



**REPORT OF THE  
STUDY TEAM ON  
IMPORT AND EXPORT  
TRADE CONTROL  
ORGANISATION**

**PART I**

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**DIRECTORATE OF COMMERCIAL PUBLICITY, MINISTRY  
OF COMMERCE, GOVERNMENT OF INDIA, NEW DELHI**



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OF COMMERCE, GOVERNMENT OF INDIA, NEW DELHI

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## LETTER OF TRANSMITTAL

H. C. MATHUR, M. P.  
Chairman  
Study Team on the  
Import and Export  
Trade Control  
Organisation.

NEW DELHI

*Dated the 8th March, 1965.*

MY DEAR MANUBHAI,

In letter No. O&M-12(9)/64 dated the 7th August, 1964, the Government of India in the Ministry of Commerce, appointed a Study Team to review the working of the Import and Export Trade Control Organisation and to recommend measures for improvement. As the Chairman of the Team, I have the privilege of submitting Part I of our report with this letter.

2. The Study Team is going into the entire procedure of licensing and it has still some areas to cover. Meanwhile, having already finalised its recommendations in respect of licensing both to small scale and large scale industries and established importers, the Study Team decided to submit Part I of its Report so that it may be possible for the Government to take these recommendations into account while formulating the import policy for the next licensing period, *i.e.*, April 1965—March 1966.

3. Our task was very much facilitated by a highly enlightened and progressive outlook of the Chief Controller Shri P. Sabanayagam and the Committee was greatly assisted by the exceptionally high standard of performance and indefatigable labour put in by Shri S. P. Mukerji and Shri Sushil Kumar.

4. Licensing is, at best, a necessary evil. It cramps the licensor as also the licensee. We have ventured to suggest procedural changes to mitigate its negative impact on trade and administration as far as possible without of course violating the totality of objectives in view. Lest our recommendations which will mean only marginal changes in procedure should meet with exaggerated apprehensions, I thought it proper to underline very briefly in this letter the implications of a few of our major proposals.

5. One of our most important recommendations is about annual licensing (without any mid-year endorsement) for the entire sector of established importers and small-scale units and for

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those in the non-SSI sector holding licences valued upto Rs. 15,000/-. This will spare about 40,000 odd licensees from thronging the licensing and sponsoring offices all over the country in order to get their licences endorsed for the second half. In terms of man-days saved for the trade and the Government Departments as also the facility in import, negotiations, planning, etc. we are convinced that this will bestow a phenomenal benefit to all concerned. These 40,000 licensees consume only about 13 per cent of the total commercial quota. We feel that by taking one year with the next, the fluctuations in foreign exchange allocations between two half years for this category have been so nominal (0.5 to 1 per cent approximately of the total commercial quota), that these licences can safely be cleared for the whole year without any distortion in the economy as a whole and without any unbearable strain on the other licensees. (The strain if any can be mitigated by marginal adjustment in the next year's annual allocation). Even while recommending this concession we have stipulated that remittances should not exceed 50 per cent of the value in the first half year.

6. We have recommended, further, the total abolition of the system of essentiality certificates which are currently to be obtained by non-scheduled industries from the Directors of Industries or the other sponsoring authorities as a process independent of that of licensing. In the case of the small-scale sector, we visualise that the Director of Industries should be enabled to give his recommendation on the application for licence itself and that too decisively. His recommendation should be accepted *in toto* in the licensing office, as is the case for the DGTD's units. To this end we have proposed that in the beginning of the licensing period each Director of Industries should be informed of the foreign exchange ceiling within which he has to limit his recommendation. This is not a novel procedure. Sponsoring authorities like the DGTD, the Textile Commissioner and others are given such ceilings even now, and such State-wise allocation operates to some extent in the case of imported steel and non-ferrous metals. In a way such a State-wise ceiling is even now indirectly operating in the SSI sector, at least in respect of the existing units. Our proposal, besides streamlining the procedure, will enable the Director of Industries to play the effective role that he is expected to in the SSI sector. *I must, however, make it clear that in order to avoid the least possible dislocation to the existing units in different States, we have evolved a formula under which each State will continue to get at least what its share out of the total had been in the past.* It is only in respect of a part of possible marginal increases in the total foreign exchange allocation that peripheral allocation has been recommended on consideration of growth and backwardness. In brief,

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if foreign exchange allotted to the SSI sector remains the same or decreases, the proportionate share of each State out of the total will remain intact. If there is an increase in the total SSI allocation, over and above, the share of each State calculated on the basis of its share in the past, each State will get half of the additional increase again on the basis of their past share and half of the additional allocation left will be distributed on consideration of special developmental needs. I have enlarged on this matter only to allay any possible fears which an uninformed critic may develop against our proposal on 'ceilings' which forms the very foundation of the revised scheme we have suggested for the SSI sector.

7. We have also recommended that in order to enable the Directors of Industries to send the applications with their recommendations within three to four months of the commencement of the licensing period, it may be necessary to indicate to them the ceilings in the month of April. This may also involve an element of forecast and advance commitment of foreign exchange, but considering that the SSI sector covers only 4 to 5 per cent of the total commercial quota and fluctuation between two consecutive years can be estimated with a fair (10 per cent) degree of accuracy, the margin of error may not exceed 0.5 per cent to 1 per cent of the total commercial quota.

8. In all our major and minor recommendations, we have tried to be practical while at the same time keeping a sense of perspective. I must affirm that we have recommended only those changes in procedure and practice the total balance of advantages and disadvantages flowing from which is conclusively favourable. While balancing, we have taken into account the dislocation that could possibly be anticipated, as also the doubts of the most fastidious critics.

9. Knowing how intolerant you are of red-tapism and procedural hurdles, I am sure our recommendations will find favour with you as a number of these recommendations, if effectively implemented, will cut out considerable delays and irritations and contribute to clientele satisfaction.

Yours sincerely,

**H. C. MATHUR**

Shri Manubhai Shah  
Minister of Commerce  
Government of India  
New Delhi.

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## CHAPTER ONE

### INTRODUCTORY

The Study Team was appointed on the 7th of August 1964, by the Government of India in the Ministry of Commerce as a follow-up action on the recommendations made by the Santhanam Committee. The terms of reference are as follows:

“The Team will examine the organisation, structure, methods of work and procedures of the office of the Chief Controller of Imports and Exports, particularly with a view to locating the points at which delays occur, where bottlenecks exist and where administrative failures are possible and would suggest measures for improvements so that opportunities for corruption are eliminated.”

#### COMPOSITION OF THE STUDY TEAM

2. The Study Team was constituted as under:

- (1) Shri Harish Chandra Mathur, Member of Parliament
- (2) Shri P. Sabanayagam, Chief Controller of Imports and Exports
- (3) Shri N. K. Mukarji, Joint Secretary, Department of Administrative Reforms
- (4) Shri N. J. Kamath, Joint Secretary, Department of Technical Development
- (5) Shri R. K. Raisinghani, Deputy Inspector-General of Police, Central Bureau of Investigation.

The following were also appointed members of the Study Team at a later date :

- \* (6) Shri S. S. Kumar, Director-General, Technical Development
- (7) Shri C. S. Krishna Moorthi, Joint Secretary, Department of Economic Affairs

(Alternate member: Shri A. T. Bambawale, Director, Department of Economic Affairs)

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\* Shri S. S. Kumar relinquished the post of DGTD on the 18th December 1964 to take up his new assignment as Chairman and Managing Director of the National Projects Construction Corporation; but he was requested to continue as a member of the Study Team.



- (8) Shri S. P. Mukerji, Deputy Secretary, Department of Administrative Reforms
- (9) Shri Sushil Kumar, Deputy Chief Controller of Imports and Exports (Member-Secretary).

3. The first meeting of the Study Team was held on the 27th August, 1964. At the outset, the members requested Shri H. C. Mathur to act as the Chairman of the Study Team to which he kindly agreed.

#### WORKING OF THE STUDY TEAM

4. During its first meeting, the Study Team discussed in general the scope of the work involved, approach to the problem and the procedure to be followed, and appointed a sub-committee (of its three members) to prepare an outline of the Study to be undertaken.

5. The sub-committee went carefully into the various recommendations made by earlier committees on import-export policy and their implementation, and after discussion with various officers connected with the sponsoring and issue of licences and also with trade associations, drew up an outline of study. This highlighted broad problem areas in which delays and opportunities of corruption were possible and duplication of work seemed to exist. On the basis of the outline, we decided to make an integrated study of the entire organisation of the C.C.I.&E., internally in its organisational, personnel and procedural aspects, and externally in its correlation with the trade and with various sponsoring authorities. In this process, we decided not to avoid policy issues, particularly in so far as they affect the procedural aspects of licensing. We then formed three Working Groups for detailed examination of the various issues and problem areas, viz., (a) on policy matters; (b) on procedural aspects; and (c) on organisation and personnel problems of the C.C.I.&E.'s organisation. Certain issues were earmarked for detailed examination through a programme of case studies of files selected through random and purposive sampling in the offices of the Industries Commissioner, Maharashtra, Textile Commissioner and two Export Promotion Councils and the licensing offices at Bombay and the headquarters of the C.C.I.&E. This programme involved an examination of about 3,000 files through a staff of whole-time analysts and the preparation of case analysis reports to be considered by the Working Groups and the Study Team. Representatives of the trade and prominent individuals and Government officials were also invited to send their suggestions for the Study Team. The members of the Team

also held personal discussions with the representatives of trade and industry and Government officials at Bombay, Goa, Madras, Calcutta, Ludhiana and New Delhi. Appendix I contains the lists of all from whom suggestions were invited and those who met the Study Team.

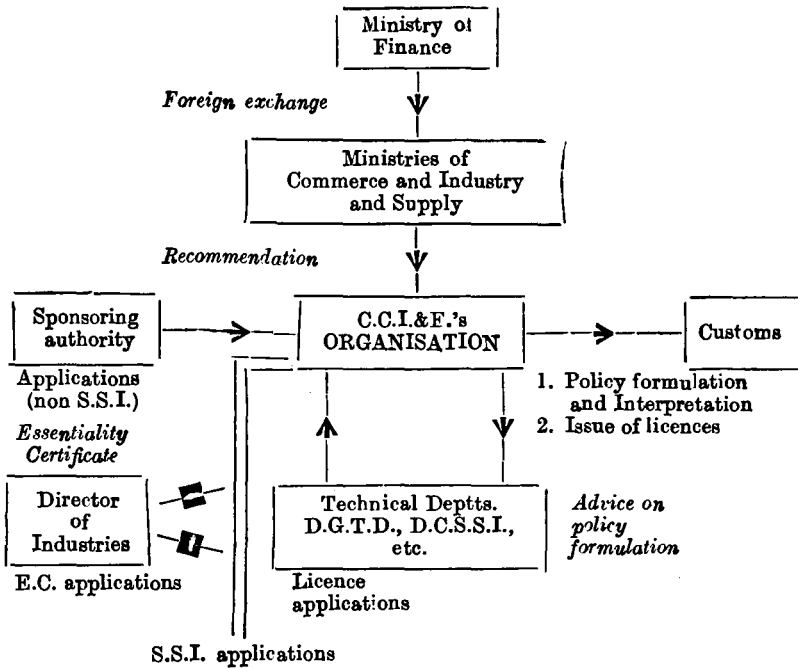
6. The Study Team has had 14 sittings so far and has examined the reports of the three Working Groups, which have held 21 meetings. Since case studies of some aspects are still underway, a complete report will have to await the Study Team's examination of case analysis reports in their entirety. In order, however, to enable the Government to take our recommendations into account in finalising the import policy to be published at the beginning of April 1965, we felt it would be useful to submit by early March such of our recommendations as are of immediate relevance. This is, therefore, Part I of our eventual report, and it contains mainly our recommendations about import licensing in three major areas, licensing for raw materials, components and spares in the small-scale sector, and in the medium and large sector, and licensing for established importers. Our recommendations about import licensing under the Export Promotion Scheme and for capital goods, and also on organisational and personnel matters of the C.C.I.&E.'s organisation will be included in Part II of our report which we expect to submit shortly.

#### ROLE OF THE C.C.I.&E.'s ORGANISATION

7. The examination of the C.C.I.&E.'s organisation and its port offices had revealed certain features peculiar to the organisation, which have to a considerable extent influenced our general approach to the various issues considered by us.

8. Contrary to popular belief, the C.C.I.&E.'s organisation is substantially what might be called "*recommendation-oriented*", and barring established importers and a few *ad hoc* categories, most import licences are issued on the basis of recommendations which originate outside the organisation. The scope of discretion in the C.C.I.&E.'s office in the issue of licences is limited. The organisation is manned by non-technical personnel having special knowledge of Import Trade Control rules and regulations, and its role is mainly confined to the ultimate formulation of policy, issue of licences in terms of such policy and on the basis of recommendations flowing from sponsoring authorities. The following chart gives the licensing process in regard to commercial imports:

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9. Applications for import licences are received from the trade broadly in two manners. In cases like scheduled industries, applications are routed through sponsoring authorities like the Director-General, Technical Development, who on the basis of assessed requirement and actual foreign exchange available for a particular unit recommends the application for a particular amount and for particular items of import. In such cases, both the essentiality of the item asked for and the availability of foreign exchange are taken into account by the sponsoring authorities. In the second category of cases like small-scale industries, whose number runs upto 45,000 applications are sent direct to the various port offices and a separate request is made to the Directors of Industries (who are sponsoring authorities in the case of SSI) to issue an essentiality certificate for the items applied for. Consideration in the port offices commences after the receipt of the essentiality certificates, but unlike scheduled industries the recommendations of the Directors of Industries are taken into account mainly from the essentiality angle. The items recommended are licensed in accordance with quantitative formulae embodied either in the policy 'Red Book' or in the confidential General Licensing Instructions (GLIs). In the small-scale sector, the port licensing authorities have sometimes

to get the clearance of technical authorities like the development Commissioner, SSI, and the Director-General of Technical Development on 'the indigenous angle' before accepting the items recommended by the Director of Industries.

10. Thus, the inflow of import applications through the sponsoring authorities is processed in the C.C.I.&E.'s organisation within the two external 'rollers' of foreign exchange limitation and technical scrutiny. Thus there is very little room left within which the discretion of the licensing authorities can be exercised.

11. During April 1962 to March 1963, the C.C.I.&E.'s organisation had to tackle 3,43,000 applications for import-export licences and 15,25,000 receipts. It issued during the same period 1,94,000 import licences valued at Rs. 869.71 crores. The Established Importers (who get licences under free foreign exchange, AID and Trade Agreements) and the small-scale sector accounted for 1.18 lakh licences for Rs. 58.33 crores only. The applications from established importers are received by June-end and those from small-scale industries by mid-August. A large concentration of import licensing work in these two areas is, therefore, in the first half of the licensing year. Thus, apart from the multi-departmental involvement, the very magnitude of work and the seasonal character of the licence applications poses a peculiar problem for the organisation and this particular feature has been of paramount consideration in the formulation of our recommendations on the simplification of procedures.

