requirement to the full. But for reasons of limited production they are not able to comply with our request.”

5.15 In a subsequent note furnished to this Committee the Ministry has stated that :—

“A large variety of items procured by the CSD are common-user items which are purchased by all shades of clientele. However, there are a few items that are peculiar to officers and to JCOs/ Other Ranks which are listed as under :—

ITEMS PECULIAR TO OFFICERS

Toilet Tissue Paper, Crockery (Decorative/Plain), Glass Ware Carafes, Casserole/Serving Dishes/Tawas, Skillots, Saucepans, Stoves Gas/Grills, Car Fans, Insulated Curd Maker, Ovens Electric, Storage Water Heaters/Geysers, Toasters, Sandwich Toasters, Heat Convector, Music Equipment/Car Speakers, Presentation Box (Cutlery), Type-writers, Ice Trays/Ice Buckets, Carpets, Weighing Machines, U/Foam Mattresses, Scooters Bajaj, Imported Sports Goods, Tennis/Squash/Golf Balls, Imported Liqueur (Bitter, Whisky, Gin, etc.) (all against allocation as per entitlement), Indigenous Gin, Vodka, Liqueurs, Whisky, Tobacco Flakes, Marmalade, Tinned Food/Vegetables.

ITEMS PECULIAR TO ICOS/OTHER RANKS

Enamelware, Bicycles, Readymade Children Garments/lungis, Canvas Shoes Brown, Bidiies."

C. Sale of Stores of Limited Availability :

5.16 Asked how the sale of products of limited availability like a popular brand of Scooter, or imported sports items was regulated, the Ministry has in a written reply, informed the Committee :—

"Popular Brand of Scooter—Sale of this item is regulated strictly as per seniority of registration with CSD. . . .

Imported Sports Item—These are allotted to the Formation Headquarters of the three services of the Armed Forces for sub-allocation of units/officers. Normally Commanding Officers allot by lottery".

5.17 On the question as to how the CSD ensured that such goods are not cornered by the top ranks of the eligible customers the Ministry has further stated in their reply :—

"The distribution of goods by URCs is not a direct responsibility of the CSD, but instead of, the respective formations/units, who ensure fairplay."

D. Forced Issue of New Items to Canteens

5.18 In the CSD Newsletter for April 1986, the General Manager has referred to complaints from Units/Formations "about forced issue of new introduction items by the Area depots to Unit-run-Canteens. . . appreciating the difficulties some of the URCs may have stocking these items without demand". Asked to justify the system of forced issue of any new introduction items to Unit-Run-Canteens having no demand for such items, the Ministry have stated in a written reply that there is no forced issue of newly introduced items to URCs and have added that following instructions have been issued to CSD Depots on the subject.

"Immediately on receipt of the initial allocation of newly introduced items, all depot managers would issue small quantities (except wrist watches) to dependant major unit canteens on credit basis for 30 days. The canteens are at liberty to return the stocks in saleable/serviceable condition within 30 days of receipt of stock by them when no payment would be collected by them for the stocks returned.

There is no objection in the canteens retaining the items for a maximum period of 60 days but in such cases payment for the stocks would be made by them before expiry of 30 days of receipt of stocks. Canteens desirous of returning the stocks after making payment and within 60 days of return of stocks by them would be allowed necessary credit at prices at which the stocks were issued to them provided the stocks are in Saleable/serviceable condition.

This decision has been taken mainly with a view to give wide opportunity for the canteens to display newly introduced items for which many continue to report to us through the "Consumer Views & Suggestions for introduction of those items".

5.19 The Ministry have further stated in their reply that a few complaints are received in this regard from URCs suggesting that newly introduced items should not be issued to URCs their concurrence. Through the Newsletter they were informed about the factual Position and the orders on the subject.

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

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

E. Loans advanced by CSD to Unit Run Canteens

5.22 The Ministry has furnished the following statement showing the amount of loans advanced by CSD to URCs during each of the last Five

Years and the corresponding amounts recovered and balances due from URCs in respect of loans advanced :—

| Year | disbursement of Unit Loan during each year | Amount recovered, pertaining to each year | Outstanding amount, pertaining to each year |
|---------|--|---|---|
| 1 | 2 | 3 | 4 |
| | Rs. | Rs. | Rs. |
| 1981-82 | 48,00,000 | 43,75,000 | 4,24,200 |
| 1982-83 | 53,00,000 | 32,70,500 | 20,29,500 |
| 1983-84 | 63,00,000 | 24,24,000 | 38,76,000 |
| 1984-85 | 60,04,000 | 8,82,000 | 51,22,000 |
| 1985-86 | 89,99,500 | — | 89,99,500 |

5.23 The Ministry has further clarified that loans given to URCs are recoverable in ten equal half-yearly instalments, commencing a year after its disbursement. Thus realisation takes place at the rate of one-fifth of the loan annually in the 2nd to 6th years following the disbursement. There is no case of non-repayment of loan by any of the URCs.

5.24 In a written reply the Ministry has informed that the rate of interest charged on the first loan to a URC is 4% and on second loan, 6%.

5.25 Asked when all the Unit run Canteens are managed by Officer Commanding of those units under their own arrangement, how it was the responsibility of the Canteen Stores Department to provide them with loans, the Ministry has stated in its reply :—

“CSD was created and exists for the welfare of troops. Funds held by CSD have been generated from the profits earned from the troops. All the funds held with CSD, therefore, belong to troops and are meant to be used for their welfare. The basic objective of CSD is to promote welfare of the troops. For raising new URCs adequate funds are not available with the units. Loan in the form of stores is therefore allowed by CSD so that they can start functioning. For expanding their business turnover also, loan in the form of sale of stores on credit term, is allowed by CSD to URCs.”

5.26 Asked during evidence to justify the interest charged by the C.S.D. on loans advanced to URCs as they were meant for welfare of the troops, the Additional Secretary stated that “These rates are subsidised.” When the Committee observed that interest rates charged were in the nature of profits, the Quarter Master General stated :—

- “We can examine the rate of interest being charged. It is purely servicing charges which are especially required to handle the correspondence. It is not adding to the revenue. Purely on principle there is a doubt whether it is a fair price.”

5.27 The Committee are of the considered view that while Unit run Canteens continue to be managed by officers commanding the units under their own arrangements it should not normally be the responsibility of the Canteen Stores Department to provide loans for raising new URCs. The responsibility for providing the necessary wherewithal for raising new URCs should appropriately be that of the respective headquarters of Army, Navy or Air Force. The Committee recommend that the Ministry of Defence should examine this anomaly of CSD with no administrative and managerial jurisdiction over the URCs having acquired the obligation of financing the raising of new URCs by providing them with soft loans at 4% and 6% rates of interest, repayable in 10 half yearly instalments commencing a year after disbursement i.e. in effect within six years. As the level of loans so granted by the CSD to URCs has risen from rupees 40 lakhs in 1981-82 to the level of almost rupees 99 lakhs in 1985-86, and is likely to rise further in the coming years, the Committee recommend that the Ministry of Defence should also re-examine the rates of interest and terms of repayment of these loans with a view to ensuring a fair return on the capital so invested by the CSD taking into consideration the essentially trading and commercial nature of the Organisation. The Ministry should also ensure that loans in any form are not granted by CSD to such Unit run Canteens which misuse their resources in profiteering by investing them in fixed deposits rather than in maintaining the stocking pattern suggested by the CSD.

CHAPTER VI

VERIFICATION OF STOCKS

A. Procedure of stock verification

6.1 As regards maintenance of store accounting, the Ministry has stated in their material that a ledger folio is opened for each item entering the depot and this card remains active till the items is deleted or disposed off from the depot's physical charge. This is a basic accounting record in which all transactions concerning the item i.e. receipts and sales are recorded and they are subjected to audit scrutiny by staff of Controller of Defence Accounts (CSD).

6.2 The Ministry has further stated that the post-procurement verification of stocks are done at the end of every month by a team of depot officials detailed by the depot Manager. They carry out physical stock check of the item and record the physical balances found in the stores. The physical balances and discrepancies are determined, if any. The discrepancies are then investigated by the depot administration in consultation with the dealing store in-charge and a final shortage/surplus statement is drawn. This statement alongwith the explanation of the concerned store-keeper together with recommendations of the depot Manager are forwarded to the Head Office. At HO they are scrutinised and keeping in view the explanation of the storekeeper and the comments/recommendations of the depot Manager, the sanction of the competent authority is taken to finalise the final shortages. However, at the end of the financial year i.e. in March of every year, stock taking is conducted by an Officer detailed from another depot or from HO, who carries out the physical verification of the stores with the help of depot personnel and reports on the physical stock status of the items held at the depot. The investigation of discrepancies and its finalisation procedures are same as that of monthly stock-taking.

B. Deficiencies revealed in Stock Verification

6.3 The Ministry has supplied the following data revealing deficiencies detected in CSD Depots during stock verification :—

| | Value of Deficiencies | Finalised & written off | Under investigation |
|---------|-----------------------|-------------------------|---------------------|
| | (Thousands of Rupees) | | |
| 1981-82 | 23.6 | 23.6 | Nil |
| 1982-83 | 46.1 | 40.4 | 5.7 |
| 1983-84 | 41.6 | 15.2 | 26.4 |
| 1984-85 | 161.6 | 33.9 | 127.7 |
| 1985-86 | 74.1 | 4.6 | 69.5 |

6.4 Asked to state specifically the reasons for huge increase in deficiencies during the last five years, especially extremely high amount thereof during 1984-85, the Ministry has stated in a written reply that :—

“the value of deficiencies between 1981-82 and 1985-86 ranges between Rs. 23,608/- and Rs. 1,61,600/-. Compared to the total

turnover of the department (Purchase and Sales) running into several hundred crores of Rupees, the deficiencies were negligible working out not even to 0.002% of the total turnover. In a trading and commercial organisation like CSD where large scale receipt and issue transactions take place on a day-to-day basis, errors in counting wrong issues or over issues may take place resulting in either deficiency or surplus for a few items at the end of the month when stock-taking is carried out. The deficiencies reported were extremely minimal and cannot be termed as huge deficiencies."

6.5 The Ministry has further stated that the deficiencies relating to the year 1982-83, 1983-84 and 1984-85 could not be finalised due to disciplinary proceedings/investigations being in progress and not finalised. The Ministry have added that the availability of staff being inadequate, mistakes in receipt/issue transactions occur in the heavy rush of work and pinpointing responsibility in all the cases becomes difficult. Groups have recently been reorganised to reduce the number of items to bring in more effective control. But additional storekeepers to handle the groups are not available. Till then discrepancies to a certain extent is inescapable.

6.6 Disagreeing with the Ministry's contention that the deficiencies were minimal taking into account the annual turnover of the CSD, when the Committee referred to the inadequacy of additional storekeepers cited as another reason for the discrepancies in stocks, the Additional Secretary in the Ministry conceded :—

"We have gone over their requirements of casual labourers, additional labourers whenever there is rush of work like loading, unloading, transportation etc. I would submit that as the turnover increases—as it is increasing—the procedure for the supervision shall have to be very much improved."

6.7 On the suggestion that the Ministry should either arrange to write off the deficiencies or make them up by speedier investigation the witness reacted by saying "That is admitted."

C. Surplus revealed in Stock Verification

6.8 The Ministry have supplied the following statistics indicating the surpluses revealed during stock verification of C.S.D. Depots during the last five years :—

| | Value of Surplus item | Value of Surplus finalised and brought on charge | Value of Surplus under investigation |
|---------|-----------------------|--|--------------------------------------|
| | (Thousands of Rupees) | | |
| 1981-82 | 39.2 | 39.2 | Nil |
| 1982-83 | 76.9 | 76.2 | 2.7 |
| 1983-84 | 109.3 | 58.6 | 50.7 |
| 1984-85 | 190.5 | 37.7 | 152.8 |
| 1985-86 | 105.0 | 15.7 | 89.3 |

6.9 In its written reply the Ministry has adduced similar reasons for the mounting surpluses revealed during stock verification during the last four years as they cited for deficiencies detected in the CSD Depots.

6.10 The Committee are concerned to note the huge deficiencies in stocks of CSD Depots to the tune of Rs. 1,61,600 and Rs. 74,100 revealed during stock verification in 1984-85 and 1985-86 out of which deficiencies to the extent of Rs. 1,27,700 and Rs. 69,500 respectively are still under investigation alongwith the deficiencies of Rs. 5,700 and Rs. 26,400 pertaining to the years 1981-82 and 1982-83. Equally staggering are the surplus items valued at Rs. 1,09,300, Rs. 1,90,500 and Rs. 1,05,000 revealed during the years 1983-84, 1984-85 and 1985-86 out of which surplus items valued at Rs. 50,700, Rs. 1,52,800 and Rs. 9,300 respectively are still under investigation alongwith Rs. 2,700 pertaining to 1981-82. The Committee do not at all agree with the contention of the representative of the Ministry of Defence that the deficiencies or surpluses revealed in course of stock verification during the last five years are minimal in view of the annual turnover of the CSD running into several hundred crores of rupees because the deficiencies and surplus so revealed should in the Committee's view, be judged in relation to the value of purchases made during the year and not in relation to the turn-over which includes the value of sales also. The Committee are of the firm view that the values of deficiencies and surpluses revealed during stock verification during the last five years are very substantial in absolute terms and in relation to the purchases of stores made by the CSD during the corresponding years and recommend that the Ministry should review the procedures of store accounting, arrangements for augmenting the store-keeping staff wherever necessary, and the procedures for investigating and following up surpluses and deficiencies revealed, with a view to minimising the discrepancies in stock verification as also to speed up the investigations conducted in this regard.

D. Surplus/Obsolete/Unserviceable Stores

6.11 The Ministry has stated that procurement of stores by the department is done with the assistance of computer printout as the department gets the various documentation like sales, stocks, denials, etc., recorded through computer. Since the actual procurement has such inbuilt checking systems in the normal course of working surplus do not accumulate. The added advantage is that if a product is not selling in a particular station it may have a demand at other stations and, therefore, the department arranges inter-depot transfers to liquidate such surplus located at that particular station. If considered inescapable the selling prices are reduced by the department. This decision rests with the Chairman, Board of Administration and there is no other agency allowed to decide such reduction in prices of surplus stocks. The Government have also authorised the following authorities only by delegating powers for disposal of surplus stocks :—

Board of Administration, CSD—Rs. 30,000/- for any item.

General Manager, CSD—Rs. 10,000/- for any item.

6.12 An arrangement also exists whereby the supplier/manufacturer takes back the surplus/unserviceable stocks and either make payment to the department or replace with fresh and sound stocks of other listed selling products.