#### APPROACH TO THE PROBLEM

##### Recommendation

12. In the examination of the current policy and procedure, the Study Team assumed that the existing method by which the twin objectives of conservation of foreign exchange and optimisation of the use of imported industrial materials are achieved through the mechanism of individual licensing on merits is the best available method. Various suggestions have been made for re-examination of the existing mechanism of control and for introduction of policies like nationalisation of import business, creation of an autonomous organisation for the issue of licences, auctioning of licences, participation of the trade in the distribution of licences, etc. The Study Team feels that these are broad policy questions which need a comprehensive examination of the administrative and economic repercussions and perhaps a survey of the experience of other countries with similar problems may be necessary. However, such an examination of major policy question is not within the terms of our

reference. We would, however, recommend that an expert committee should be appointed by the Government to go into these questions at the time of extension of the present term of the Imports and Exports Control Act, which expires in 1966.

13. The crux of the problem before us is to streamline the procedures for disposal of applications for licences in such a way that the issue of licences becomes an automatic process. In our thinking, we have tried to bear in mind the accepted attributes of an efficient, economical, impartial and accountable public service organisation. We have also constantly kept in view the special features of the C.C.I.&E.'s organisation. Within these broad axes of reference, we have proceeded on the basis of the following considerations:

- (a) The CCI&E's is primarily a servicing organisation intended to operate the regulatory policy of import and export with maximum clientele satisfaction. Since every applicant is charged a fee, the processing of applications in an efficient and impartial way can perhaps be more forcefully claimed here than in other regulatory organisations. Accordingly, the rigours of financial and other restrictions under which non-servicing organisations operate need to be suitably adapted in this organisation to ensure that work is made increasingly clientele oriented.
- (b) The conduct of Government business in licensing should be as far as possible open to the public and the applicant should be entitled to know the stages of progress and the causes of rejection, and should be given fair and adequate opportunity to represent his case.
- (c) The points of regulation should be as few as possible so that the trade may not have to come up to the licensing and sponsoring authorities in the course of the same year a number of times. Especially this should be the case where the clientele is large, since the risk in giving up a particular 'control' stage there may be off-set by the convenience afforded to many and also by the reduction of work in the organisation. For instance, the number of small-scale units and established importers runs into lakhs, covering only a small percentage of the total foreign exchange allocation. Every instance of the applicants required to go to the licensing or sponsoring authorities involves the time of  $1\frac{1}{2}$  lakh persons in the trade and at least  $1\frac{1}{2}$  lakh references to the licensing and sponsoring

authorities. The man-day lost and the cost involved to the Government and to the nation may justify drastic pruning of stages even if some risk is involved. We are convinced that good administration lies not in the complete avoidance of risk but in the undertaking of risks in a total stratagem of advantages and disadvantages in relation to the statistical and operational probability of the worst happening. More battles are lost by avoiding risks than by taking them with calculated coverages of operational probabilities.

- (d) Being non-technical, the CCI&E's organisation should not question the conclusions of experts on technical matters, but it should not, on the other hand, throw back non-technical work to technical departments.
- (e) As far as possible, the functions of essentiality as also matching of foreign exchange should be telescoped at the recommending stage.
- (f) A meticulous examination of office procedure alone should be highly rewarding, considering that saving of even a few minutes by elimination of a minor stage in the handling of papers may be magnified 15 lakh times if the stage was being repeated on each paper. (Keeping this in view, case studies of the office organisation and procedure and delegation of powers, etc., have been conducted on various aspects listed in Appendix II).
- (g) In view of the important place occupied by sponsoring and technical organisations in the whole scheme of import licensing, their working should also be gone into, as far as possible, in order to ensure an overall improvement of method and procedure of tackling an import application from the date it is received from the applicant.

14. We have tried to be extremely circumspect in considering any change in the *status quo*. The deliberations were entirely study-based and a ruthlessly critical approach was brought to bear on the various suggestions. Besides having the head of the organisation as a member of our Team, we involved the officers of the department, the Directors of Industries, and the various other sponsoring agencies in the processing of proposals before admitting any recommendation in our report. We have also attempted to take full account of the possible repercussions on the trade and on Government departments while finalising our

recommendations. In Government departments, as in social and cultural fields, procedures introduced as measures of expediency in the past tend to assume, through the sheer efflux of time, a degree of sanctity and any deviation from them is sometimes resisted, even unwittingly with unwarranted fervour and unjustified fears. Ultimately, every human organisation is pliable enough to adjust itself to new procedures against new challenges and new values. The appreciative participation and co-operation of the Head and other officers of the Department has convinced us that these recommendations will be accepted in the spirit in which they have been made and will be implemented with results far exceeding the expectations with which they were conceived.

## CHAPTER TWO

### GENERAL PROCEDURE AND POLICY IN LICENSING

The mandate on the organisation of the Chief Controller of Imports and Exports flows from section 3 of the Imports and Exports Control Act 1947 and the Order issued thereunder by which the Chief Controller, Imports and Exports, and his subordinate officers along with the officers of the Iron and Steel Controller and the Development Officer (Machine Tools) have been designated as licensing authorities for regulating import of goods of specified description. A separate Export Control Order authorises the CCI&E to regulate the export of specified commodities also. The Chief Controller functions through his team of Joint Chief Controllers, Deputy Chief Controllers, Controllers and Assistant Controllers at the Headquarters, in the regional licensing offices, at New Delhi, Bombay, Madras, Calcutta and Goa, each under a Joint Chief Controller, in the branch offices at Ernakulam under a Deputy Chief Controller at Pondicherry, Visakhapatnam, Bangalore, Rajkot and Amritsar, each under a Controller, and at New Kandla and Shillong, each under an Assistant Controller. The whole organisation is manned by 295 gazetted officers, 1,791 non-gazetted and 493 class IV employees.

2. The regulation of export and import is operated by the CCI&E through the mechanism of licences. The licensing period coincides with the financial year. Barring requirements of non-recurring nature and those of a few industries, the licences are issued on an annual basis. The issue of licences is governed by the following three major considerations:

- (a) Availability of foreign exchange;
- (b) Essentiality of the article asked for; and
- (c) Satisfaction that the item sought to be imported can not be met from indigenous sources.

3. So far as the first consideration is concerned, the Ministry of Finance, through the Economic Adviser attached to the Ministry of Industry and Supply, places half-year's allocations to different authorities at the disposal of the Chief Controller Imports and Exports by about end-June for the first half-year and about end-December for the second half. On the basis of the allocations, about end-June or soon thereafter, the Chief Controller issues General Licensing Instructions (for the whole year) to the various authorities indicating the foreign exchange



ceilings and the basis of licensing. Where annual licensing obtains, licences are then issued valued at double the amount of a half year's allocation, but subject to the condition that 50 per cent of the licence can be utilised or committed only during the second half year with such reductions as may be imposed.

4. The second and third criteria are taken care of by the sponsoring authorities and technical authorities through whom the applications are routed or who are consulted separately by either the sponsoring authorities or the Chief Controller himself. The suggestions received from the Chambers of Commerce, Trade Associations and at the meetings of the Export-Import Advisory Council held twice a year are examined in consultation with the technical authorities. Some time in the month of December of the preceding year the Chief Controller invites recommendations of the technical authorities about essentiality, domestic demand and availability of different commodities the import of which ought to be restricted. On the basis of their replies received by the end of January, the Import Trade Control Policy Book (popularly known as the Red Book) is drafted for the licensing period commencing from the 1st April, and is actually published on that date. The provisions of the Red Book and the GLIs (issued confidentially in June) are applicable to the Actual Users of raw materials, components and spare parts and also to the Established Importers (who are generally the stockists of the above items, as also of a few items of light capital machinery). Besides licences for Actual Users and Established Importers, and for capital goods, the CCI&E's organisation is concerned with the issue of licences under the various Export Promotion Schemes for which separate ceilings are allocated. The Export Promotion Schemes in respect of different end-products for export themselves include the policy about what may be imported. A few *ad hoc* licences are also issued by the Chief Controller's organisation within specified ceilings and policy.

5. The detailed procedure for each of the above types of applications will be discussed in the subsequent chapters. In this chapter, issues relating to the Red Book and the General Licensing Instructions are discussed.

#### RED BOOK AND GLIs

6. From the suggestions received from and the discussions held with trade representatives and departmental officers, we feel that there is some misunderstanding about the scope and role of the General Licensing Instructions (GLIs). The Red Book, as mentioned earlier, is meant to indicate to the trade the admissibility of specified items for particular industries and

the quantities to be allowed. It is on this basis that the trade submits import applications. However, it becomes necessary to issue instructions regarding a few items to clarify either the import policy or the basis of licensing. These instructions are issued in the General Licensing Instructions (GLIs) at the time of foreign exchange allocation. Since these instructions are confidential, some parties may not be in a position to avail of the provisions.

7. In order to examine how far the content of GLIs was of the same nature as the provisions of the Red Book and, therefore, not in need of confidential treatment, we appointed a sub-committee to scrutinise each provision of the GLIs issued during the particular licensing period, 1964-65. The sub-committee which included the officer dealing with GLIs in CCI&E's office, came to the conclusion that there were several provisions in the GLIs which either restricted or liberalised the provisions contained in the Red Book, or its complement, the Handbook of Rules and Procedures. The sub-committee also found several provisions in the GLIs relating to procedural matters which were patently such as needed to be made known to the trade, as for example, the waiving of application fee for items imported through the State Trading Corporation, the dispensing in certain cases of clearance required from the D.G.T.D. under the Red Book and the requirement in number of cases that specified indigenous manufacturers must provide certificates of non-availability before import could be permitted. A number of provisions were of an informative nature, e.g., application fees, documentary evidence to be supplied, and details of concessions available under circumstances not mentioned in the Red Book. All such matters need not remain confidential and, on the contrary, should be made known to the trade through the Red Book or the Handbook.

### Recommendation

8. We recommend that, as a guiding principle, nothing of interest or relevance to the trade should be kept back from publication, and that GLIs should shrink substantially to contain *only* that which must remain confidential, or matters of purely departmental character, e.g., internal procedure. Specifically, we recommend the following:

- (a) The names of indigenous manufacturers, clearance from whom is necessary, should be made known to the trade before hand, either through the D.G.T.D.'s or some other publication.
- (b) Where the 'Red Book' does not provide for A.U. licensing of an item but the GLIs as at present provide for consideration of applications for the item under

certain circumstances, the fact that applications for such items can be considered should be transposed and indicated in the Red Book. The circumstances and the end-products for which such applications will be entertained should also be indicated in the Red Book.

- (c) Items which are licensable only if supplies are not available from the STC should be shown as such in the Red Book.
- (d) Where the Red Book makes consultation with the D.G.T.D. or other technical authorities obligatory but such consultation is dispensed with at a later date, the Red Book should be amended and the liberalisation made known to the trade.
- (e) In the case of items which are shown as permissible for A.U. licensing under the Red Book but are restricted subsequently for licensing to certain specifications only or for certain end-products, the restrictions should be indicated in the remarks column of the Red Book originally or by later amendments.
- (f) Where documentary evidence or information is required in support of import applications, clear instructions about that should exist in the Hand Book or Red Book rather than in GLIs.
- (g) All provisions about time limits, cuts, or conditions for acceptability of an application under certain circumstances should be indicated either in the Red Book or the Handbook.
- (h) Where any provision changes or tends to change the contents of the Red Book as visualised by us, the said provision should be published by a public notice or preferably by a formal amendment of the Red Book.

9. If these recommendations are accepted, GLIs will only communicate foreign exchange ceilings and the formula, if any, for calculating the entitlements of various categories of importers, as also such departmental instructions for the guidance of the licensing authorities as the trade and applicants are not normally concerned with.

10. We are led to believe that there is scope for improving matters at the stage of formulating policy for inclusion in the Red Book. Our recommendations on this aspect will be included in the second part of our report.

## CHAPTER THREE

### ACTUAL USERS

Licences to Actual Users are issued only in respect of raw material, spare parts, components and machinery for use in their own manufacturing process. Broadly speaking, there are three categories of Actual Users: (i) small-scale industries; (ii) scheduled industries borne on the books of the Directorate General of Technical Development; and (iii) scheduled industries like textiles, jute, etc., not borne on the books of the D.G.T.D., as also non-scheduled industries other than SSI, e.g., coffee, coir, etc. Each category requires separate treatment in regard to the licensing procedure governing it. The results of Case Studies have been summarised at Appendix IV.

#### SECTION I

##### SMALL SCALE INDUSTRIES

2. During 1963-64, out of a total of 86,119 licences issued to all categories of Actual Users valued at Rs. 405.6 crores, the SSI sector accounted for 17,879 licences valued at Rs. 13.2 crores only. As many as 20 per cent of the licences were thus of such small values that they jointly absorbed only 3.5 per cent of the value of the import trade for actual users. This basic fact has been very much in our minds when considering various questions of simplification of procedures, sometimes involving the elimination of stages.

3. The important role which the SSI sector plays in the total economy of the country in its employment potential and in its contribution of more than \*33 per cent of the total industrial output (in the factory sector alone) needs no elaboration. However, some special features of this sector need to be briefly mentioned. Constitutionally, the development and regulation of small industry is a State subject; hence State Governments get involved in the licensing procedure. Administratively, unlike a single authority being responsible both technically and for sponsoring (as the D.G.T.D. for scheduled industry), there are as many sponsoring authorities as there are States, and for the technical aspects there are the two Central agencies, the D.G., SSI, and the D.G.T.D., both of which play assigned roles, hence there is the problem of multiplicity of authorities. In numbers

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\* Report of the International Perspective Planning Team, 1965.

and in spatial dispersal, small industry presents practical problems in matters like reliable and timely assessment of requirements, check of production and utilisation of raw materials, and so on. The absence of statutory regulation of new units adds to the whole problem by introducing the factor of unregulated growth.

4. The task of applying a control mechanism like import licensing in this sector, therefore, is inherently difficult and calls for more than ordinary administrative skill and courage. The tackling of such a vast number of scattered applicants, both old and new (verified or otherwise), through the various levels of industrial organisations in the State and at the Centre, and the concomitant work-load, duplication of effort, multiple scrutiny, etc., involved are so time-consuming and such a fertile ground for mal-practices that we feel that the procedure here, which is at present more complicated than in the case of the large-scale sector, requires drastic simplification, even if that involves unusual degrees of administrative and financial decentralisation.

#### EXISTING PROCEDURE

5. In contradistinction to the procedure for large-scale sector, as shown in the flow chart in chapter I, the units in the small-scale sector have to process two applications in parallel in two different organisations for their import. As soon as the import policy is declared, they have to apply to the respective Directors of Industries or other sponsoring authority concerned for the issue of what is known as an Essentiality Certificate. For example, in the case of Maharashtra, applications for essentiality certificates are required to be submitted in quadruplicate, the form being far more complicated than of the main application for the import licence itself. E.C. applications are required to be submitted by the 31st May. Import licence applications are required to come in to the licensing authorities by the 15th August. If an applicant gets his essentiality certificate before that date, he attaches that with his licence application, otherwise the licensing authority simply waits for the essentiality certificate from the sponsoring authority (Directors of Industries, etc.). This entails the trade following up both these applications in two different offices, some of which are hundreds of miles apart. (In the case of the large-scale sector, like the D.G.T.D.'s units, there is only one application for import licence which itself is routed through the sponsoring authority who gives the recommendation while forwarding the application to the licensing office).

6. The licensing office, after receiving the Essentiality Certificate from the sponsoring authorities, which in some cases takes matters much beyond the licensing period, has to consult

technical authorities on indigenous clearance, etc. This also entails a great deal of follow-up action on the part of the applicant. From the study of cases selected at random in the Bombay Port Office, it is found that on an average it takes 101 days for an import application to be disposed of even after the foreign exchange is allocated at end of June every year. On this basis, licences are issued some time in the middle of October, *i.e.*, after the entire first half (April-September) of the licensing year has expired. The holders of licences issued after the expiry of the first half of the licensing period are thus deprived of the benefit of using them during the first half. In certain cases, where such delays go beyond the closure of the half-yearly ceilings the entitlement of an applicant is automatically reduced for no fault of his. Delayed licensing by forced non-utilisation inflates the figures of stock in position and licences in hand and deprives the licensees further of their legitimate entitlement for the next licensing period, as the next entitlement is calculated by deducting the stocks in hand and expected arrivals against unutilised licences.

7. Under the existing scheme, if a licence is above Rs. 5,000/- in value, the licensee can utilise only 50 per cent of the value in the first half of the validity period, and for the second half he has either to await a public notice or get his licence endorsed for a particular amount before he can enter into any commitment for the remaining part of the licence. This process, magnified by the large number of licences involved, seems to reproduce the same administrative problems again in the middle of the licensing period, entailing time and effort at all levels not commensurate with the results achieved. Further, the splitting of a licence into two halves and the uncertainty of the value of the second half restricts the licensee in the small-scale sector in a very unenviable manner. The total value of an individual licence itself being very small in most cases, its break-up into two halves accentuates the difficulty of negotiating deals with foreign suppliers. And, in any case, the 'juggernaut' of problems of negotiations, payment and consignment vis-a-vis the Reserve Bank of India, foreign supplier, Customs and other intermediaries has to be gone through twice over.

8. For off-loading avoidable administrative work, and also for simplifying matters and thus providing maximum satisfaction to the clientele in this sector, the following issues stand out :

- (i) Whether the stage of applying for Essentiality Certificates cannot be merged in the processing of the main import application itself

- (ii) Whether the time and effort going into the recommendations made by the sponsoring authorities either in the form of essentiality certificates or in the form of endorsement while forwarding the import applications cannot be better utilised by enabling them to make recommendations on not only what is essential but how much is possible to be licensed within the available foreign exchange.
- (iii) Whether the licences cannot be made effectively annual by eliminating the second stage of endorsement for utilisation of second half year's entitlement.
- (iv) Whether the processing of licences cannot be advanced in anticipation of the foreign exchange allocation, if the foreign exchange allocation itself cannot be advanced to the beginning of the licensing period.

9. The first two issues relate to the scheme of essentiality certificates and the last two to the system of foreign exchange allocation.

#### ANALYSIS OF ESSENTIALITY CERTIFICATES

*[Points (i) and (ii) above]*

10. Case studies showed that out of an average 101 days spent in the actual processing of import applications, 71 days were taken by the Directors of Industries in processing the Essentiality Certificates (ECs). In spite of this, in 85 per cent cases the licences did not conform entirely to the recommendations made on the Essentiality Certificates. This shows firstly, that the EC applications take considerable time for disposal in the Directorates of Industries, and secondly, that recommendations made on the Essentiality Certificates cannot be given effect to and they represent infructuous work.

#### Recommendation

11. Our first recommendation is that, while it is necessary to obtain the recommendation of the sponsoring authority on the licence application, this should be secured in a single-line processing of the import application itself. Instead of applying for essentiality certificate separately, the applicants should be required to apply for import licences through the respective sponsoring authorities and the latter advised to indicate their recommendations while forwarding the import applications. This would eliminate the stage of applying for essentiality certificates altogether. Towards this end, we have devised a

simplified form\* of import application divided into three parts Part I is for the scrutiny in the licensing office, Part II for scrutiny in the office of the sponsoring authority, and Part III is to contain the recommendations of the sponsoring authority. The application will be submitted in duplicate to the sponsoring authority, who will enter his recommendations in Part III in duplicate in each copy. He will send one copy of the application form, with his recommendations in duplicate, to the licensing office, and will retain the other copy of the application form. In the latter, he will keep only one copy of the recommendation in his own office, the duplicate copy being despatched to the applicant for his information. The licensing office will retain one copy of the recommendation and will return the other copy with such changes as would conform to the licence actually issued.

### Recommendation

12. The second problem about enabling the sponsoring authority to make such a recommendation as would be capable of being accepted by the licensing office *in toto* in nearly all cases still remains to be tackled. At present, in most cases the amount recommended for an individual applicant exceeds the amount to which he is entitled in accordance with the entitlement formula prescribed by the Chief Controller. This question was discussed with the Directors of Industries, who indicated that the very term 'essentiality' signifies the amount which according to them would be absolutely necessary for the applicant and not what would be awarded to him out of any year's available foreign exchange. It was also contended by them that the Directors of Industries and the State Governments are mainly responsible for the development of the small-scale sector within the environmental conditions obtaining in different States; and that the entitlement formula, which is devised on a more or less 'rule of thumb' basis by comparing the total foreign exchange available in a particular year with that in the preceding year, renders their functions nugatory. There is much validity in this view. We feel that, in order to make the recommendations of the Directors of Industries more effective, and incidentally to make them more responsible and participative in the import control so far as it affects the small-scale sector, they should not only certify essentiality, but also recommend actual allocation on a unitwise basis. This is possible only if the Directors of Industries are placed at par with the sponsoring authorities in the large sector (e.g. DGTD) and are informed of the ceiling within which they can then fit in their unitwise allocations. We recommend that this should be done.

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\* Annexure to Appendix III.



13. The above recommendation implies that a State-wise allocation of foreign exchange should be made. It needs to be noted that even the existing procedure works out to a kind of State-wise allocation, at least in so far as the established units are concerned. Since established units get their entitlement on the basis of the previous year's allocation, the units within each State (and therefore each State) continue to get the core allocation with marginal adjustment depending on the annual fluctuation. In accordance with our proposal, the 'core' allocation would be intimated to the different States subject to marginal adjustments from year to year and the Directors of Industries would be at liberty to recommend unit-wise entitlements in any manner they like within their respective ceilings. The change suggested is not, therefore, a drastic one or one involving any substantially new principle, but it is one which effectively brings the role of the Directors of Industries in a purposive manner into the field of import control and fixes responsibility squarely where it belongs. Incidentally, it also does away with the 'rule of thumb' formula and enables each State to develop its industries in accordance with its own genius.

14. The representatives of the Federation of Associations of Small Industries of India and some other representatives of the trade and officials expressed fears that the State-wise allocation might :

- (a) place the advanced States in a less favourable position;
- (b) bring into play extraneous influences within the State sector not conducive to optimum and equitable distribution of foreign exchange; and
- (c) lead to unbalanced growth of industries from region to region.

#### **Recommendation**

15. So far as the apprehensions of the advanced States are concerned, it is stressing the obvious that an equitable basis will have to be found for operating the idea of State-wise allocations. The right authority to evolve a basis and to make the actual State-wise allocations each year is the Development Commissioner, Small-Scale Industries (DG, SSI). Without wishing to fetter his discretion unduly, but also recognising that States and their small industries cannot be expected to accept the idea of State-wise ceilings "in the dark", *i.e.*, without knowing something about the broad principles that would govern State-wise allocations, we have considered it necessary

to examine what might constitute an equitable basis. We consider that ultimately allocations will have to be based on the installed capacity to be assessed on a uniform basis on an all-India norm by the D.C., SSI, and the Directors of Industries jointly. So long as this is not done, an *ad hoc* formula is necessary which will take account of the need, on the one hand, to maintain the tempo of industrial production already attained in indifferent States and on the other, of the special development needs of backward areas.

### Recommendation

16. We recommend that State-wise allocation of the available foreign exchange should in the first-year, be made in proportion to the average of the licences issued to each State for the last 3 yearly licensing periods. Having got the State-wise *inter se* ratio, the total amount available to the SSI sector should be distributed in the following manner by taking, say Rs. 12 crores, as the 'core' allocation :

- (a) If the allocation in 1965-66 is Rs. 12 crores or less, the State-wise allocation may be made on the basis of the ratio arrived at above.
- (b) If the allocation is more than Rs. 12 crores, the first Rs. 12 crores should be allocated on the ratio mentioned above. Out of the balance, 50 per cent should again be allocated to the different States in the same ratio to meet the requirements of normal growth. The remaining 50 per cent should be allocated keeping in view the special development needs of the various States.

The allocation should be made by the DC, SSI, who should take steps to equip himself with whatever information he may require to discharge this responsibility. Allocations for the subsequent years, i.e., for 1966-67 onwards, should be made according to the same formula as indicated in (a) and (b) above, except that instead of Rs. 12 crores, the allocation of the preceding year should be taken as the 'core' figure. This inter-State ratio will be based on the preceding year's State-wise allocations.

17. Apprehensions about the possibility of extraneous influences creating distortions at the State level are genuinely felt by responsible representatives of the small industries sector. It appears the operation of State-wise ceilings in imported steel and non-ferrous metals has given rise to some misgivings. We have not gone into any evidence to weigh whether these apprehensions are well based or not. We have, however, given anxious

thought to the matter. Our view is that, so long as the Constitution gives a certain place and a responsibility to the States in the whole fabric of national administration, it is not for us to avoid making a recommendation which is consistent with that, only on the fear that the powers proposed to be delegated may be improperly used. Taken to a logical conclusion, such fears should mean total avoidance of delegation and an increasing trends towards centralisation, both of which are the opposite of good administration. What is necessary to ensure is a set of safeguards at various sentinel points built into the new procedure. This we have tried to do in various ways.

#### **Recommendation**

18. Regarding apprehensions about unbalanced growth, the present system in any case does not seem to provide for balance in this matter, judging from results. However, we recommend that the Development Commissioner, SSI, before the commencement of the licensing period, may issue general instructions for the guidance of Directors of Industries about restrictions on new units in crowded sectors, priority attention to the needs of selected industries of national importance, and so on. This extent of centralisation would perhaps be justifiable from an all-India angle, but we would leave it to the Government to devise the form and content of the directions to be issued by the DC, SSI, to all the sponsoring authorities.

#### **Recommendation**

19. We also recommend that the distribution of ceilings for imports from the rupee payment areas may also be distributed to the State simultaneously with the free foreign exchange. As, however, rupee licensing on a unit-wise basis was started only from last year the inter-State ratio formula will have to be based on actual licensing done in 1964-65 instead of the last three years' average.

#### **ANNUAL LICENCES [Point (iii) on p. 16]**

20. Prior to the acceptance of the report of the Mudaliar Committee in April 1962, licences were issued on a six-monthly basis and applications also were received twice a year. The Red Book was also issued twice a year. On the basis of the recommendation made by the Mudaliar Committee, the policy as well as the licences are now being issued once a year. Foreign exchange is however, allocated on a half-yearly basis. A condition is put on the annual licences that only 50 per cent of the value can be utilised in the first half, and the remaining amount can be utilised or committed only after getting the licences endorsed during the second half of the period.

In the case of licences valued up to Rs. 5,000, no such endorsement is necessary and they can be utilised and committed in one lot even during the first half of the period. The endorsement condition enables the licensing office to reduce the foreign exchange allocation in the second half in case the resources have diminished. While we appreciated this measure of abundant caution, we have tried to analyse the situation as it affects the S.S.I. sector on the following criteria :

- (a) Whether the amount of uncertainty and administrative and procedural work involved in the second endorsement is fully justified, as against the safeguard which is provided thereby.
- (b) Whether the above safeguard against the licences issued to the SSI sector cannot be covered by increasing the safeguard marginally in the other sectors.
- (c) If (b) above is not possible, whether the safeguard cannot be ensured out of the allocation of the next financial year.
- (d) Considering that licences for a particular licensing period are issued in some cases in the following licensing period and the remittances do not mature within a particular licensing period, non-transferability of adjustments to the next licensing period may not entirely be a representative or inviolate criterion.
- (e) If neither of the above four is favourable to annual licensing, whether the foreign exchange allocation in the beginning of the year itself cannot be made in such a way as to take into account the margin of safeguard necessary in the second half.

21. During the last 12 half-yearly periods, the share of small scale industries has been less than 5 per cent in the total free foreign exchange allocation for commercial imports. The extent of fluctuation in the second half of each financial year has, on an average, not exceeded Rs. 33.0 lakhs so far. The Economic Adviser to the Ministry of Industry and Supply indicated that it may be possible to accommodate the fluctuations in the small-scale sector to the extent of Rs. 50.0 lakhs only during the second half year. This amount covers the average fluctuations during the last 12 half-yearly periods.

22. The Department of Economic Affairs in their comments to the proposal of annual allocation to small-scale industries have adverted to the fact that any protection to be given to the small-scale sector from reduction in the second half-year's

allocation will throw that burden on the remaining economy and to that extent by reducing the demand of that sector will affect products of ancillaries in small-scale industries, which feed the large-scale sector. This, of course, is true, so far as it goes. But, we find it difficult to accept that a reduction of Rs. 50 to 100 lakhs, *i.e.*,  $\frac{1}{2}$  per cent to 1 per cent from the total ceiling in a particular half-year, will create such a burden for the large-scale sector as to cause any serious distortions in the economy as a whole. Moreover, considering that the cuts imposed on the large-scale sector to take the burden from the small-scale units can be compensated by suitable adjustments in the next licensing period, even the theoretical possibility of such distortion is ruled out.

23. A suggestion was made by the Economic Adviser that, since it may be possible to accept fluctuational shocks in the small-scale sector to the extent of Rs. 50 lakhs, we might examine the alternative of annual licensing up to a limit of Rs. 15,000 only. We however, feel that unless the entire SSI sector is given the annual protection of licences, the whole scheme of doing away with essentiality certificates and allocating foreign exchange ceilings to States will need reconsideration, as even for marginal adjustments the applicants will have to go through the entire gamut of sponsoring and licensing processes. This will throw up unnecessary correspondence work in all offices, and will thus leave the disease uncured. We feel that limiting the facilities of annual licensing to Rs. 15,000 only will create the following problems :

- (i) While the commitment for the second half of the licensing year will no doubt be less than for the whole allocation, it will be for an uncertain amount. The total value of licences under Rs. 15,000 may undergo fluctuations of and unpredictable kind since the CCI&E's formula for calculating entitlement will no longer hold good in view of the fact that it will be left to each Director of Industries to evolve an appropriate basis of unit-wise allocation within the amount allotted and the overall direction from D.C., S.S.I., and the policy in the Red Book.
- (ii) As per present figures of licensing, licences up to Rs. 15,000 probably account for about Rs. 2 crores each half-year, out of a total of Rs. 6 crores. If this amount is treated as committed in the second half, the cut, if any, will have to fall on licences above the value of Rs. 15,000/- only. In concrete terms, it means the balance of Rs. 4 crores worth of licences

may be squeezed down to Rs. 3 crores. To preserve the smaller licensees intact, the cut for the higher slab in the SSI sector may go up from 16 per cent overall (one out of six) to 25 per cent (one out of four). (Of course, the squeeze will be there for the large-scale sector if SSI quota as a whole is preserved. But the difference may be that the effect there will be spread out on a much larger amount and on sectors that can take the cut better).