6.13 Book and net sale values of stores declared surplus/obsolete/unserviceable are as follows :

| <i>Period</i> | <i>Book Value</i> | <i>Sale Value</i> |
|---------------|-------------------|-------------------|
| 1981-82 | Rs. NIL | Rs. NIL |
| 1982-83 | Rs. NIL | Rs. NIL |
| 1983-84 | Rs. NIL | Rs. NIL |
| 1984-85 | Rs. NIL | Rs. NIL |
| 1985-86 | Rs. 2.99 Lacs | Rs. 2.33 Lacs |

6.14 The sale value shown above is in respect of two items and out of which one is Golf Balls imported by the department. According to the Ministry the department was importing Golf Balls of 1.62 mm size, but recently National and International Standards had been raised to Golf Balls of 1.68 mm size, with the result the department had no choice but to reduce the selling prices of the Golf Balls which had gone obsolete for quick disposal.

6.15 In a written reply the Ministry informed the Committee that the book and sale values of golf balls and "the other item" are as follows :—

| | <i>Golf Balls</i> | <i>Other item</i> |
|------------|-------------------|-------------------|
| Book Value | Rs. 1.63 lacs | Rs. 1.36 lacs |
| Sale Value | Rs. 1.02 lacs | Rs. 1.31 lacs |

6.16 the Ministry has added in their reply that in both the cases, the selling prices were reduced and wide publicity about the availability of the items at reduced prices was given through CSD Newsletters and Circulars.

6.17 In a subsequent note the Ministry has identified "the other item" as Tamarind Concentrate and stated that during March 1985 the department was holding Tamarind Concentrate 100 gm. and 250 gm, as under :

| | | | | |
|-----------|---|--------|---|----------|
| 48×100 gm | — | 69 c/c | — | 39 units |
| 24×250 gm | — | 67 c/c | — | 39 units |

The stocks were procured sometime in December, 1982 and in spite of best efforts, the Area depots could not dispose of the above stocks. To avoid total loss, the price was reduced by 50% and the entire balance was disposed off.

6.18 The Committee regret that even after acquiring considerable expertise in procurement and import of stores over the years since 1942, the

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

E. Transit and Godown, Losses/Damages to Stores

6.19 The Ministry has stated that "CSD losses are caused primarily due to transit losses and godown losses. to compensate for the transit losses, 4% of value of general stores is added in wholesale and retail prices of CSD Stores." Elaborating "godown losses" and how the value thereof with regard to food and liquor items and general stores is compensated, the Ministry has stated in a written reply that godown losses are those losses which occur in the godown due to the following reasons :—

- (i) Stocks eaten by rats.
- (ii) Losses due to handling of stores by Mazdoors in godown.
- (iii) Losses due to natural calamities like torrential rains/flood/winds/lightening etc.
- (iv) Losses due to theft, fraud and negligence while in storage.

6.20 The Ministry has further stated that godown losses in respect of food/liquor and General Stores are compensated as follows :—

- (i) For creating insurance fund, quarter per cent the value of stores is added to the Price Structure.
- (ii) By selling of salvaged items on reduced rate as per the recommendation of the Board of Officers.
- (iii) By recovery from the negligent persons and by replacement or refund by having liaison with the suppliers.

6.21 According to the Ministry transit losses are compensated in the following manner :—

- (i) By recovery from Suppliers/Carriers, where applicable.
- (ii) By recovery from the negligent persons and by replacement or refund from the suppliers by having proper liaison with them.

6.22 *Stores lost and damaged* : The following data has been supplied by the Ministry with regard to the Value of stores lost/damaged during the last five years :—

| | Due to theft/ pilferage (Rs. in lakhs) | *Due to other reasons (Rs. in lakhs) | Remarks |
|---------|--|---|---|
| 1981-82 | 3.71 | 29.61 | *Losses due to other reasons are Transit losses, Godown losses due to natural calamities such as flash flood, earthquake, lightening etc. |
| 1982-83 | Nil | 41.29 | |
| 1983-84 | Nil | 37.77 | |
| 1984-85 | Nil | 44.77 | |
| 1985-86 | Nil | 62.02 | |

6.23 In a written reply the Ministry has furnished the following details of loss due to theft and fraud during 1981-82 :—

| Depot Examination Report No. & Date | Date of theft | Item | Value | Remarks |
|---------------------------------------|------------------|--------------------|---------------------|---------------|
| Baghdogra 6455, dated 29th July, 1981 | 19/20 Oct., 1980 | 580 HMT W/Watches | Rs. -1,77,875.00 | See Sr. No. 1 |
| Meerut 13593, dated 18th August, 1981 | 17 August, 1981 | 471* HMT W/Watches | 1,93,188.00 | See Sr. No. 2 |

Sr. No. 1

A gang of six people was apprehended by the police and six wrist watches were recovered from them. The case is pending with the court. Departmental enquiry against 3 employees was conducted and is pending for finalisation.

Sr. No. 2

Out of 471 wrist watches stolen at Meerut depot, 450 watches valuing Rs. 1,84,188/- have been recovered from the culprits and have been taken into account *vide* depot F2 No. 10237 dt. 8-9-81. Net shortage of 21 watches of Rs. 8,506/- is under finalisation. The case is in the court of law.

6.24 The losses represent the percentages of purchases as follows :—

| Year | Purchases (in cfores) | Value of Stores Lost/Damaged in % |
|---------|--------------------------|--------------------------------------|
| 1981-82 | 157.20 | 0.21 |
| 1982-83 | 187.62 | 0.22 |
| 1983-84 | 259.58 | 0.14 |
| 1984-85 | 296.72 | 0.15 |
| 1985-86 | 325.80 | 0.19 |

6.25 Each loss reported/noticed is thoroughly investigated at the appropriate levels and remedial measures are instituted to see that the same type of loss does not occur. In addition, targets are set depot-wise to reduce instances and quantum of losses by exercising more effective supervision and also to expedite the recovery from various agencies such as railways, carriers and insurance agencies.

6.26 *Losses Written Off* :— It has been stated that the amounts on accounts of losses, excluding transit losses written off by CSD during the last five years were as follows :—

| | *Losses written off (Rs. in lakhs) | Percentage of purchases |
|---------|--|----------------------------|
| 1981-82 | 11.74 | 0.07% |
| 1982-83 | 13.05 | 0.07% |
| 1983-84 | 17.39 | 0.07% |
| 1984-85 | 14.67 | 0.05% |
| 1985-86 | 14.47 | 0.04% |

*Transit losses recovered not included.

6.27 In a written reply the Ministry has clarified that all transit losses other than rail are recovered/compensated from the Insurance Co./Carriers/Suppliers. In addition, it is stated that 4% on the total purchase is included in the price structure to meet the losses of such nature. Therefore, in effect, there is no loss to the department on this account. The Railway claims written off by competent authority are included in the total losses shown written off above. The statement of losses written off, does not include transit losses recovered from insurance, carriers, suppliers etc. Transit losses written off and their percentage to the purchases are given below :—

| Year | Purchases (in crores) | Railway Claim (Transit losses) written off (in lakhs) | Railway claims (Transit losses) written off % to purchase |
|---------|--------------------------|---|---|
| 1981-82 | 157.20 | 5.23 | 0.033% |
| 1982-83 | 187.62 | 5.37 | 0.028% |
| 1983-84 | 259.58 | 1.58 | 0.016% |
| 1984-85 | 296.72 | 1.53 | 0.005% |
| 1985-86 | 325.80 | 3.06 | 0.009% |

6.28 On the criteria for writing off losses, the Ministry has explained that losses are written off under the powers of competent financial authority only, as a last resort, when all possible means of recovering the loss fail. However, even such losses are already covered by creating an insurance fund by charging 4% of stores in the price structure.