- (iii) The cut, if any, in a particular second half-year will have to be spread *pro rata* by the DC, SSI, on the States. Each Director of Industries will then have to do an exercise as to how much cut in percentage terms to be applied to licences above the value of Rs. 15,000/- in his State and this will depend on how much allocation is committed for licences under Rs. 15,000/-. Therefore, the percentage cut on licences over Rs. 15,000/- will vary from State to State, creating difficulties and doing damage to the whole idea of State-wise distribution of ceilings.
- (iv) While doing the above exercise, presumably each Director of Industries will have to ensure that the cut does not bring licensees above Rs. 15,000/- to below Rs. 15,000/- to avoid anomalies. Accordingly, for the licensees in the region of Rs. 15,000/- to Rs. 20,000/- he may have to adopt either a graded cut or a cut subject to a floor level of Rs. 15,000/-. In both cases, his exercise will be complicated and the cut formulae involved may cause irritation to the clientele, resulting in delays, corruption and so on. Operation of different cut-formulae for different States will affect the clientele in various States differently and will cause difficulties in the CCI&E's office also.
- (v) Much of the advantages of total annual licensing in SSI sector will be lost; the possibility of planning unit-wise allocation on a scientific basis by DIs will be limited. It will also result in a fair amount of work continuing to be done in the second half-year both for Director of Industries and for the Chief Controller of Imports and Exports. Additional staff will be required for this purpose, though in most of the years there may be no cut and consequently no work for this staff in the second half-year.

### Recommendation

24. We, therefore, recommend that the balance of advantage lies in all the units in the small-scale sector being allowed the benefit of annual licensing. This would mean making an annual allocation to the SSI sector thus making an advance allocation for the second half-year. In order, however, to safeguard against remittances exceeding the availability, it may be laid down that even though a party can enter into commitment for the full amount of licence even during the first half of the period, remittances will have to be spaced in such a way as to have 50 per cent falling in the first half and the remaining in the second half of the period. This would be, of course, subject to the existing concession to the licences valued at Rs. 5,000/- or below remaining intact.

ADVANCED ALLOCATION (*Point (iv) on p. 16*)

### Recommendation

25. In order to enable the Directors of Industries to send their recommendations on the basis of ceilings allocated to them in time to ensure that licences are issued with a reasonable period of the commencement of the licensing period, it is necessary that foreign exchange allocation should be known to them much earlier than the end of June as at present. Since in the case of Established Importers the foreign exchange allocation is made in advance for formulating the policy of the Red Book some time in February, *i.e.*, about 4 months in advance, we feel that it may not be difficult to make an advance allocation for the SSI sector also by the first week of April, and we recommend that this should be done. The trend of foreign exchange allocation to this sector has remained more or less at a constant level, and the allocation itself being only about 5 per cent of the total, it may not be too compromising for the Ministry of Industry and Supply to intimate the amount in the beginning of April on the best available data at that time. Even from the purely operational point of view, an advance allocation would facilitate a systematised staggering of work in the CCI&E's organisation, which may yield benefits in the shape of quicker handling, adherence to overall time-tables and even considerable economy in staff.

### INDIGENOUS CLEARANCE

### Recommendation

26. Items to be imported fall into broadly three categories: those on the 'open' list can be freely imported, subject only to foreign exchange availability; those on the 'banned' list cannot normally be imported at all; and those on the 'restricted'

list can be imported subject to what is called 'indigenous clearance'. This third category represents a sort of twilight area, and is the cause of the largest number of complaints from Actual Users generally. Particularly for the SSI sector, the restricted list creates major inconveniences since the resources of the small industrialists do not permit their being able to follow up their cases in New Delhi. Also, a feeling persists in the SSI sector that the D.G.T.D., who is the final authority for technical clearance in such cases, does not have time to spare for quick enough handling of references arising out of the SSI sector. The total value of SSI cases involving imports of restricted items is necessarily small, since the whole SSI ceiling itself is small. We have, therefore, considered whether much is gained by subjecting the SSI sector to the same rigorous drill for indigenous clearance as the scheduled sector. Our view, supported by officers of the D.G.T.D., is that there is not much to be lost, and a great deal to be gained by doing away with the restricted list altogether so far as the SSI sector is concerned, and we recommend that this should be done, at least as a trial for one year.

27. The implication of this is that there would be only two lists for the SSI sector, *viz.*, "open" and "banned". The need for a restricted list will, of course, continue in order to provide for areas where import is required to supplement indigenous production. But, the adjustments will have to be made in the scheduled sector, where the 'restricted' list will continue. We assume that the total requirements of the SSI sector in respect of restricted items are less than what the country has to import of those items in any case to supplement indigenous production, and if this is not strictly true in the case of any particular item, remedial steps can be devised in due course about that item.

#### PROCEDURE FOR LICENSING

28. The above discussion contains four major recommendations:—

- (i) The foreign exchange available for the SSI sector should be intimated to the States in the form of "ceilings" rather than being kept in a central pool with the CCI&E as at present; we have suggested what we consider to be an equitable formula for distribution.
- (ii) Foreign exchange should be made available to the SSI sector on an annual rather than on a half-yearly basis, thus making annual licensing more of a reality than at present.



- (iii) The annual allocation to this sector should be indicated by the first week of April, even if this means anticipating the first half-year's foreign exchange budget by a few months.
- (iv) The "restricted" list should be done away with for the SSI sector, thus freeing licensing work here from the delays arising out of processing for "indigenous clearance".

The four of them taken together represent an exercise of the nature of clearing the under-growth which we found it necessary to undertake before tackling our main task, *viz.*, that of devising a simpler and shorter procedure for licensing than the one now obtaining. Each recommendation makes its indispensable contribution to the elimination of complexity and delay in the present system, and all four seem to be inescapably necessary if any worthwhile simplification is to be attempted. We have, therefore, assumed their acceptance while evolving a new procedure.

### Recommendation

29. Apart from the foundational contribution of these four recommendations, we have given detailed consideration, through a process of case studies in a typical State DI's office (Maharashtra) and a typical port licensing office (Bombay), and through a round of discussions with officers of these organisations and with selected DIs, to locating and eliminating unnecessary frictional points in the whole process of licensing. The desirability of introducing single-line processing by amalgamating the two separate steps of applying for an essentiality certificate and applying for an import licence has already been covered in an earlier recommendation (Para 11), along with the need to adopt a simplified and single form of application. In addition, we consider that the licensing procedure should take account of the following points:

- (a) The new procedure should be clearly spelt out, and the role of the D.C., S.S.I., D.Is. and the Port Licensing Authorities defined in specific terms;
- (b) Time limits should be prescribed for the various individual stages of processing;
- (c) The applicant should, as far as possible, be kept informed of the stages of progress of his application;
- (d) the whole exercise of SSI licensing for a particular year should conform to an overall time-table; and

- (e) handling procedures should be introduced that will facilitate quick disposal and enable adherence to time limits set for individual stages as also to the overall time-table.

### Recommendation

30. In regard to (a), (b) and (c) above, we have tried to draw up an outline of a new procedure, which will be found in Appendix III. We recommend that this should be adopted, subject, of course, to such amplification and spelling out as is deemed necessary at the stage of drafting fresh instructions. There are some points of substantive importance in the out-line in Appendix III which we have not considered it necessary to burden this main report with.

### Recommendation

31. In regard to (d) of para 29, our thinking leads us to an overall time-table some what as below:—

- |  |                 |
|--|-----------------|
| (i) Issue of Red Book by   | Ist April       |
| (We are considering whether the Red Book can or should be published earlier, and our recommendation on that will be given in Part II of our report.) |                 |
| (ii) Indication of annual allocation to SSI Sector by  | 7th April       |
| (iii) State-wise distribution of ceilings by   | 15th April      |
| (iv) DIs to receive applications by  | 30th April      |
| (v) DIs to send their recommendations in not more than three lots—   |                 |
| first lot by   | 15th June       |
| second lot by  | 15th July       |
| third lot by   | 15th August     |
| (vi) Licensing work in the SSI sector  |                 |
| Commences on   | 15th June       |
| concludes latest by  | 30th September. |

We have convinced ourselves that this time-table is a feasible one and recommend that it should be accepted, that the authorities concerned should be enjoined to adhere strictly to the date suggested and that the CCI&E should keep a continuous watch to see that there is punctual adherence by all concerned.

### Recommendation

32. In regard to (e) of para 29, some handling procedures are mentioned in the outline at Appendix III. For instance, it will be for the DIs to obtain technical clearance before sending their recommendations on any particular item requiring such clearance despite the doing away of the restricted list. To facilitate the work of DIs, and D.C., S.S.I., will call frequent meeting of the SSI committee from 15th May to 31st July to ensure quick disposal of references from the DIs. Another example is the use of check points (para 4 of the outline) for quick and thorough scrutiny of applications. But the few points covered in the outline are not enough. So far as port licensing officers are concerned, some aspects of the question of handling procedures (e.g., the feasibility of a staggering scheme to even out seasonal work as far as possible, the possibility of an assembly line system of processing applications, consequential restructuring of personnel, etc.) are under our consideration, and we hope to make suitable recommendations in Part II of our report. But so far as the office of the D.C., S.S.I., and the State DIs are concerned, it is outside our competence to examine handling procedures in detail. However, we recommend that DC, SSI, and the DIs should be called upon to make an immediate review of their arrangements for handling the work falling to their share in the new scheme of things, so as to be prepared fully and in time.

### Recommendation

33. We recommend that much the same procedure should also apply in the case of small-scale units sponsored by the State Drugs Controllers, the Textile Commissioner, the Directors of Handloom and the State Directors of Fisheries.

34. The benefits of the new dispensation visualised are mentioned in the discussion of the individual recommendations. We are confident that the discerning eye, whether within Government or outside, will be able to appreciate the many ways in which we have sought to make improvements on the present system. However, it seems necessary to state in specific terms the broad points of improvements:—

- (i) Under the existing system, the SSI licensing is not completed until towards the end of the licensing period. The revised time-table visualises all SSI licensing to be completed much earlier and, in any event, by 30th September.

- (ii) Arising out of the necessity of an endorsement for second half of the licensing period, both the administration and the clientele are burdened with unnecessary stages. All this will go in the new arrangements.
- (iii) Under the existing system, responsibility for fixing the value of an SSI import licence is that of the CCI&E, while responsibility for the development of small-scale industries is that of Directors of Industries. The new arrangement will cast responsibility for both aspects squarely on the DIs, thus avoiding the possibility of confusion and bad administration so far as SSI development is concerned.

#### SUGGESTIONS FOR IMPLEMENTATION OF REVISED PROCEDURE

##### Recommendation

35. *Strengthening and Orientation of State Directorates of Industries*—The scheme proposed above will throw considerable responsibility of technical and administrative scrutiny and exercise of discretion in the DIs' offices. Our intention is not to transfer the sources and pockets of inefficiency from one office to another, but to utilise each level for its legitimate sphere of responsibility. For the first year at least, the staff of the DIs will have to be trained and guided by the regional licensing offices. This can be achieved by holding short-term 'familiarisation' courses at the headquarters where the officers of the level of Assistant, Deputy and Joint Directors of Industries and various licensing authorities from the Port Offices should be brought together and the whole scheme and its implications explained. At the lower levels, training can be imparted through actual working and for this purpose we would recommend that selected Assistant Controllers from the regional port offices may be sent on a year's deputation to start with to the State Directorates to guide the sponsoring work under the above scheme in the Directorates. There should be frequent meetings between the sponsoring authorities and the licensing authorities during the first year of the implementation of the new procedure. We recommend that the CCI&E should initiate an urgent action programme for all these points, in consultation with the DC, SSI, where necessary.

##### Recommendation

36. *Role of the D.C. S.S.I.*—The D.C. S.S.I. has to play a crucial role in laying the overall policy and post-licence scrutiny of the recommendations of the DIs. He will also have to finalise a formula for allocation of the ceilings to the different States. Action has to be initiated in his office at an early

stage, and his involvement in the implementation process from the very beginning will be essential. We recommend that he should be closely associated at the stage of processing this report.

#### **Recommendation**

37. *Publicity*—The new procedure will have to be explained in simple language to the trade in which the advantages flowing therefrom may also have to be enunciated. The Public Relations Organisation can play a key role in this respect. This will also earn for the Department and the Government a great deal of goodwill. The responsibility of the sponsoring authorities in all its implications will also have to be spelt out so that they, on their own, can initiate necessary action of training and staffing well in time. We recommend that the CCI&E should take urgent steps to cover these points.

#### **MISCELLANEOUS RECOMMENDATIONS PERTAINING TO SSI SECTOR**

#### **Recommendation**

38. *Pack Value System*—We have noted that in respect of certain industries like sewing machines, clocks, time pieces, radios, etc., the total entitlement of actual users for import of specified components is being worked out on the basis of a given pack value per set of the finished product generally without any itemised restrictions. This method is simple and time-saving; it also gives flexibility to the unit to import more or less numbers of any permissible component. We recommend that this system should be extended to embrace more and more industries during each licensing period. However, in order to safeguard against any possible misuse, it is necessary that a regular review of both the pack value and the items to be allowed should be undertaken at the commencement of each licensing period in the light of the indigenous angle and other relevant factors.

#### **Recommendation**

39. *Decentralisation of Rupee Licensing*—In continuation of our proposal to decentralise rupee ceilings to sponsoring authorities simultaneously with the free foreign exchange ceilings we recommend that the work relating to the issue of import licences for raw materials and components to small-scale units from Rupee Payment Area, which is now being handled at the Headquarters Office of the Chief Controller of Imports and Exports, should be decentralised to the respective regional licensing authorities. This will expedite the disposal of applications since the sponsoring authorities in such cases

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<sup>1</sup>Vide Para. 19.

are also the State Directors of Industries and bring this procedure in line with the general procedure of licensing to small-scale industries in view of our recommendation to decentralise allocation of rupee ceiling to the States.

### Recommendation

40. *State Sponsored Corporations*—It has been suggested to us that small requirements of actual users should be pooled and their imports canalised through the State-sponsored Corporations. We agree with this suggestion. In fact, one of the complaints made to us has been that in some cases licences are issued for such small values that the import becomes uneconomical. Sometimes, the foreign suppliers do not accept orders for petty amounts. To obviate difficulty of this nature, the Chief Controller of Imports and Exports has fixed a minimum value of an actual user licence at Rs. 250/- if the certified requirement of the unit is not less than this value. However, we feel that it may still be difficult for some units to make imports against licences for such small values. An actual user, no doubt, enjoys the facility to import goods against his licence through a third party (which may even be a State-sponsored Corporation) by obtaining a letter of authority in favour of such party. But instead of inviting individual applications from each small actual user and issuing licences separately against each application and then a letter of authority in respect of each licence, it will simplify matters if the imports in such cases are canalised through the State-sponsored Corporation. We, therefore, recommend that the State Directors of Industries should be authorised to pool together the small requirements of raw materials/components of actual users (say Rs. 250/- in each case) and obtain a consolidated licence in the name of the State-sponsored Corporation, subject to the condition that the goods imported against such licences shall be distributed by the State-sponsored Corporation only to the actual-user applicants concerned, on a price to be fixed by the State Government.

## SECTION, II

### SCHEDULED INDUSTRIES BORNE ON THE BOOKS OF THE D.G.T.D.

41. The Directorate-General of Technical Development is generally responsible for the development of certain scheduled industries. Production of iron and steel and a few other industries like textile, jute, etc., even though scheduled, are not borne on the D.G.T.D.'s list. At present, the books of the D.G.T.D. carry about 4,500 licensed units and 650 registered units. There is a separate foreign exchange allocation for these units with the D.G.T.D.

42. The D.G.T.D. plays a decisive role in import licensing in respect of his units as licences are issued entirely on the basis of recommendations made by him. Further in respect of the items manufactured by his units, the D.G.T.D. advises in the formulation of an import policy which ensures that not only is foreign exchange not wasted but also that indigenous producers get the requisite incentive for production. The industrial units are distributed amongst a number of Directorates within the D.G.T.D.'s organisation. Since the processed or semi-processed raw materials, components and spare parts required by a unit under a particular Directorate may happen to be the end product of a unit looked after by another Directorate, and since the import interest of the former unit has to be balanced against the marketing interest of the latter unit, the processing of import applications within the D.G.T.D.'s organisation is subject to considerable interaction between one Directorate and another. Further, since the marketing interest of the D.G.T.D.'s units have to be balanced also against the import interests of non-D.G.T.D.'s units, both in the large scale and small-scale sectors, the D.G.T.D. has to make an impact even on those import applications which are sponsored by agencies outside the D.G.T.D. Another Study Team, all the members of which are also members of this Study Team, is looking into the detailed working of that organisation. We have, however, drawn liberally on the studies and findings of the other Study Team and have adopted them in so far as they affect the processing of import applications. In this section, our recommendations will be limited only to such aspects of the processing of applications within the D.G.T.D.'s and the C.C.I.&E.'s organisations as are related to actual users of raw materials, components and spares only. The summary of results of case studies relating to these

actual users, conducted within the C.C.I.&E.'s organisation is already available in Appendix IV. We have appended the case studies report on import application files of the D.G.T.D.'s organisation in Appendix V. For the sake of convenience, we have preferred to divide this section into 3 parts: (a) pre-recommendation stage; (b) recommendation stage; and (c) post-recommendation stage.

#### PRE-RECOMMENDATION STAGE

##### Recommendation

43. *Application in Duplicate*—All applications in the case of the DGTD's units are routed through the Directorate General. We have found that in certain cases applications are invited in triplicate even though the form indicates submission in duplicate. The CCI&E does not need more than one copy of an application and its enclosures. We recommend that in future all import applications may be invited in duplicate only, of which a copy may be retained in the office of the DGTD and the original forwarded to the CCI&E along with the recommendation.

##### Recommendation

44. *Application Form*—We have examined in detail the Import Application form 'C' and would recommend that this form may be adopted for spare parts also. Our recommendations regarding amendments in the form have been given in Appendix VI.

##### Recommendation

45. *List of Items*—In view of our recommendation made later in this Section that a copy of the recommendation of the DGTD should be sent to the applicant also, we would suggest that the applicant may be asked to send an extra, (*i.e.*, a third) copy of the list of items applied for, which with such amendments as the DGTD may make will be returned to him.

##### Recommendation

46. *Frequency of Applying*—We understand that the same industrial undertaking in some cases applied for the same raw material or spares to different Directorates. In some cases, the number of such import applications from a particular unit has been as high as 20. This creates not only additional routine frictional work of diarising, movement, etc., but also by dispersal of demand a possibility of miscalculation. We recommend that



an industrial undertaking should, for each industry handled by it, apply only once, covering its requirements of raw materials, components *as also spare parts*, but excluding non-ferrous and ferrous metals for which separate applications have to be recommended by other authorities or a separate account has to be kept. There should not be a separate application for spare parts. It should be impressed on the industrial undertakings that they should make applications after very careful considerations so that the necessity for applying for a change in the nomenclature or description of an item or introducing a new item at a later stage does not arise. They should be informed that, unless there are special reasons, requests of such nature will not be entertained.

47. *Code Numbering of Industrial Undertakings*—The Directorate-General of Technical Development handles about 7 lakh references per annum from the trade, Directors of Industries, regional port offices and other sponsoring authorities. Sometimes it takes considerable time and effort to cross-reference a receipt and send it to its proper destination within the Directorate-General. Locating the Development Officer concerned with a particular import application sometimes assumes proportions of an administrative decision, as a particular unit may be manufacturing a number of products all of which may not be comprehended by one Development Officer. We recommend that there should be a clear demarcation of industries with reference to the end-products, *inter se* the Industrial Advisers and also the Development Officers. Each Development Officer should be given a matrix of code numbers covering his industries. From each matrix number relating to a particular industry would be derived other numbers to relate to each unit producing end-products of that industry. Each unit will thus be awarded a code number, the first three digits of which will, say, indicate the matrix number and the last three digits the unit number. From the matrix number the centralised receipt section will identify the Development Officer who from the whole code number will identify the unit. Each unit will quote its code number in its original application as also in all subsequent references so that cross-referencing is facilitated. If a particular unit produces a number of end-products falling within different industrial matrix numbers, it will have as many code numbers allotted to it. Considering that for each end-product there will be only one application, the number of applications to be submitted by a particular unit may be equal to but not exceeding the code numbers given to it. This will also facilitate assessment of demand and supply of each unit for a particular end-product.

48. The code numbering would also incidentally pave the way for the introduction of electronic computers within the DGTD's organisation. The details of the code numbering may be evolved in consultation with experts. The CCI&E's organisation may also make suitable adjustments in the filing number and indexing system to mesh with the processing of these applications on the code number allotted by the DGTD.

49. *Role of the Import Cell*—We endorse the recommendation of the other Study Team regarding the creation of an Import Cell, carved out of the existing Coordination Sections. Import applications should not be registered twice, once in the R&I Section and then again in Coordination or in the Import Cell. Single registration in the Import Cell would be quite enough, whereafter applications should be sent direct to the technical directorates concerned. The Import Cell will be responsible to ensure that applications which remained pending beyond the prescribed period of disposal are considered by the Committees of Development Officers and Industrial Advisers.

#### Recommendation

50. *Condonation of Delay*—The last prescribed date for submission of applications should be the date by which the applications should be received by the DGTD's office. Any application received after the period of grace should be considered for condonation of delay at the IA's level and the factor of delay should be taken into account in the list of check points to be evolved internally by the DGTD. Of the 203 applications studied on DGTD's units in CCI&E's office, 20 per cent were received after the prescribed last date and in all these cases the DGTD had recommended specifically or implicitly, the condonation. In 8 cases, specific recommendation on condonation was not available. In these cases, back references were made by the licensing office which involved an average loss of 20 days. The CCI&E's office will presume DGTD's recommendation on condonation unless the contrary is indicated.

#### RECOMMENDATION STAGE

51. In the 203 cases selected at random in the CCI&E's organisation, it was revealed that the DGTD had taken on an average 80 days in making the first recommendation. A similar case study in DGTD's organisation indicated an average time of 104 days from the date of allocation of foreign exchange. In absolute terms, as many as 4287 applications pertaining to the licensing period April, 1964 to March, 1965 were pending in the organisation even on the 15th February, 1965.

52. Of the 203 cases studied in the CCI&E's office the DGTD recommended rejection in 41 cases mainly on grounds of indigenous availability (17), shortage of foreign exchange (3), non-essentiality (3), etc. In none of the cases routed through the DGTD did the licensing office depart from the advice given by the DGTD.

53. The recommendation is finalised on the basis of (i) foreign exchange availability, (ii) indigenous clearance and (iii) essentiality.

54. *Availability of Foreign Exchange*—The Study Team on DGTD considered the possibility of an advance allocation out of the commercial quota to be indicated to the DGTD, but came to the conclusion that this may create difficulties for the trade, which has anyway settled down to a 12-monthly cycle of import licensing. At present, foreign exchange allocation to the DGTD is indicated by the Ministry of Commerce sometime in the end of June while applications start pouring in from the 1st of April. Case studies (Appendix V) indicate that on an average the DGTD's organisation took 104 days in finalising recommendations, out of which allocation for foreign exchange took on an average 24 days. It is suggested that the period prior to the allocation of foreign exchange should be utilised on preliminary scrutiny of the applications regarding application fee, IVC number and other deficiencies and an acknowledgement of application should issue within 7 days indicating the deficiencies brought to light. If the application fee is deficient, the party should be called upon to make good the deficiency within a period of 2 weeks.

55. It is further recommended that each application should be taken up in a chronological order even though the final decisions may depend on other factors also.

### Recommendation

56. It is estimated that by the 1st of August the unit-wise allocation in any case should be finalised and by 31st August all recommendations forwarded to the CCI&E's office. The DGTD's organisation will endeavour to maintain an even flow of recommendations, details of which will be spelt out in the report of the other Study Team. The CCI&E should then be able to issue the licences by the 30th of September (detailed time-table is indicated in para 63).

57. *Indigenous Clearance*—Out of 154 cases studied in the DGTD's organisation, in 25 per cent cases Directorates other than the sponsoring Directorate were consulted, which process on an average took 15.2 days per Directorate. The sponsoring

Directorate itself took 67 days. Since most of these consultations were on indigenous clearance, considerable time can be saved by firstly rationalising the indigenous formula itself, and secondly by keeping each Directorate up-to-date on indigenous demand and supply position. In most of the cases, on further representation, the DGTD had to allow indigenous clearance. The details of the indigenous clearance policy are being looked into by the other Study Team, but it may be emphasised that the 'ab initio' necessity of requiring the party to get a non-availability certificate from a number of indigenous manufacturers can be entirely done away with by allowing a certain percentage of the assessed requirement of an item outright and considering further import only when the DGTD is satisfied that the demand cannot be met from indigenous \*sources. There should be only three lists namely (a) banned items which are not to be allowed; (b) open items which are to be cleared straightaway from indigenous angle without reference to other Directorates; and (c) restricted items which are to be allowed to a certain percentage of balanced requirement without reference to other Directorates. The lists once finalised in the beginning of the licensing period should be adhered to for that period. The list of indigenous manufacturers should be published by the DGTD in consultation with the DC (SSI) simultaneously with the Red Book.

58. Inter-directorate references on indigenous clearance can be minimised by each Development Officer obtaining in advance the indigenous clearance on the essential items required by the industries dealt with by him.

### Recommendation

59. *Essentiality*—The DGTD has to examine essentiality on a qualitative as well as on a quantitative basis *i.e.*, whether a particular item is required for a particular end-product and, if so, in what quantity. Sometimes matching of various items of raw materials with each other is also ensured. After careful consideration, we have come to the conclusion that, subject to the overall ceiling of a licence being indicated, and subject to the scrutiny of the list of items of raw materials, spare parts and components asked for, there should not be any meticulous examination or restriction of quantities of each item to match with each other *inter se* as also to match with the total estimate of production. We feel that the optimum utilisation of foreign exchange within the specified items should best be left to the discretion of the manufacturer and itemised restriction calculated

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\*This may not be possible in respect of items whose indigenous production cannot be divided *pro rata*. Details of this are being worked out and will be explained in detail in the report of the Study Team to D.G.T.D.

On the basis of a theoretical production figure for a particular year without taking into account the itemised stock position, works in hand, etc., is likely to create an unbalanced inventory position. Quantitative restriction may, however, be imposed only in respect of speculative items and restricted items which are partially available from indigenous sources. We, thereof, recommend the following procedure:—

- (a) While applicants should be required to submit lists of raw materials and spare parts required by them for import, and also to indicate itemised quantities, the recommendation for licences should be made without indicating itemised quantities, except in the case of speculative and indigenously available items.
- (b) Lists of raw materials and spare parts recommended for licence should invariably be appended with the recommendation sent to the C.C.I.&E.
- (c) The licensee should be allowed an itemised flexibility up to 25 per cent for those items for which quantitative restriction has been indicated, subject however, to his keeping within the overall value of the licence.
- (d) The licensee should be allowed to import up to 25 per cent of the face value of the licence, the permissible spare parts and small tools not indicated in the licence.
- (e) Within the 25 per cent of the face value indicated in (d) above, the licensee should be permitted to utilise up to 5 per cent of the face value of the licence or Rs. 2,500/- whichever is less, for the import of even the spares which are not covered by (d) above but which are not banned and are required by the licensee for servicing, maintenance or replacement of the plant installed in the licence-holder's factory.

#### POST-RECOMMENDATION STAGE

##### Recommendation

60. *Despatch of Recommendation*—The recommendation of the technical Directorate need not be signed by two technical officers. Only one signature should do. In the case of an officer-oriented set up, the Section Officer of the I.A.'s Division should

attest the recommendation and send it to the C.C.I.&E's organisation direct with a copy to the Import Cell for their record. In other cases, the recommendations may be attested by the Section Officer in the Import Cell and sent to the C.C.I.&E's organisation. A copy of the recommendation should be sent to the applicants also in all cases. The recommendation should contain reasons for rejecting or reducing the amount of any item asked for. The form of the check list with which the recommendation should be sent should be finalised between the D.G.T.D. and C.C.I.&E's organisation to avoid back references.

### Recommendation

61. *Lists of Items Recommended*—The case studies in C.C.I.&E's organisation indicated that in 36 out of 162 cases recommended for issue of licences, D.G.T.D. either did not furnish the list of items to be allowed for import or furnish a mutilated copy and expected the party to submit revised list through the D.G.T.D. The party in certain cases felt considerable difficulty in getting the revised list attested again by the D.G.T.D.'s office which took 18 days on an average to clear the revised list and 22 days more in attesting them. In 10 cases it was observed that the D.G.T.D. had omitted to attest the list recommended for import. We feel that the D.G.T.D. should, in all cases, be able to send attested copies to the C.C.I.&E. along with the recommendation; and if the C.C.I.&E. still needs more copies, he should ask the party to prepare clean copies of the list which goes to the party also. Thereafter, the C.C.I.&E's office itself should, by comparing the fair copies with the master list with them, attest the fair copies without requiring the party to come through the D.G.T.D. for attestation.

### Recommendation

62. *Issue of Licence*—The C.C.I.&E's office should be able to issue the licences within a period of one month of the receipt of recommendation strictly on the basis of the D.G.T.D.'s advice. A 'plain paper' copy of the licence may be sent to the D.G.T.D. only where the advice has not been observed in its entirety.

### Recommendation

63. *Time-table for Processing of Licences*—Based on the recommendation of the Study Team, we feel that following time-table would be possible to be observed:

TIME TABLE

Last Date	Processing of applications	Licences issued if foreign exchange is allocated by 15th June	Licences issued if foreign exchange is allocated by 30th June
15th May	.. Last application received by DGTD		
22nd May	.. Last acknowledgement-cum-deficiency letter issued.		
15th June	.. Technical scrutiny completed & parties informed.	Foreign exchange intimated to D.G.T.D.	
1st July	.. Clarification obtained from parties in residual cases.	Industry-wise allocation.	Foreign exchange intimated.
15th July	.. Technical scrutiny completed. Master chart prepared on entitlement.	Unit-wise allocation.	Industry-wise allocation made.
1st August	.. ..	..	Unit-wise allocation made.
15th August	.. ..	C.C.I. & E. addressed in all cases.	..
1st September	.. ..	..	C.C.I. & E. addressed
15th September	.. ..	Licences issued	..
30th September	.. ..	..	Licences issued.

If, however, the foreign exchange allocation can be made earlier, time-table will be advanced accordingly.

### Recommendation

64. *Utilisation of Licences*—In view of the sizeable amount of foreign exchange involved as also a far smaller number of applicants, the Study Team would not like to recommend advance commitment of second half-year's foreign exchange allocation. We have, however, noted the Government decision on the Swaminathan Committee Report according to which licensees have been authorised for items which are clear from indigenous angle throughout the year, to utilise 50 per cent in the first half and 25 per cent in advance of foreign exchange allocation in the second half of the licensing year. As a logical corollary, we would recommend that the licensees may be allowed to place orders and commit against 75 per cent of the face value of the licence even in the first half of the year in advance of the

second half-year's allocation subject, however, to the condition that out of the 75 per cent committed not more than 50 per cent of the total licence value should be paid in first half.