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

6.30 The Committee are distressed to note that during each of the last five financial years from 1981-82 to 1985-86, the Department has been incurring losses to the tune of Rs. 33.31 lakhs, Rs. 41.29 lakhs, Rs. 37.77 lakhs, Rs. 44.97 lakhs and Rs. 62.02 lakhs respectively. The Committee feel that these losses and the amounts written off each year therefrom may appear small in terms of percentages of annual purchases of the CSD, but are quite heavy in absolute terms. The Departments' practice of covering the losses by "creating an insurance fund by charging 4% of stores in price structure" should not make the Ministry under-play and disown responsibility for these losses which merit urgent attention of the Ministry to bring them to the minimum by not only arranging to plug the administrative loopholes leading to thefts or fraud in godowns or in transit but also to provide adequate facilities for transit, handling and storage of stores so as to prevent, losses due to damage and natural calamities like flash floods, earthquakes and lightening etc.

CHAPTER VII

PROFITS EARNED BY CSD

A. Rates of Profit

7.1 It has been stated by the Ministry that as per Government Orders, margins for CSD and unit run canteens for different types of stores are added at the following rates :—

| | Whole sale Profit % | Retail Profit % |
|--|------------------------|--------------------|
| Wrist Watches | 5% | 2% |
| Soap Toilet/Detergent | 4% | 3% |
| Hydrogenated/Refined Oil | 2% | 1% |
| Bicycle | 3% | 3% |
| Other General Stores | 5% | 5% |
| Rum | 9% | 10% |
| IMFL (Whisky, Brandy, Gin, Vodka, Liquor) | 10% | 10% |
| Beer | 6% | 5% |

7.2 In a written reply the Ministry has stated that the following criteria are laid down by Government for adding rate of margins for different types of stores :—

- (i) Gross profit of appx. 5% for general stores be provided for CSD as well as retail canteens. However, if the super bazar rates are lower than the CSD prices, the profit margins will be suitably adjusted to ensure that the retail prices do not exceed the super bazar prices.
- (ii) Retail prices will be kept lower than the retail prices in Bombay. The average difference of prices of general stores as far as possible will be maintained at minimum of 5%. The profit for the items which are of daily use by the troops may be kept low as compared to other items like electrical items, pressure cookers.
- (iii) So far as liquor is concerned, margin of profit for CSD rate is different (10 to 12%) approximately based on the general rule as "what the traffic can bear."

7.3 The Ministry has further stated that the existing rates of margins are fixed by General Manager, CSD as per the policy fixed by Government and that the rates of margins were fixed last in October, 1977.

B. Profits earned by C.S.D.

7.4 The total profits earned by CSD and their sales of stores (without supply of tinned/processed food stuff to Army Service Corps) during the years 1982-83, 1983-84 and 1984-85 were as follows :—

| | Profits Rs. | (Sales without ASC Supplies) Rs. |
|---------|----------------|-------------------------------------|
| 1982-83 | 20,14,26,403 | 232,01,91,334 |
| 1983-84 | 19,68,78,373 | 281,57,53,467 |
| 1984-85 | 21,93,23,999 | 338,13,80,663 |

7.5 In a written reply the Ministry has stated that the profits declined in 1983-84 due to following reasons :—

- (i) On the sale of tinned and processed food stuff etc. to ASC, no margins, even for the expenditures incurred by CSD, were permitted.
- (ii) As compared to 1982-83 the sale of vital and essential items on which margins are very thin, e.g. soaps, detergents, toilet requisites, refined oil and oil hydrogenated, refrigerators and scooters increased in 1983-84.
- (iii) Increase in the transportation charges, clearing charges, central Sales Tax etc.
- (iv) Reduction in the percentage of liquor sale to total sale during 1983-84 as compared to the previous year despite increase in absolute terms. In the year 1982-83 the percentage of liquor sale to total sales was 30.37%. In 1983-84, it came down to 27.68%.
- (v) Quick turn-around of CSD capital was restricted to an extent due to inherent delay in obtaining reimbursement from the Regional CDAs for ASC supplies. Due to poor liquidity state of the departments earning from cash discounting of bills also suffered.”

7.6 *Margin on Processed food-stuff* : In the Report of Board of Administration for 1983-84 also, one of the reasons given for lower surplus earned by CSD during that year has been stated to be that no margins were permitted to the Department on the sale of tinned and processed foodstuffs. It has been further contended that “Surplus affected (by the sale of processed foodstuffs) to the extent of approximately Rs. 112 lakhs.”

7.7 Asked to state the rationale behind the decision of not permitting any margins to CSD in the sale of tinned and processed foodstuffs to A.S.C., the Ministry has stated that the requirement of providing margins to the Centeen Stores Department in respect of items procured by it for the ASC has been under consideration. However, the decision has been kept pending in view of the decision whether the responsibility for procurement of these items would continue with the CSD or revert to the Army Purchase Organisation which has since been placed under the Ministry of Defence.

7.8 It has been further stated that while the ASC procurement during the year 1983-84 amounted to Rs. 16 crores, during 1984-85, it amounted to Rs. 39.27 crores, and during 1985-86 to Rs. 58.00 crores.

7.9 Explaining how during 1983-84 the loss to the extent of Rs. 112 lakhs could be attributed to the procurement of tinned and processed foodstuffs, the Additional Secretary in the Ministry clarified :—

“The brief point that is sought to be made is that the C.S.D. can retain all the profits if they did not have the additional liability of making these procurements of ASC items on which they do not make any profit.”

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

C. Profits earned by Unit run Canteens

7.11 Asked to intimate the amounts of the profits earned by Unit run Canteens each of the last five years and how these profits were utilised and accounted for the Ministry has stated in a note, *inter alia*, that :—

“Since the funds utilised to operate the URCs form part of their Regimental Funds which are non-public funds, transfer of such profits from their Canteen Fund accounts are made by the units into their Regimental Fund accounts at periodic intervals. Generally such profits are transferred every six months. Also, if required, monies are advanced to the Canteen Fund Account from the Regimental Fund Account to enable the unit to make larger purchases.

Since the operation of a Unit Run Canteen is carried out from the Regimental Fund of the Unit, their details are not intimated to anyone beyond the unit. However, all Regimental Funds in the Army are audited once every quarter. . . . by a Regimental Audit Board, if the unit is commanded by a Lt. Colonel or above, or by a Station Audit Board if it is commanded by a Major or below. . . . The exact amount of profits generated by over 3000 unit run canteens are not readily available and can be obtained only if all the three Service Headquarters and the Para Military Forces and others allowed to run unit canteens are asked to obtain and furnish the same. The process is likely to take at least six months.”

D. Disposal of CSD Profits

7.12 The Ministry has stated that the profits after meeting the running overheads and providing for reserves are distributed to the three services firstly in the form of quantitative discount at 3.5% directly to the Units and secondly by bulk allotment of the profit amount to the three Services on 85 : 5 : 10 ratio to Army, Navy and Air Force respectively. This money given by the CSD is used by the three Services to create infrastructural and other facilities required for providing welfare amenities to the troops.

7.13 The profits generated by the department are distributed amongst the unit run canteens in the form of Quantitative Discount (QD) at the rate fixed by the Board of Control from time to time, for meeting the welfare needs of the troops. After allowing QD to unit run canteens, the net profit generated by the Department is partially allocated to Service HQrs by the Board of Control for meeting the major welfare needs of the troops and the balance is retained by the department for providing the working capital for increase in its volume of turnover, capital expenditure and overall growth of the department. The allocation of profit during the last five years was as follows :

| Year | Total Profits | QD to URCs | Allocated to service Headquarters | Balance retained by Department |
|-----------|---------------|-------------|-----------------------------------|--------------------------------|
| 1980-81 . | 10,01,43,517 | 3,96,44,639 | 2,79,85,000 | 3,25,13,878 |
| 1981-82 . | 16,70,45,496 | 5,05,07,736 | 4,23,00,000 | 7,42,37,759 |
| 1982-83 . | 20,14,26,403 | 6,38,27,913 | 4,74,26,000 | 9,01,72,490 |
| 1983-84 . | 19,68,48,333 | 7,69,60,188 | 5,00,09,000 | 6,90,18,145 |
| 1984-85 . | 21,93,23,939 | 9,09,70,000 | 6,20,00,000 | 6,63,53,939 |

7.14 In a written reply the Ministry has specified the percentage of total profits (i) allotted to the three services in a ratio of 85 : 5 : 10, and (ii) the balance retained by the Departments, as follows :—

| | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1985-85 |
|------|---------|---------|---------|---------|---------|
| (i) | 46.28% | 36.75% | 34.48% | 42.10% | 47.54% |
| (ii) | 53.59% | 63.16% | 65.41% | 57.87% | 51.69% |

7.15 Asked to give reaction on a suggestion that a fixed percentage of profits should go as a revenue contribution to the Central Budget on the lines of Indian Railways, the Ministry has stated :

“The functions of the CSD is to provide consumer goods to Defence personnel posted across the length and breadth of the country, and often in uninhabited and inaccessible places, at reasonable prices. Its profits accrue at the expense of the defence personnel. The intention, therefore, is to utilise these profits for their own welfare. The

prevalent view of the Ministry of Defence, therefore, is against diverting these profits, generated by Service personnel, to the Consolidated Fund of India in support of the Govt.'s general budgetary expenditure."

7.16 *Infrastructural and other facilities*—The Ministry has further stated that all the three Services Headquarters have laid down the policy for utilisation of Grants-in-Aid provided to them from the CSD's trade surpluses every year. The major utilisation of these funds is to provide facilities for troops and their families that are not otherwise fully supported by Government funds. These are :—

- (i) Sports, (ii) Educational, (iii) Rest and Recreation, (iv) Medical and (v) Adventure.

7.17 During evidence the Committee referred to the impression that majority of these welfare activities did not percolate down to the jawans and desire to know the factual position in this regard. In a note, the Ministry has subsequently elucidated the "infrastructural and other facilities" on which Services spend the Grants-in-Aid provided to them out of profits generated by CSD with special reference to the welfare activities financed therefrom which are relevant to Jawans and their families, as follows :—

1. Setting up of new schools and improvement of existing educational facilities on Central/Formation/Station basis.
2. Aid to Service-aided institutions and schools for meeting expenditure on account of improvement of sports facilities and other amenities.
3. Setting up of welfare centres and amenity centres for the service personnel and their families, as applicable, on a formation station/unit basis.
4. Promotion of sports activities, including purchase of sports goods and connected materials, aimed at furthering the recreational facilities for Service personnel and their families.
5. Construction of playfields, facilities for games, pavillions and stadia on station basis, as approved by GOC-in-C, Command or equivalent of the other two Services. Such construction may be either undertaken by Engr. Regts. active formation or by MES as 'deposit works' in static formations or by field formations in their Key Location Plants/peacetime locations.
6. Grants-in-aid to formations to provided additional facilities to sportsmen, aimed at improving the standard of sports/games in subordinate formations/units.
7. Providing additional medical facilities to the families of Service personnel, including purchase of medicines not included in Priced

Vocabulary Medical Stores list but recommended by the authorised medical authorities attending to the unit or formations or station welfare centres, on a centralised station basis, under the control and guidance of Senior Medical Officers/Senior Executive Medical Officers or authorised specialists.

8. Purchase of library equipment including books, but excluding regular subscription to newspapers, magazines, periodicals and professional/non-professional journals.
9. Welfare activities for ex-servicemen, under the aegis of All India Ex-servicemen's League or other similar organisations which are recognised by the three Services and the Director General Re-employment.
10. Contributions to TB Treatment Funds of Defence Services Organisations. Expenditure shall be regulated as per the Fund rules to which aid is given and controlled by the Managing/Executive Committee of the fund as constituted under the Constitution of the Funds.
11. For hospital comforts and allied expenditure connected with improving the facilities/amenities at the Military, Naval and Air Force Hospital. Funds are allotted to the Director-General Armed Forces Medical Services for further distribution to hospitals or attached Red Cross Units. Rules/norms for utilisation are formulated by the DGAFMS and issued to all concerned with the approval of the Chiefs of Staff Committee. Detailed directions regarding accounting procedures and audit are also issued to all the recipients in this regard, by the DGAFMS.
12. For improvement of facilities in Armed Forces Clinic/Armed Forces Dental Centre at New Delhi, direct allocation are made by the Board to these organisations. The purpose for which expenditure can be incurred is discretionary. Staff Surgeon to the Chief of Army Staff and Dental Surgeon to the COAS respectively are the controlling authorities.
13. Annual grant-in-aid to the Services Sports Control Board for promoting, organising and conducting Inter-Services sporting activities and competitions. Budgeting and other financial controls are exercised by the President SSCB, as per the directions/policy laid down by the Joint Chief of Staff Committee/Executive Committee of the SSCB.
14. Creation of fixed asset investments, only in the form of Fixed Deposits with Nationalised Banks and Public Sector undertakings with a view to generate recurring interests, which could be utilised towards award of scholarships to deserving students/wards of servicemen and ex-servicemen and other purposes as listed above. Such funds may be created at the Divisional level of the

Army or its equivalent level in the other two Services. Award of scholarships out of such funds generated is at the discretion of the formation commanders concerned and regulated in accordance with the recommendations of a duly constituted Board of Officers/Managing Committee. Detailed rules are formulated and published by the formations concerned, with the approval of the GOCs-in-C, Commands or their equivalents in the case of Navy/Air Force. In the case of dependants of ex-servicemen the All India Ex-Servicemen's League or any other organisation recognised by the Board, shall regulate award of scholarships. Rules regarding these are formulated and got approved by the Governing Body of the Ex-Servicemen's League/other ex-servicemen's organisations so recognised and allotted grant-in-aid.

15. The United Services Institute could utilise the grants-in-aid for investment in the way of Fixed Deposits with Nationalised Banks, as also apportion a part of the allocation to subsidise its institutional activities, including the payment of honoraria.
16. Establishment of holiday homes for soldiers/sailors, airmen at hill stations or other places throughout India or improvement of existing ones on Army Command/Service basis. All holiday homes so established, do have the arrangements for reciprocal extension of generated facilities with other Services so that personnel of all the three Services could utilise the facilities so created.
17. Any other purpose not covered under the above clauses, but deemed fit by the Board or the Service Chiefs."