#### **Recommendation**

65. We find that instructions exist authorising total commitment in one lot of licences valued at Rs. 5,000 or less at any time during the validity period. This concession may continue.

#### **Recommendation**

66. It has been revealed that during 1963-64, the number of licences valued between Rs. 5,001 and Rs. 15,000 was of the order of 1,500 representing about 19 per cent of the total number and accounted for only 1.5 per cent of the annual ceiling of foreign exchange for scheduled industries. We recommend that in order to avoid the irksome procedure of getting the licences endorsed for the second half through the entire gamut of licensing process in the D.G.T.D. and C.C.I.&E.'s offices, considering the small percentage of foreign exchange involved in possible variation, the holders of licences up to Rs. 15,000 may be allowed the concession of committing the entire amount at any time during the validity period subject to the condition that not more than 50 per cent of the face value is paid during the first half of that period. The load of additional foreign exchange cut, if any, borne by the licences above 15,000 can be taken into account by augmenting their allocation in a suitable manner during the next licensing period. Since there is only one licensing authority for all such units, and the number of applicants is much smaller in this sector, the difficulties of such adjustments visualised in cases of S.S.I. sector will be very much attenuated for D.G.T.D.'s units. Where, however, D.G.T.D. feels that this concession cannot be granted to any particular industry for any reason, licences to such an industry may be excluded from the purview of this concession.

### **SECTION III**

#### **SCHEDULED INDUSTRIES NOT BORNE ON THE BOOKS OF THE DIRECTOR-GENERAL OF TECHNICAL DEVELOPMENT AND NON-SCHEDULED INDUSTRIES OTHER THAN SMALL-SCALE.**

67. This category includes, (i) various scheduled industries such as textile, jute, vanaspati, sugar, coffee, etc., not borne on the books of the D.G.T.D. and also (ii) non-scheduled industries with capital investment exceeding Rs. 5 lakhs like coir, fisheries, etc., which are neither registered with the D.G.T.D. nor do they



fall within the small-scale sector. The applications for import licences from Actual Users in these categories are considered by the regional licensing authorities specified in this behalf. Unlike the D.G.T.D.'s units but like S.S.I. units, the applications from these industries are not routed through the sponsoring authorities; the recommendations of the latter are obtained separately by the applicants and produced before the licensing office subsequent to applying. The list of the sponsoring authorities is given in Appendix VII. Though the applications are made once a year, unlike the D.G.T.D. or S.S.I. units, the recommendations of the sponsoring authorities and the licences issued thereon are issued twice for each half-year separately. The total number of six-monthly licences issued to the above categories of Actual Users during 1963-64 was 21,413 valued at Rs. 173.24 crores.

68. In extension of the case studies in the Bombay Port Office, we got examined cases in the office of the Textile Commissioner also with reference to the existing licensing procedure for the issue of licences to the textile and textile engineering industries. The sponsoring authority for these industries is the Textile Commissioner, Bombay, who operates a separate foreign exchange ceiling for the whole country. As stated above, the applications are made on an annual basis but the Textile Commissioner issues his recommendations on a half-yearly basis and two licences are issued on the same application for the same licensing year. The total number of applications received from Actual Users in the textile industry during the period 1963-64 was 9,500. A study of representative cases revealed that the average time-lag between the receipt of the application by the licensing office and submission of the essentiality certificate (*i.e.*, recommendation) was 92 days. It was further revealed that the Textile Commissioner on an average took 79.2 days in issuing the E.Cs. and the average time-lag between the commencement of the second half-year and the issue of the E.C. by the Textile Commissioner for that half year was 147 days.

### **Recommendation**

69. In conformity with the procedure obtaining for the D.G.T.D.'s units as also the recommendation made by us in the case of S.S.I. sector, we recommend that in *all* cases of import applications falling under the categories dealt with in this section, the import applications should be routed through

the sponsoring authorities concerned. The procedure for sponsoring and processing of the applications by the sponsoring authorities should be the same as in the case of the D.G.T.D.'s units, with particular reference to the following points:

- (a) The sponsoring authority should send an acknowledgement letter to the applicant within a period of 7 days from the date of receipt of the application indicating all deficiencies noticed including those regarding application fee, I.V.C. number, etc.
- (b) The sponsoring authority should send his recommendation to the licensing office along with the application and a "check list" to be drawn up in consultation with the C.C.I.&E. so that all the points required to be checked by the licensing office while examining the application are covered and back references avoided.
- (c) A copy of the recommendation made by the sponsoring authority should simultaneously go to the applicant. The decision on the application by the licensing office should be taken within a period of 15 days from the date of receipt of application.
- (d) The recommendation of the sponsoring authority regarding condonation of delay may be presumed by the licensing office unless the contrary is indicated. The check list should contain a relevant column on condonation.
- (e) The sponsoring authorities should invariably attach an attested list of items recommended in case the items cannot be indicated in the main letter.
- (f) The sponsoring authorities should draw up every year a list of "banned" and "open" items for which licences should be either rejected or accepted in toto, respectively. For such other items as are indigenously available but the demand cannot be fully met, the sponsoring authorities should devise a percentage formula for outright clearance for import leaving the balance requirement to be considered for licence only on proof of non-availability from the indigenous manufacturers.
- (g) Intimation about the issue of the licence may be sent to the sponsoring authority only when the decision of the licensing authority is at variance with the recommendation of the sponsoring authority and not otherwise.

## ANNUAL LICENSING

**Recommendation**

70. We feel that the position in regard to this category of industries is not very much different from the D.G.T.D.'s units in so far as allocation of foreign exchange and issue of licences of raw materials, components and spares is concerned. We, therefore, recommend that in all such cases the licences may be issued only once a year on an annual basis by doubling the amount of half-yearly ceiling subject to the same restrictions and relaxations about utilisation, commitment or payment as suggested by us in case of the D.G.T.D.'s units. Like D.G.T.D. borne licensees, the licensees here may be authorised to commit 75 per cent of the value of the licences even in the first half provided only 50 per cent is utilised in that period. In view of the substantial amount of foreign exchange involved and the far smaller number of applications, we would not equate these categories with the S.S.I. sector, for which we have recommended removal of all restrictions for the second half of the licensing year. If this is accepted, the sponsoring authorities need not send recommendations twice a year. The above is also subject to the condition of the existing facilities of utilisation in one lot in the case of licences valued at less than Rs. 5,000 remaining in tact. Our discussions with the officers of the Textile Commissioner's organisation indicated that there will not be much difficulty in following the procedure suggested above.

## MISCELLANEOUS

**Recommendation**

71. The woollen hosiery manufacturers at Ludhiana expressed some procedural difficulties in getting import licences for spares through the Textile Commissioner's office. This matter was discussed with the officer concerned of the Textile Commissioner who agreed to place a foreign exchange ceiling at the disposal of the Director of Industries, Punjab, to be utilised for the import of spares for this industry. We recommend that this should be followed up. In that case, the licences can be issued by the Joint Chief Controller of Imports and Exports (Central Licensing Area) at New Delhi on the recommendations of the Director of Industries, Punjab, without the cases being referred to the Textile Commissioner's office at Bombay. This, to our mind, will, to a substantial extent, reduce delay in the issue of licences. This arrangement should also be made for similar cases in other areas.

SECTION IV  
OTHER PROCEDURAL MATTERS REGARDING ACTUAL USERS  
LICENCES ISSUED LATE

72. Instances have been brought to our notice where values of licences have been reduced due to delays in issuing them, although the applicants were not at fault. The reason for this appears to be that the monetary ceilings allocated for a particular half-year can be operated upon by the licensing authority up to a specified date, after which the accounts for the half-year in question are closed and the licences issued thereafter cannot be debited to the ceiling for that half-year. Although the Chief Controller of Imports and Exports is taking due care to see that all the applications for licences are disposed of before the close of the licensing period, some cases have perforce to be left over for reasons of unavoidable delay either for lack of timely recommendation from the sponsoring authority or else due to delays in the process of consultation with technical authorities, etc.

**Recommendation**

73. While we recognise the difficulty of the licensing authority in operating upon the monetary ceiling after the close of the accounts, we feel that an applicant should not be made to suffer where he is not responsible for the delay in the issue of his licence. We, therefore, recommend that necessary changes should be made in the accounting procedures so that such parties are not made to suffer for no fault of their own. In view of our recommendation for decentralisation of the S.S.I. monetary ceiling to the States, we recommend that in cases where the delay in sending the recommendation to the licensing authority is on the part of the sponsoring authority, the value of the licences issued in such cases should be treated as a first charge on the monetary ceiling to be allocated to the concerned sponsoring authority for the next period.

**Recommendation**

74. According to the existing procedure, belated applications or incomplete applications for licences where the deficiencies are made up later by the applicants within a period of 30 days from the prescribed last date for receipt of such applications are considered by the licensing authority and licences, if otherwise due, are issued with a cut of 25 per cent. As the deficiencies in some cases are communicated to the applicants by the licensing authority only after a period of 30 days from the prescribed last date of receipt of applications, we recommend that the period of 30 days in making up the deficiencies for this purpose should count from the date on which the applicant is informed of the deficiencies and not from the last date.

## BASIS OF LICENSING

**Recommendation**

75. While calculating the entitlements for licences, the licensing authorities take into account the stocks held by the importer and the expected arrival of goods as on the date of his application for licence. It appears that this provision has given rise to a tendency on the part of applicants to submit their applications towards the last date so as to deplete the stocks in hand. This in its turn has led to rush of applications towards the end of the last date with consequent accumulation of work in the licensing offices. We, therefore, recommend that, in order to counteract any such tendency, the first day of the licensing period, *i.e.*, 1st April, should be taken as the date with reference to which stocks and expected arrivals should be taken into account by the sponsoring authorities for calculation of entitlements of actual users.

## LICENSING OF MACHINE TOOLS

76. The import licences for machine tools other than those falling under capital goods are being issued by the Development Officer (Tools) in the D.G.T.D. As we see, the reason for this work being handled by a technical organisation can be traced to the promulgation of the Machine Tools Control Order in the year 1941 by the late Department of Supply when the import of machine tools was brought under control. The Machine Tools Control Order was subsequently cancelled and, like other commodities, the import of machine tools was brought under the provisions of the Imports and Exports Control Act, 1947; but the Development Officer (Tools) continued to be the licensing authority.

**Recommendation**

77. We feel that the licensing of machine tools should be transferred to the C.C.I.&E. According to the Director-General of Technical Development, the main advantage of this work being done by the Development Officer (Tools) is the proper technical scrutiny of applications. It is true that, like other import applications, the technical scrutiny in respect of machine tools has also to be done by the D.G.T.D., but the post-recommendatory work, *i.e.*, issue of licences, which is a purely non-technical job, should not, as a matter of principle, be performed by the Directorate General of Technical Development. The Chief Controller of Imports and Exports is already doing licensing work in respect of machine tools falling under the category of capital goods, and he is also appellate authority in

respect of applications dealt with by the Development Officer (Tools). We, therefore, recommend that licensing of machine tools at present being done by the Development Officer (Tools) should be transferred to the C.C.I.&E.

#### CANALISED IMPORTS

78. The import of certain goods has been canalised through recognised agencies as the State Trading Corporation of India. In respect of such goods, the actual users concerned are required to obtain their certified requirements directly from the importing agency. The quantity intended for stock and sale in the market is also allotted to the individual distributors by the said agency.

79. It has been represented to us that the procedure for such allotment or distribution needs to be given more publicity to avoid unnecessary correspondence with the Import and Export Control Organisation or with the importing agency. We agree with this suggestion. We have, however, been given to understand that this question has already been examined by the Chief Controller of Imports and Exports and he has decided that the details of the items the import of which is canalised through a recognised agency and the procedure for allotment/distribution of the imported goods will be announced in the Import Trade Control Policy Book from the next licensing period. As such, we are not making any separate recommendation in this regard.

#### AMENDMENT AND REVALIDATION OF LICENCES

80. The results of case study have revealed that the requests for amendment of licences in case of scheduled industries took on an average, 29 days and requests for amendment in the case of non-scheduled industries in the port office at Bombay took, on an average, 15 days. The trade and industry attach great importance to the expeditious disposal of applications for amendment and revalidation of licences. Delay in carrying out these may lead to hold-up of shipment or clearance of goods which in turn can entail financial loss.

#### Recommendation

81. We recommend that special arrangements like earmarking separate staff should be made in the licensing offices for quick disposal of applications for amendment or revalidation of licences; and it should not take more than 2 days to dispose of an application for amendment and 7 days to finalise a request for revalidation.

## COUNTER SYSTEM

### Recommendation

82. We also recommend that amendments of minor nature or revalidation of licences which do not require detailed examination should be entertained at the counter. For this purpose, a 'counter system' should be introduced in all the licensing offices. The applications should be received at the counter against a proper receipt and applicant should be given a fixed date for collecting back the licences on production of the said receipt.

83. The counter system should also be extended to other requests of a simple nature like issue of letters of authority, corrections in the lists of goods, affixing security seal on the licence or the list of goods and minor requests like signature of the licensing authority below the condition on a licence or on the list's attached to the licence.

## JURISDICTION OF LICENSING AUTHORITIES

### Recommendation

84. It has been represented to us that Mangalore District of Mysore State, which is at present under the territorial jurisdiction of Dy. Chief Controller of Imports and Exports, Ernakulam, should be brought under the jurisdiction of the Controller of Imports and Exports, Bangalore. We agree and recommend that the work relating to the issue of licences to actual users and established importers in Mangalore District of Mysore should be transferred to the Controller of Imports and Exports, Bangalore. We also recommend that the entire licensing work in respect of Coimbatore District of Madras, which is at present being handled by the Dy. Chief Controller of Imports and Exports, Ernakulam, should be transferred to the Joint Chief Controller of Imports and Exports, Madras. It will be more convenient for the applicants to pursue their applications and obtain licences from the licensing offices situated in their own States.

## CHAPTER FOUR

### ESTABLISHED IMPORTERS

#### LICENSING PROCEDURE

Licences are granted to Established Importers on the basis of the Quota Certificates. The Quota Certificates represent the value of past imports during the prescribed basic period. For every article, a separate quota certificate is issued. The Quota Certificate, once issued, remains valid for the grant of licences as long as there is no change in the ownership of the importer's business or in the basic period.

#### Recommendation

2. The results of case studies have revealed that the average time taken in the final disposal of an application for Quota Certificate was 29 days. We believe it is possible to reduce this period to 21 days and accordingly recommend that the time taken in disposing of an application for quota certificate should not exceed 21 days. We also recommend that where the documents of past imports produced by the importer are complete and can be correlated with each other, the verification of such documents should be done after the issue of the Quota Certificate so that the Quota Certificate is not delayed pending such verification. However, in cases where the licensing authority entertains any doubt and the documents cannot be correlated with each other, the verification should precede the issue of the Quota Certificate, but the process of verification should not take more than a month.