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

NEW DELHI,
 March 18, 1987
 Phalgun 27, 1908 (S)

CHANDRA TRIPATHI
 Chairman
 Estimates Committee

APPENDIX

Statement of Recommendations/Observations

| Sl. No. | Para No. | Recommendations/Observations |
|---------|----------|---|
| 1 | 2 | 3 |
| 1 | 1.9 | The Committee consider the aims and objectives set forth for the Canteen Stores Department (CSD) of great importance and need hardly point out that earnest efforts are needed to achieve the same in letter and spirit with minimum strains on the resources available and maximum satisfaction to the consumers. |
| 2 | 1.10 | The Committee do not see the rationale behind the transfer of responsibility regarding procurement and supply of tinned and processed food items for free issue to troops to CSD in 1982-83 from the Army Purchase Organisation, then under the Ministry of Agriculture, which imposed additional burden on the CSD, affected its profitability, and created administrative complications because of contradictory procedures involved in the procurement of these two different sets of items—one on the trading side and the other on the Government side. Now that the Army Purchase Organisation has come under the Ministry of Defence itself, the Committee hope that the procurement and supply of tinned and processed food items would be reverted back to Army Purchase Organisation as early as possible which according to the Ministry themselves would be 'appropriate and convenient.' |
| 3 | 2.9 | The Committee do not see any reason for not inducting the Chairman, Board of Administration, CSD as a full-fledged and regular member in the Executive Committee, even though all the decisions of the Executive Committee relate to his Department. The Committee consider his participation in all the meetings of the Executive Committee as a full-fledged and regular member necessary so as to make the deliberations of the Executive Committee more meaningful as he can pinpoint in advance the impact of various proposals on which the Executive Committee is to take decisions. |
| 4 | 2.10 | The Committee would also like the Government to review whether the meetings of the Executive Committee, which are held once in every quarter, are sufficient in view of the fact that many of the decisions of the Executive Committee have far reaching financial and administrative implications. |

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| 5 | 2.15 | <p>The Committee are firmly of the opinion that for the efficient day-to-day functioning of a commercial organisation like the CSD, adequate financial and administrative powers should be vested in the Chairman, Board of Administration. The Committee, therefore, recommend that the case for the revision of the financial powers submitted by the General Manager-cum-Chairman, Board of Administration should be considered urgently, keeping in view the objectives of the CSD and the special nature of its clientele.</p> |
| 6 | 2.20 | <p>The Committee feel that the present tenure of the office of the Chairman of CSD does not give him adequate time to acquaint himself with the ins and outs of the problems faced by the Department and for solving them to an appreciable extent. The Committee, therefore, are of the opinion that keeping in view the commercial and trading nature of the Department and in the interest of greater involvement of the incumbent in the progress of the Organisation, the tenure of the Chairman, CSD needs upward revision and the appointee should, as far as possible, perform the functions of the Chairman for the full term. The Committee also consider that the suggestion for the creation of an honorary post of "Adviser—CSD" whose term of appointment may range from 5 to 10 years merits favourable consideration in the interest of continuity and generating a sense of confidence among the staff. The Committee agree that the functions of the Chairman CSD is "overwhelmingly a material management job" and recommend that due weightage should be given to this requirement at the time of selection of an incumbent for the post.</p> |
| 7 | 2.21 | <p>The Committee note that the proposal to upgrade the post of the Chairman-cum-General Manager CSD to the rank of Lt. General did not find favour with the UPSC while framing recruitment rules for the post as far back as 1978. The Committee, however regret that the Ministry did not find it necessary to review the rank of this post also in course of the recent cadre reviews of the three Services which culminated in the upgradation of the other posts equivalent to the post of Chairman, CSD. Keeping in view the increasing turnover of the CSD, specialised managerial and administrative experience required of its incumbent, and the schemes of modernisation like computerisation envisaged to improve the efficiency of the operation of the Department, the Committee recommend that the Ministry</p> |

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should review the rank of the Chairman CSD as has already been done recently in the case of equivalent posts in the three Services.

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

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

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

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| | | Committee further suggest that Material Management being the basic function of the CSD, the Ministry should examine the possibility of arranging more Material Management training courses for large number of managers at regular intervals. |
| 10 | 2.43 | The Committee further recommend that the Ministry should also examine the feasibility of establishing a training institute within the Department itself for imparting in-house training to CSD personnel at both cadre and managerial levels. |
| 11 | 2.53 | The Committee are unhappy to note that even though a decision was taken to establish an Area Depot at Port Blair as far back as 1982, it has not yet been established for want of completion of certain formalities. The Committee feel that opening of an Area Depot at Port Blair is necessary on account of the strategic importance of the place and would like the Government to complete all formalities expeditiously so that the Depot starts functioning there at an early date. |
| 12 | 2.54 | The Committee consider the proposal to set up new area Depots at Jodhpur, Brahmana-Di-Bari (Jammu), Cochin, Chandi Mandir and Bikaner as well thought out in view of Jaipur area depot being loaded with 238 Unit-run-Canteens and a turn over of Rupees 2222 lakhs, Udampur area depot being over loaded with 277 URCs and a turn over of Rs. 2238 lakhs, Bangalore Area Depot Catering to 89 URCs, but with an annual turnover of Rs. 2290.32 lakhs, and Ambala area depot covering 253 URCs and having a turn over of Rs 2705 lakhs, apart from the long distances involved in carrying stores to the places where new depots are suggested to be opened. The Committee suggest that the Ministry should accord an <i>inter-se</i> priority to the opening of new depots at Jodhpur, Jammu, Cochin, Chandi-Mandir and Bikaner and accordingly strive to establish the new depots as early as possible. |
| 13 | 2.60 | The Committee feel that management and staffing pattern of Unit-run-Canteens seems to be more geared towards the exigencies of soldiering than that of an efficient retail service of consumer goods to the personnel of the three Services. This is evident from the fact that combatants of "low medical" and "battle casualties" categories and other serving personnel are deployed by rotation to run the URCs for limited periods. Under these circumstances it is difficult to expect a modicum of professional efficiency from the |

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management and staff of these Canteens as they are hardly physically and mentally equipped to pick up the requisite competence to run these establishments competently. The Committee therefore recommend that the Ministry of Defence should get immediately the management and staffing pattern of Unit-run-Canteens reviewed by a Committee of experts with a view to providing management and staff of competent calibre for reasonably long periods (in peacetime), as also to review the service conditions of civilian employees with a view to inculcating among them a greater stake in the efficient running of these canteens.

14. 2.65

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

15. 3.29

The Committee are constrained to observe that the recommendations of the Public Accounts Committee made in their Report after Report regarding bringing the receipts and expenditure of the CSD under the purview of the Consolidated Fund of India have been implemented by the Ministry in form only and not in letter and spirit and the same have been circumvented through a financial legerdemain by allowing the Department to maintain a grand imprest upto rupees two crores in the State Bank of India and Punjab National Bank with the proviso to deposit its receipts in excess of rupees two crores in the Reserve Bank of India—a stage that is never allowed to be reached as payments become due and receipts and expenditure are "quarterly balanced." While receipts and expenditure of the Department are reflected in the Budget and Consolidated Fund of India on a notional and *ex post facto* basis only, the profits of the Department still do not form a part of it. The excuse given by the representative of the Ministry of Defence during evidence that a compromise had to be made between the requirements of the Constitution and the

Cabinet decision of 1976, does not absolve the Ministry of infringement of the provisions of Article 266 of the Constitution ever since CSD (I) came under the Government of India. Further the contention of the representative of the Ministry that the basic question whether the organisation should continue as a Government Department was about to be resolved has lost its credibility because the Ministry's representative had linked the issue of accounting procedures of the Department with the future set-up of the CSD in 1954-55 also while tendering evidence before the Public Accounts Committee. The Committee are of the firm view that had the Ministry been serious about restructuring the organisational set up of the CSD, surely they would have done something during the last 32 years. The Committee therefore, cannot but deplore that right from 1947, the Ministry of Defence has been less than sincere in bringing the financial set up of the CSD in conformity with the relevant provisions of the Constitution. This can be gauged from the two simple facts that all along these years the Ministry has not been able to prescribe even a format for the commercial Accounts of the CSD and has allowed the Department to indulge in another stratagem of adjustment of dues payable to the Government by the CSD with the dues payable to the Government by the CSD and remittance by CSD to the Government of only net dues at the end of a year, in violation of General Financial Rules. The Committee therefore strongly recommend that the Ministry should come to a decision at the earliest with regard to the financial-cum-administrative set-up of the CSD so that its procedures and practices are brought in conformity with the relevant provisions of the Constitution and the Financial Rules.

16. 5.33

The Committee are not at all convinced with the arguments advanced by the representative of the Ministry of Defence for the huge variations in budget Estimates, Revised Estimates and Actual Expenditure incurred with regard to Canteen Stores Department during the last five years. The excuse of "certain additional purchases as per policy decision" with regard to the variation for 1983-84 and that of obligatory purchase of ASC items during 1985-86 does not stand the test of scrutiny in view of the fact that the responsibility of procurement and supply of tinned and processed food was transferred from the Ministry of Agriculture to Canteen Stores Department in 1982-83. The Committee therefore stress that the Budget estimates with regard to

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CSD should be computed in future on a more realistic basis by the Ministry of Defence taking into consideration the actuals of preceding three years, the cash flow trend during the current year and projected operations of the Department, etc.

17 3.42 & 3.43

The Committee are unhappy to note the continuous high percentage of operational expenditure to total expenditure in Head Office of C.S.D., Base and Area Depots at Bombay and Area Depots at Delhi, Lucknow, Ambala and Bangalore. During evidence the representatives of the Ministry of Defence attributed the high percentage of operational expenditure at Bombay, Delhi and Lucknow to the location of Regional Managers also at these stations. However the material placed before the Committee indicates that Regional Manager for Bombay Region is based at Pune and not Bombay. Even if the Operational Expenditure with regard to Regional Manager at Pune has been included in that of Area Depot at Bombay, its percentage of the operational expenditure at 2.72 with 100 dependant unit-run-canteens and a turn-over of Rs. 1909 lakhs only in 1985 is very much on the high side when compared with the corresponding percentage of 2.33 in an over-loaded area depot at Udhampur where also a Regional Manager is based, and which catered to the maximum of 277 Unit-run-Canteens with a turn over of Rs. 2238 lakhs during the same year. Similarly the Area Depots at Delhi and Lucknow, where also respective Regional Managers are based, stand poorly in comparison with Udhampur area Depot with higher corresponding percentages of operational expenditure at 3.25 and 3.29, dependant unit run canteens numbering 101 and 142 and with turnovers of Rs. 2178 lakhs and Rs. 2402 lakhs respectively. In the Area Depot at Bangalore where no Regional Manager is based, the Operational Expenditure percentage of 2.64 with only 89 Unit run Canteens to cater to, and turn-over of Rs. 2290 lakhs is also relatively excessive in comparison with Area Depot at Udhampur.

The Committee are of the firm view that maintenance of both the percentage of operational expenditure to total expenditure and cost operation ratio at optimum levels is very essential for a commercial organisation like the C.S.D. The Committee therefore suggest that the Ministry should entrust the examination of operational expenditure and cost operation ratio of Head Office of C.S.D., its Base Depot and Area Depots to a group of experts with a view to suggesting, on

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a time bound basis, effective measures to reduce the operational expenditure in the Department and its Depots and to modernise its operations commensurate with its commercial nature.

18 4.19

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

19 4.20

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

20 4.25

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

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

21 4.35

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

22 4.45

The Committee find that out of 21,35,000 sq. ft. of storage space required for Base Depot and Area Depots under the CSD, the Department has only 12,41,318 sq. ft. of space, some of which appears to be uncovered. The Committee are concerned to note that during the last ten years storage space of 5,96,340 sq. ft. could only be constructed, acquired, augmented or rented by the Canteen Stores Department, while the gap between the storage space available and required has reached the figure of 8,93,690 sq. ft. The deficiencies of storage space at the area depot level of about 82,000 sq. ft. at Delhi, 64,000 sq. ft. at Lucknow, 57,000 sq. ft. at Madras, 54,000 sq. ft. at Jabalpur, 47,000 sq. ft. at Meerut, 45,000 sq. ft. at Udhampur, 42,000 Sq. ft. at Bangalore and 39,000 sq. ft. each at Arunachal, Khadki and Ramgarh, are particularly staggering. Now that the Ministry appears to have got a clearance to entrust construction works to agencies other than MES also, and is inclined to examine the question of transfer of some of the storage accommodation owned by MES to CSD, the Committee strongly recommend that high priority should be accorded by the Ministry to the construction and augmentation of more storage space for the CSD.

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so that the deficiency in this regard is reduced to the minimum in the shortest possible time.

23 4.54

The Committee are convinced that the Ministry's contention that "All concessions enjoyed by the Department are obtained from suppliers/Manufacturers only and no subsidy (meaning concession) is given by the Government", is not borne out by facts. The Department does enjoy certain concessions from the Government side also namely, (i) the full or partial exemption from local/sales taxes granted by eleven State Governments and two Union Territory Administrations on purchases of Stores by the Canteen Stores Department, (ii) concessional rates charged by the Railways in the form of Military Credit Notes on transportation of Stores by the CSD and (iii) concessional rates of rent being paid by the CSD on their major portions of storage space hired from Military Engineering Service at various stations where area depots of the CSD are located and from the Bombay Port Trust etc.

24 4.55

The Committee find that over the years since the inception of Canteen Stores Department, the Ministry of Defence has been able to obtain for CSD stores full exemption from local/sales tax from the Governments of 8 States and 1 Union Territory only, namely, Andhra Pradesh, Bihar, Gujarat, Jammu and Kashmir, Karnataka, Kerala, Nagaland, Punjab and Chandigarh and partial exemption of the said tax from 3 States namely, Madhya Pradesh, Maharashtra and Uttar Pradesh and the Union Territory of Delhi. Full exemption is stated to be still awaited from Tamil Nadu Government also. The Committee are, however, distressed to note that not only rest of the States and Union Territories but even the Central Government themselves have lagged behind in according this privilege, so rightly deserved by our armed forces defending round the clock the territorial integrity of our entire country. The Committee feel that the Ministry of Defence has not been doing all they could to persuade the Union Government and remaining State Governments and Union Territories to fall in line with the States and Union Territory which have granted full exemption. The testimony of the Additional Secretary in the Ministry during evidence that army-civil liaison meetings take place once a year for the purpose with the State Governments and Union Territories concerned leads the Committee to the conclusion that these meetings have in fact been more ritualistic than fruitful in so far as

the States and Union Territories which are not willing to grant the concession to the Canteen Stores Departments are concerned.