3. The results of case studies have also revealed that in about 30 per cent of the cases, the applicants failed to furnish the required declaration regarding selection of common basic year by different offices of the applicant firm. Although it has been provided under the rules that such declaration should be furnished by the applicants with their applications, we recommend that a suitable column to this effect should be incorporated in the application form, so that the required declaration is invariably furnished by the applicants to avoid the need for any correspondence with them in this regard,



## ANNUAL LICENSING

**Recommendation**

4. Quota licences are issued at present to established importers on annual basis subject to the usual conditions regarding utilisation of 50 per cent of the value in the first six months of the period of validity and the balance 50 per cent is subject to such change as may be made during the second half. The statistical data have revealed that out of the total number of over 30,000 licences issued to established importers during the year 1963-64, approximately 90 per cent of the licences were under the value interval up to Rs. 15,000/- which accounted for only 25 per cent of the annual allocation of the foreign exchange; the balance 75 per cent of the ceiling is shared by the remaining 10 per cent of the licensees, whose entitlement is over Rs. 15,000/-. This shows that if the licences to established importers valued up to Rs. 15,000/- are issued on annual basis without the necessity of any cut in the second half-year, the extent of advance foreign exchange commitment will be of the order of about 25 per cent of the allocation made during the first half-year. Considering the comparatively small amount of commitment involved in juxtaposition to the vast majority of established importers who will be benefited thereby and the extent to which the licensing organisation will be relieved of the repetitive work, we feel that there is a good case for exempting annual licences to established importers valued up to Rs. 15,000/- of the necessity of any cut in the second half-year. Moreover, in this group of licences representing 90 per cent of the total lot, about 85 per cent of licences are valued up to Rs. 5,000/- and their impact on the total annual ceiling is of the order of 15 per cent only. The exemption from the endorsement in the second half-year to this group will bring them on par with similar licensees in the actual users category who can at present utilise their licences valued up to Rs. 5,000/- in one lot without the necessity of any cut. Going further into the matter, we find that the foreign exchange allocation for established importers has been steadily going down during the previous periods and may be said to have almost touched the rock bottom and that therefore, there is not much likelihood of any further appreciable reduction at one stroke in the share of established importers. For this reason, the foreign exchange allocation to Established Importers during the second half of the licensing period has not been reduced during the last two years. The arguments for annual licensing without any endorsement in the second half-year, which we have propounded in case of small-scale sector, will apply with greater force in the case of Established Importers especially because there has been no fluctuation between the first and second half-year allocations

in case of E.I.s during the last two years. Moreover, the number of licences in this category being about double the number in the S.S.I. sector, there is no reason why even from the very limited angle of simplification of work annual licensing should not be accepted for the E.I.s also. It may also be safely assumed that the allocation of foreign exchange to the established importers will not undergo any upward revision in the foreseeable future and, as such, the extent of advance commitment involved is also not likely to increase. Based on these considerations and the fact that most of the items licensable to established importers are spares, tools and components, which are required for servicing needs, we are of the view that the facility of annual licensing should be granted to all established importers irrespective of the value of the licences, in the manner indicated below:

- (a) In the case of annual licences issued to established importers valued up to Rs. 5,000/-, the licensees may be permitted to utilise such licences in one lot at any time during the validity period of the licence and no endorsement by the licensing authority for the second half of the value of the licence should be necessary.
- (b) In the case of licences issued to established importers valued above Rs. 5,000/-, no endorsement for the second half of the value of the licences should be necessary and no cut should be effected for the second half-year and the licensees should be authorised to place an order for the whole lot at one time. Such licences should, however, be subject to the condition that the remittance of foreign exchange in respect of the second half of the value of the licence will be permitted by the Reserve Bank only after the commencement of the second half of the licensing period.

Having regard to the benefits accruing from this arrangement, it should not be difficult for the Government to agree to meet as a first charge on the commercial quota of foreign exchange for the second half-year an amount equal to the first half-yearly allocation for licensing to established importers notwithstanding any variation in the total commercial ceiling for the second half-year.

**CHAPTER FIVE**  
**SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS IN PART I**

**CHAPTER ONE**

**Introductory**

The question whether the existing method by which the objectives of import control are achieved is the best available method, and other questions like nationalisation of import business, creation of an autonomous organisation for the issue of licences, auctioning of licences, participation of the trade in the distribution of licences, etc., need a comprehensive examination; and perhaps a survey of the experience of other countries with similar problems may be necessary. An expert committee should, therefore, be appointed to go into these questions at the time of extension of the present term of the Imports and Exports Control Act which expires in 1966. (para 12).

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**CHAPTER TWO**

**General Procedure and Policy in Licensing**

2. Several provisions in the confidential General Licensing Instruction (GLIs) are such as should be known to the trade. As a guiding principle, nothing of interest or relevance to the trade should be kept back from publication in the Red Book or Hand Book and that G.L.I.s should communicate only foreign exchange ceilings and the formula, if any, in calculating the entitlement of various categories of importers as also such departmental instruction for the guidance of the licensing authorities with which the trade and applicants are not normally concerned. paras (6—9).

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**CHAPTER THREE**

**Actual Users**

**SECTION I**

*Small-scale Industries*

3. In numbers and in spatial dispersal, small-scale industry present practical problems and as such the task of applying control mechanism in this sector is inherently difficult and calls for more than ordinary administrative skill and courage. The tackling of a vast number of applicants through various levels in

the State and at the Centre, the concomitant work-load, duplication of effort, multiple scrutiny, etc., involved are time consuming and a fertile ground for malpractices. As such, the present complicated procedure requires drastic simplification even if that involves unusual degrees of administrative and financial de-centralisation. (paras 3-4).

4. While it is necessary to obtain the recommendation of the sponsoring authority on the licence application, this should be secured in a single-line processing of the import application itself. The applications for licences should, therefore, be made to the licensing authority through the sponsoring authority concerned in a simplified form of application as suggested *vide* Annexure to Appendix III. This would eliminate the stage of applying for essentiality certificate altogether. (para 11).

5. The Directors of Industries and other sponsoring authorities in the case of small-scale industries should be placed at par with the sponsoring authorities in the large-scale sector (*e.g.*, D.G.T.D.); and they should not only certify essentiality but also recommend actual allocation on a unitwise basis. For this purpose, they should be informed of the ceilings within which they can then fit in their unitwise allocation. This would make the recommendations of the sponsoring authorities more effective and would incidentally make them more responsible and participative in the import control so far as it affects the small-scale sector. (para 12).

6. The right authority to evolve a basis and to make actual State-wise allocations each year is the Development Commissioner, Small-Scale Industries. Without wishing to fetter his discretion unduly, it is considered that, for an equitable basis, the distribution of ceilings to the States will ultimately have to be based on the installed capacity to be assessed on a uniform basis on an all-India norm by the D.C. (SSI) and the Directors of Industries jointly. So long as this is not done, an *ad hoc* formula is necessary which should take into account the need to maintain the tempo of industrial production already attained in different States and also the special development needs of backward areas. (para 15).

7. In the first year, the allocation of available foreign exchange should be made in proportion to the average of licences issued to each State for the last three-yearly licensing periods by taking say Rs. 12 crores as the 'core' allocation, *i.e.*, if the allocation in 1965-66 is Rs. 12 crores or less, the State-wise allocation may be made on the basis of the ratio arrived at by taking 3 years' average. If the allocation is more than Rs. 12 crores, the

first Rs. 12 crores should be allocated in the ratio mentioned above. Out of the balance, 50 per cent should be allocated to different States in the same ratio to meet the requirements of normal growth. The remaining 50 per cent should be allocated keeping in view the special development needs of the various States. The allocation for the subsequent years, *i.e.*, for 1966-67 onwards should be according to the same formula except that instead of Rs. 12 crores, the allocation of the preceding year should be taken as the 'core' figure. The inter-State ratio will be based on the preceding year's State-wise allocation. (para 16).

8. Before the commencement of each licensing period, the D.C. (SSI) may issue general instructions for the guidance of Directors of Industries about restrictions on new units in crowded sectors, priority attention to the needs of selected industries of national importance and so on. This extent of centralisation would be justifiable from an all-India angle. (para 18).

9. The ceiling for imports from rupee area may also be distributed to the States along with the free foreign exchange ceiling. Inter-State ratio for rupee ceiling may be based on the actual licensing done in 1964-65. (para 19).

10. All the units in the small-scale sector should be allowed the benefit of annual licensing. This will mean making an annual allocation to the SSI sector, thus making an advance allocation for the second half-year. The allocation made to SSI sector being small in comparison to the total commercial quota, the reduction in the share of the small-scale units in the second half-year, if any, is not likely to create such a burden on the large-scale sector as to cause any serious distortion in the economy as a whole. On the other hand, if there is half-yearly endorsement on annual licences, it will result in a fair amount of work continuing to be done in the second half-year both for the D.I.'s and for the CCI & E. However, in order to safeguard against remittances exceeding the availability, it may be laid down that even though a party can enter into commitment for the full amount of the licence even during the first half-year, remittances will have to be spaced in such a way as to have 50 per cent falling in the first half and the remaining in the second half of the period. This will, of course, be subject to the existing concession to the licences valued up to Rs. 5,000 remaining intact. (paras 20—24).

11. The ceiling for small-scale industries may be allocated in advance in the beginning of April on the basis of the best available data at that time. (para 25).

12. So far as the small-scale sector is concerned, the import policy may provide only two categories of items namely 'banned' and 'open' and the restricted list may be altogether done away with. The need for a restricted list will, of course, continue for the scheduled sector and adjustments will have to be made in that sector where import is required to supplement indigenous production. (paras 26-27).

13. The new procedure for processing and disposal of applications for licences should be clearly spelt out and the role of the D.C., S.S.I., D.I.s and Port Licensing Authorities defined in specific terms. The outline of the new procedure which will be found in Appendix III should be adopted subject to such amplification and spelling out as is deemed necessary at the stage of drafting fresh instructions. (paras 28—30).

14. A time-table should be prescribed for various individual stages of processing of applications for licences so as to finish the licensing work in the S.S.I. sector latest by the 30th September. Such a time-table is feasible and should be accepted and a continuous watch should be kept to see that there is punctual adherence to it by all concerned. (para 31).

15. The D.C., S.S.I. and the Directors of Industries should be called upon to make an immediate review of their arrangements for handling the work falling to their share in the new scheme of things so as to be prepared fully and in time. (para 32).

16. The same procedure should also apply in the case of small-scale units sponsored by the State Drugs Controllers, the Textile Commissioner, the Directors of Handloom and the State Directors of Fisheries. (para 33).

17. In order to give necessary training to the staff of the Directorates of Industries in the States in the new procedure for processing of import applications, short-term "familiarisation" courses should be held where the officers of the level of Assistant, Deputy and Joint Directors of Industries and various licensing authorities from the port offices should be brought together and the whole scheme and its implications explained. Also, selected Assistant Controllers from the regional port offices may be sent on one year's deputation to the State Directorates to guide the sponsoring work. There should also be frequent meetings between the sponsoring authorities and the licensing authorities during the first year of implementation of the new procedure. CCI & E should initiate an urgent action programme for all these points in consultation with the D.C (SSI) where necessary. (para 35).

18. The D.C. (SSI) should be closely associated at the stage of processing this report as he has to play a crucial role in the new procedure for licensing. (para 36).

19. CCI & E should take urgent steps to give publicity to the new procedure by explaining it in simple language to the trade. (para 37).

20. The "pack value" system may be extended to embrace more and more industries during each licensing period. However, a regular review of both the pack value and the items to be imported should be undertaken at the commencement of each period in the light of the indigenous angle and other relevant factors. (para 38).

21. The work relating to the grant of licences to SSI units for import from rupee payment area should be decentralised. (para 39).

22. The State Directors of Industries should be authorised to pool together the small requirements of raw materials/ components of actual users (say Rs. 250 in each case) for import and distribution through the State sponsored Corporations. (para 40).

## SECTION II

### *Scheduled Industries Borne on the Books of the DGTD*

23. In future all import applications may be invited in duplicate only, of which a copy may be retained in the D.G.T.D. and the original forwarded to CCI & E with the recommendation. (para 43).

24. The form of application to be adopted for scheduled industries should be as in Appendix VI. (para 44).

25. The applicant may be asked to send an extra copy of the list of goods applied for, which, with such amendments as the D.G.T.D. may make, will be returned to the applicant. (para 45).

26. An industrial undertaking should, for each industry handled by it, apply only once covering its requirements of raw materials, components as also spare parts but excluding non-ferrous and ferrous metals for which separate applications have to be kept. There should not be a separate application for spare parts. (para 46).

27. The CCI & E's organisation may make suitable adjustment in the filing number and indexing system to mesh with the processing of import applications on the code numbers allotted by the D.G.T.D. to scheduled units. (paras 47-48).

28. A delayed application received from the D.G.T.D. with his recommendation on import items will be handled by the CCI & E's office on the presumption that the delay has been condoned by the D.G.T.D. unless the contrary is indicated. (para 50).

29. By 1st of August, the unit-wise allocation should be finalised and by 31st August all recommendations forwarded to CCI & E's office by the D.G.T.D. The D.G.T.D. should endeavour to maintain an even flow of recommendations. The CCI&E should then be able to issue licences by 30th of September. (para 56).

30. The necessity of requiring the party to get a non-availability certificate can be entirely done away with by allowing a certain percentage of the assessed requirement of an item out-right and considering further import only when the D.G.T.D. is satisfied that the demand cannot be met from indigenous sources. There should be only 3 lists, namely (a) banned items, (b) open items and (c) restricted items which are to be allowed to a certain percentage of balanced requirement without reference to other Directorates of the D.G.T.D. The lists once finalised in the beginning of the licensing period should be adhered to for that period. The list of indigenous manufacturers should be published by the D.G.T.D. in consultation with the D.C. (SSI) simultaneously with Red Book. (para 57).

31. While the applicants should be required to indicate itemised quantities, the D.G.T.D. should make recommendation for licences without indicating itemised quantities except in cases of speculative and indigenously available items. The list of goods should invariably be appended with the recommendation sent to the CCI & E. The flexibility up to 25 per cent. should be allowed for importing those items for which quantitative limits have been indicated, subject to the over-all value of the licence. The licensee should also be allowed to utilise up to 25 per cent. of the value of the licence for "permissible" spare parts and small tools not indicated in the licence. Within this 25 per cent., up to 5 per cent. or Rs. 2,500 whichever is less may be allowed to be utilised for the import of even the spares which are not otherwise permissible but which are not banned and are required for servicing, maintenance or replacement of the plant installed in the licenceholder's factory. (para 59).



32. The recommendation of the Technical Directorate need not be signed by two technical officers. Only one signature will do. A copy of the recommendation containing the reasons for rejecting or reducing the amount of any item, should be sent to the applicant. The form of 'check list' should be finalised between the D.G.T.D. and CCI & E's organisation to avoid back references. (para 60).

33. Attested lists of goods should be sent by D.G.T.D. in all cases along with the recommendation. Clean copies of the list should be attested by the CCI & E without requiring the party to come through the D.G.T.D. for attestation. (para 61).

34. The CCI & E should be able to issue licences within a period of one month of the receipt of recommendation. A copy of the licence may be sent to the D.G.T.D. only where the advice has not been observed in its entirety. (para 62).

35. A time-table should be observed in such a manner that all the applications are received by the D.G.T.D. by 15th May, and all licensing is completed by 30th September. If the foreign exchange allocation can be made earlier than 15th June, the time-table will be advanced accordingly. (para 63).

36. As a logical corollary to the decision of the Government on the recommendation of Swaminathan Committee, the licensees may be allowed to place orders and commit against 75 per cent. of the face value of the licence even in the first half of the year in advance of the second half-year's allocation subject to the condition that, out of the 75 per cent. committed, not more than 50 per cent. of the total licence value shall be paid in the first half. (para 64).