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

25 4.57

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

26 5.20

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

27 5.21

The Committee feel that the method of distribution of stores by URCs appears to be very much off-the-gear as

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

28 5.27

The Committee are of the considered view that while Unit run Canteens continue to be managed by officers commanding the units under their own arrangements it should not normally be the responsibility of the Canteen Stores Department to provide loans for raising new URCs. The responsibility for providing the necessary wherewithal for raising new URCs should appropriately be that of the respective headquarters of Army, Navy or Air Force. The Committee recommend that the Ministry of Defence should examine this anomaly of CSD with no administrative and managerial jurisdiction over the URCs having acquired the obligation of financing the raising of new URCs by providing them with soft loans at 4% and 6% rates of interest, repayable in 10 half yearly instalments commencing a year after disbursement i.e. in effect within six years. As the level of loans so granted by the CSD to URCs has risen from rupees 40 lakhs in 1981-82 to the level of almost rupees 99 lakhs in 1985-86, and is likely to rise further in the coming years, the Committee recommend that the Ministry of Defence should also re-examine the rates of interest and terms of repayment of these loans with a view to ensuring a fair return on the capital so invested by the CSD taking into consideration the essentially trading and commercial nature of the Organisation. The Ministry should also ensure that loans in any forms are not granted by CSD to such Unit run Canteens which misuse their resources in profiteering by investing them in fixed deposits rather than in maintaining the stocking pattern suggested by the CSD.

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29 6.10

The Committee are concerned to note the huge deficiencies in stocks of CSD Depots to the tune of Rs. 161,600 and Rs. 74,100 revealed during stock verification in 1984-85 and 1985-86 out of which deficiencies to the extent of Rs. 1,27,700 and Rs. 69,500 respectively are still under investigation along with the deficiencies of Rs. 5,700 and Rs. 26,400 pertaining to the years 1981-82 and 1982-83. Equally staggering are the surplus items valued at Rs. 1,09,300, Rs. 1,90,500 and Rs. 1,05,000 revealed during the years 1983-84, 1984-85 and 1985-86 out of which surplus items valued at Rs. 50,700, Rs. 152,800 and Rs. 9,300 respectively are still under investigation along with Rs. 2,700 pertaining to 1981-82. The Committee do not at all agree with the contention of the representative of the Ministry of Defence that the deficiencies or surpluses revealed in course of stock verification during the last five years are minimal in view of the annual turn-over of the CSD running into several hundred crores of rupees because the deficiencies and surpluses so revealed should, in the Committee's view, be judged in relation to the value of purchases made during the year and not in relation to the turnover which includes the value of sales also. The Committee are of the firm view that the values of deficiencies and surpluses revealed during stock-verification during the last five years are very substantial in absolute terms and in relation to the purchases of stores made by the CSD during the corresponding years and recommend that the Ministry should review the procedures of store accounting, arrangements for augmenting the store-keeping staff wherever necessary, and the procedures for investigating and following up surpluses and deficiencies revealed, with a view to minimising the discrepancies in stock verification as also to speed up the investigations conducted in this regard.

30 6.18

The Committee regret that even after acquiring considerable expertise in procurement and import of stores over the years since 1942, the Department had to declare obsolete during 1985-86 imported golf balls of 1.62 mm size and tamarind concentrate which had cost the Government Rupees 1.63 lakhs (in foreign exchange) and Rupees 1.36 lakhs respectively. While the tamarind concentrate is reported to have been since disposed of by the Department after reducing the price by 50%, the Ministry has not intimated whether the golf balls could be disposed of even after reducing the sale prices thereof and if so, to what extent. It is difficult for the Committee to condone the loss of precious foreign exchange involved in the import of the aforesaid

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golf balls, as the Committee are not convinced at all about the necessity of importing such sports goods. Even if the golf balls of the 1.62 mm size were not available in India at the time they were imported, the number thereof imported should not have been so large as could not be disposed of till the National and International standards of these balls were raised rendering the costly imports obsolete. The Committee are at a loss to understand why the tamarind concentrate was procured at all in the first instance by the C.S.D. when there was virtually no demand for the stuff amongst the troops. The Committee therefore strongly recommend that stores like sports goods the sale of which depends on variable national/international standards and tamarind concentrate which are not in sizeable demand amongst the troops should be imported or procured in very limited quantities after taking the likely changes in their specifications and the scale of demand into consideration.

31 6.29

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

32 6.30

The Committee are distressed to note that during each of the last five financial years from 1981-82 to 1985-86, the Department has been incurring losses to the tune of Rs. 33.31 lakhs, Rs. 41.29 lakhs, Rs. 37.77 lakhs, Rs. 44.97 lakhs and Rs. 62.02 lakhs respectively. The Committee feel that these losses and the amounts written off each year therefrom may appear small in terms of percentages of annual purchases of the CSD, but are quite heavy in absolute terms. The Departments' practice of covering the losses by "creating an insurance fund by charging 4% of stores in price structure" should not make the Ministry under-play and disown responsibility for these losses which

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merit urgent attention of the Ministry to bring them to the minimum by not only arranging to plug the administrative loopholes leading to thefts or fraud in godowns or in transit but also to provide adequate facilities for transit, handling and storage of stores so as to prevent, losses due to damage and natural calamities like flash floods, earthquakes and lightening etc.

33 7 10

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

34 7.18

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

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHAS
SECRETARIAT PUBLICATIONS—1986**

| Sl. No. | Name of Agent | Sl. No. | Name of Agent |
|-----------------------|--|----------------------|---|
| ANDHRA PRADESH | | UTTAR PRADESH | |
| 1. | M/s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500361. | 12. | Law Publishers, Sardar Patel Marg, P. B. No. 77, Allahabad, U.P. |
| BIHAR | | WEST BENGAL | |
| 2. | M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar). | 13. | M/s. Manimala, Buys & Sells. 123, Bow Bazar Street, Calcutta-1. |
| GUJARAT | | DELHI | |
| 3. | The New Order Book Company, Ellis Bridge, Ahmedabad-380006. (T. No. 79065). | 14. | M/s. Jain Book Agency, C-9, Connaught Place, New Delhi (T. No. 351663 & 350806). |
| MADHYA PRADESH | | 15. | M/s. J. M. Jaina & Brothers, P. Box 1020, Mori Gate Delhi- 110006. (T. No. 2915064 & 230936). |
| 4. | Modern Book House, Shiv Vilas Palace, Indore City, (T. No. 35289). | 16. | M/s. Oxford Book & Stationery Co. Scindia House, Connaught Place, New Delhi-110001. (T. No. 3315308 & 45896). |
| MAHARASHTRA | | 17. | M/s. Bookwell, 2/72, Sant Nirman- kari Colony, Kingsway Camp, Delhi- 110009. (T. No. 7112309). |
| 5. | M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400002. | 18. | M/s. Rajendra Book Agency, IV-DR59, Lajpat Nagar, Old Double Story, New Delhi-110024. (T. No. 6412362 & 6412131). |
| 6. | The International Book Service, Deccen Gymkhana, Poona-4. | 19. | M/s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033. |
| 7. | The Current Book House, Maruti Lane, Rahunath Dadaji Street, Bombay-400001. | 20. | M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi. |
| 8. | M/s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar Khan House, Bombay- 400002. | 21. | M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi- 110001. (T. No. 344448, 322705, 344478 & 344508). |
| 9. | M&J Services, Publishers, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-400014. | 22. | M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi. |
| 10. | Subscribers Subscription Services India, 21 Reghunath Dadaji Street, 2nd Floor, Bombay-400001. | 23. | M/s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052, (T. No. 269631 & 714465). |
| TAMIL NADU | | 24. | M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110002. |
| 11. | M/s. M. M. Subscription Agencies, 14th Murali Street, (1st floor) Mahalingapuram, Nungambakkam, Madras-600034. (T. No. 476558). | | |