37. The existing facility of utilisation in one lot of licences valued up to Rs. 5,000 may continue. (para 65).

38. In order to avoid the irksome procedure for getting licences endorsed for the second half-year and considering the small percentage of foreign exchange involved in possible variation, the holders of licences valued up to Rs. 15,000 may be allowed the concession of committing the entire amount at any time during the validity period subject to the condition that not more than 50 per cent. of the value is paid during the first half of that period. The load of additional foreign exchange cut, if any, borne by the licences above Rs. 15,000 can be taken into account by augmenting their allocation in a suitable manner during the next licensing period. (para 66).

## SECTION III

*Scheduled Industries not Borne on the Books of the D.G.T.D. and Non-Scheduled Industries other than Small-Scale*

39. The import applications should be routed through the sponsoring authority concerned. The procedure for sponsoring and processing of the applications should be the same as in the case of D.G.T.D.'s units. (para (69).

40. The licences may be issued only once a year on annual basis by doubling the amount of half-yearly ceiling subject to the same restrictions and relaxation about utilisation, commitment or payment as suggested in the case of D.G.T.D.'s units. (para 70).

41. The Textile Commissioner should place a certain foreign exchange ceiling at the disposal of Director of Industries, Punjab, to be utilised for import of spares by woollen hosiery manufacturers at Ludhiana. Such an arrangement should also be made for similar cases in other areas. (para 71).

## SECTION IV

*Other Procedural Matters regarding Actual Users*

42. Necessary changes should be made in the accounting procedure so that the parties to whom licences are issued after the close of the ceiling for no fault on their part, should not be made to suffer in their entitlement. Also in such cases, where the delay in sending the recommendation to the licensing authority is on the part of the sponsoring authority, the value of licence issued should be treated as a first charge on the monetary ceiling to be allocated to the sponsoring authority concerned for the next period. (paras 72-73).

43. The period of 30 days which is allowed to the applicants to make up deficiencies in their applications should count from the date on which the applicant is informed of the deficiencies and not from the last date for submission of applications. (para 74).

44. The first day of the licensing period, *i.e.*, 1st April should be taken as the date on which stocks and expected arrivals should be taken into account by the sponsoring authorities for calculation of entitlements of actual users, instead of taking, for such purposes, the date of submission of the application itself. (para 75).

45. The work relating to the issue of licences for machine tools which is at present being done by the Development Officer (Tools) should be transferred to the CCI & E. (paras 76-77).

46. The details of items the import of which is canalised through a recognised agency and the procedure for allotment/distribution of the imported goods should be published in the Red Book. (paras 78-79).

47. Special arrangements should be made like earmarking separate staff for quick disposal of applications for amendment or revalidation of licences and it should not take more than two days to dispose of an application for amendment and 7 days to finalise a request for revalidation. Also "counter system" should be introduced in all licensing offices for entertaining requests for minor amendment or revalidation, etc., which do not require detailed examination. The applications should be received at the counter against a proper receipt and the applicant should be given fixed date for collecting back the licence on production of receipt. (paras 82-83).

48. Mangalore District of Mysore State and Coimbatore District of Madras State should be brought under the territorial jurisdiction of the Controller of Imports and Exports, Bangalore, and Joint Chief Controller of Imports and Exports, Madras, respectively. (para 84).

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#### CHAPTER FOUR

##### Established Importers

49. An application for quota certificate should not take more than 21 days in disposal. (para 2).

50. Except in doubtful cases, the documents of imports should be verified after the issue of Quota Certificate and such verification should not take more than a month. (para 2).

51. The application for licence should include a column requiring the applicant to furnish a declaration regarding the selection of common basic year by different branches of the applicant firm. (para 3).

52. Licences valued up to Rs. 5,000 should be issued on annual basis and allowed for utilisation in one lot without any endorsement or cut in the second half-year. (para 4).

53. Licences valued over Rs. 5,000 should also be issued on annual basis without the necessity of any endorsement or cut during the second half-year but such licences should be subject to the condition that remittance of foreign exchange in respect of second half of the value of the licence will be permitted by the Reserve Bank only after the commencement of the second half of the licensing period. (para 4).

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New Delhi,  
March 8, 1965.

## **APPENDICES**

## APPENDIX I

### PART 'A'

Names of Chambers of Commerce, etc., from whom Suggestions were invited

#### Chambers

1. Andhra Chamber of Commerce, Madras.
2. Associated Chamber of Commerce and Industry of India, Calcutta.
3. Bengal National Chamber of Commerce and Industry, Calcutta.
4. Bombay Chamber of Commerce and Industry, Bombay.
5. Delhi Chamber of Commerce, Delhi.
6. Federation of Indian Chamber of Commerce and Industry, New Delhi.
7. Goa Chamber of Commerce, Panjim.
8. Northern India Chamber of Commerce and Industry, Chandigarh.
9. Southern India Chamber of Commerce, Madras.
10. The Surat Chamber of Commerce, Surat.
11. The Indo-Afghan Chamber of Commerce, New Delhi.
12. The Punjab Federation of Industry and Commerce, Amritsar.
13. Travancore Chamber of Commerce, Alleppey.
14. United Provinces Chamber of Commerce, Kanpur.

#### Associations

15. All India Importers' Association, Bombay.
16. The All India Manufacturers' Organisation, Bombay.
17. All Mysore Small Scale Industries Association, Bangalore.
18. Association of Merchants & Manufacturers of Textile Stores and Machinery, Bombay.
19. Bombay Industries Association, Bombay.
20. Bombay Small Industries Association, Bombay.
21. East Punjab Cycle Parts Manufacturing Association, Ludhiana.
22. Engineering Association of North India, Batala.
23. Hosiery Manufacturers Export Organisation, Ludhiana.

24. Indian Machine Tool Manufacturers Association, Bombay.
25. Indian Jute Mills Association, Calcutta.
26. Ludhiana Estate Manufacturers Association, Ludhiana.
27. Ludhiana Machine Tools Makers Guild, Ludhiana.
28. Northern India Hosiery Manufacturers Corporation, Ludhiana.
29. Ores and Minerals Exporters Association, Goa.
30. Small Scale Industries Association, Madras.
31. The Federation of Association of Small Industries of India, New Delhi.
32. The United Ludhiana Cycle Manufacturers Association, Ludhiana.
33. West Bengal Small and Medium Industries Association, Calcutta.

#### Individuals

34. Shri Ram Kishan, Chief Minister, Punjab.
35. Shri R. Venkataraman, Minister for Industries, Madras.
36. Shri S. G. Barve, Minister of Industries, Maharashtra.
37. Shri Arun Chandra Guha, M.P., New Delhi.
38. Shri A. D. Mani, M.P., New Delhi.
39. Shri Himatsingka, M.P., New Delhi.
40. Shri H. V. Kamath, M.P., New Delhi.
41. Shri Kapoor Singh, M.P., New Delhi.
42. Shri M. R. Masani, M.P., New Delhi.
43. Shri P. G. Menon, M.P., New Delhi.
44. Shri R. R. Morarka, M.P., New Delhi.
45. Shri N. Dandekar, M.P., Bombay.
46. Shri S. N. Misra, M.P., New Delhi.
47. Shri A. R. Bhat, Poona.
48. Shri Ambalal G. Shah, Bombay.
49. Shri Ajit Bose, Calcutta.
50. Shri A. Ramaswami Mudaliar, Calcutta.
51. Shri A. S. Krishnan, Guntur.
52. Shri Bharat Ram, Delhi.
53. Shri Neville N. Wadia, Bombay.
54. Shri B. C. Ghose, Calcutta.
55. Shri C. V. Mariwala, Bombay.

56. Shri Dhiren Dey, Calcutta.
57. Shri K. P. Goenka, Calcutta.
58. Shri N. D. Sahukar, Bombay.
59. Shri P. K. Sarangapany Mudaliar, Bangalore.
60. Shri Rasiklal Worah, Calcutta.
61. Shri R. G. Saraiya, Bombay.
62. Shri R. H. Morrison, Calcutta.
63. Shri Sachin Chaudhari, Bombay.
64. Shri J. R. D. Tata, Jamshedpur.
65. Shri M. W. Gurjar, Kirloskar Bros., New Delhi.
66. Shri T. S. Santhanam, Madras.
67. Shri B. M. Birla, West Bengal (Calcutta).
68. Shri D. W. Law, Binny & Co., Madras.
69. Shri F. K. F. Nariman, Esso, Bombay.
70. Shri G. D. Birla, New Delhi.
71. Shri G. D. Somani, Bombay.
72. Shri H. M. Jones, Burmah Shell, New Delhi.
73. Shri H. V. R. Iengar, Member Board of Trade, Madras.
74. Shri J. P. Patel, Bombay.
75. Shri K. K. Birla, Calcutta.
76. Shri P. R. Kamani, Bombay.
77. Shri P. S. Keshyap, Kirloskar Electric Co. Ltd., Bangalore.
78. Shri T. S. Krishnan, T. V. S. & Sons; Madras.
79. Shri Yadalam Gopal Kishan Chetty, Bangalore.

#### Export Promotion Councils

80. Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council, Bombay.
81. Chemicals & Allied Products Export Promotion Council, Calcutta.
82. Cashew Export Promotion Council, Ernakulam.
83. The Cotton Textile Export Promotion Council, Bombay.
84. Engineering Export Promotion Council, Bombay and Calcutta.
85. Leather Export Promotion Council, Madras.
86. Marine Products Export Promotion Council, Ernakulam.



87. Mica Export Promotion Council, Calcutta.
88. Plastics and Linoleums Export Promotion Council, Bombay.
89. Shellac Export Promotion Council, Calcutta.
90. The Spices Export Promotion Council, Ernakulam.
91. The Silk & Rayon Textiles Export Promotion Council, Bombay.
92. Tobacco Export Promotion Council, Madras.

#### Officials

93. Chairman, State Trading Corporation of India, New Delhi.
94. Chairman, Coir Board, Ernakulam.
95. Chairman, Tea Board, Calcutta.
96. Central Silk Board, Bombay.
97. Collectors of Customs, Bombay, Calcutta, Goa and Madras.
98. Development Commissioner, Small Scale Industries, New Delhi.
99. Director General of Supplies and Disposals, New Delhi.
100. Managing Director, Fertilizer, Corporation of India Ltd., New Delhi.
101. Hindustan Machine Tools, Bangalore.
102. Hindustan Shipyard Ltd., Visakhapatnam.
103. Hindustan Steel Ltd., Ranchi.
104. Heavy Engineering Corporation, Ranchi.
105. Iron and Steel Controller, Calcutta.
106. Industries Commissioner, Maharashtra.
107. Jute Commissioner, Calcutta.
108. Neyveli Lignite Corporation Ltd., Madras.
109. Registrar of Newspapers of India, New Delhi.
110. Shri S. K. Borkar, Drug Controller, New Delhi.
111. Textile Commissioner, Bombay.
112. Secretary Industries Department, Hyderabad, Andhra Pradesh.
113. Secretary Industries Department, Assam.
114. Secretary Industries Department, Bihar.
115. Secretary Industries Department, Goa.
116. Secretary Industries Department, Gujarat.
117. Secretary Industries Department, Madras.

118. Secretary Industries Department, Maharashtra.
119. Secretary Industries Department, Madhya Pradesh.
120. Secretary Industries Department, Mysore, Bangalore.
121. Secretary Industries Department, West Bengal.
122. Director of Industries of Andhra Pradesh, Calcutta, Delhi, Gujarat, Himachal Pradesh, Mysore, Madras, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh.
123. Joint Chief Controllers of Imports & Exports, Bombay, Calcutta, Madras and Delhi and Jt. and Dy. Chief Controllers of Imports and Exports in the Office of the Chief Controller of Imports and Exports.

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**PART 'B'**

**Names of Chambers, Associations, Individuals etc., who met the Study Team at Bombay, Goa, Madras, Calcutta, New Delhi and Ludhiana**

**Bombay**

1. Bombay Chamber of Commerce and Industry, Bombay.
2. All India Manufacturers' Organisation, Bombay.
3. All India Importers' Association, Bombay.
4. Association of Merchants and Manufacturers of Textile Stores and Machinery, Bombay.
5. Bombay Industries Association, Bombay.
6. Federation of Association of Small Industries of India.
7. Shri Ambalal G. Shah, C/o. The Mill Stores Co. (P) Ltd; Bombay.
8. Shri A. R. Bhat, Member, Export/Import Advisory Council, Poona.
9. Shri G. D. Somani, Bombay-1.
10. Shri Jahangir P. Patel, C/o. Patel Cotton Co. (P) Ltd; Bombay.
11. Shri N. D. Sahukar, C/o. Godrej & Boyce Manufacturing Private Ltd; Bombay.
12. Shri P. A. Narielwala, C/o. Tata Industries Private Ltd; Bombay.
13. Shri R. G. Saraiya, C/o. Naraindas Rajaram and Co., Private Ltd; Bombay.
14. Shri Sachin Chaudhuri, Member, Export-Import Advisory Council, Bombay.
15. Basic Chemicals, Pharmaceuticals and Soaps Export Promotion Council, Bombay.

16. Cotton Textile Export Promotion Council, Bombay.
17. Engineering Export Promotion Council, Bombay.
18. Plastics and Linoleums Export Promotion Council, Bombay.
19. Silk and Rayon Export Promotion Council, Bombay.
20. Secretary, Central Silk Board, Bombay.
21. Collector of Customs, Bombay.
22. Director of Industries of Gujarat, Maharashtra and Madhya Pradesh.
23. Shri N. Swamy, Joint Textile Commissioner, Bombay.

#### Goa

24. Goa Chamber of Commerce, Goa.
25. Ores and Minerals Exporters' Association, Goa.
26. Chief Secretary, Goa Administration, Goa.
27. Collector of Customs, Goa.

#### Madras

28. Andhra Chamber of Commerce, Secunderabad.
29. Southern India Chamber of Commerce, Madras.
30. All Mysore Small Industries Association, Bangalore.
31. Small Scale Industries Association, Madras.
32. Ashok Leylands, Madras.
33. Shri P. K. Sarangapani Mudaliar, Member, Export-Import Advisory Council, Bangalore.
34. Shri P. S. Kashyap, C/o. Kirloskar Electric Co. Ltd; Bangalore.
35. Shri Srinivasan, Standard Motors, Madras.
36. Shri T. S. Santhanam, Member, Export-Import Advisory Council, Madras.
37. Shri Venkataraman, M/s. Simpson Ltd; Madras.
38. Cashew Export Promotion Council, Ernakulam.
39. Engineering Export Promotion Council, Madras.
40. Leather Export Promotion Council, Madras.
41. Marine Products Export Promotion Council, Ernakulam.
42. Spices Export Promotion Council, Madras.
43. Tobacco Export Promotion Council, Madras.
44. Collector of Customs, Madras.
45. Directors of Industries of Andhra Pradesh, Kerala, Madras and Mysore,

**Calcutta**

46. Bengal National Chamber of Commerce, Calcutta.
47. Bengal Chamber of Commerce & Industry, Calcutta.
48. Indian Jute Mills Association, Calcutta.
49. West Bengal Small & Medium Industries Association, Calcutta.
50. Shri A. Ramaswamy Mudaliar, Member, Export/Import Advisory Council, Calcutta.
51. Chemicals & Allied Products Export Promotion Council, Calcutta.
52. Engineering Export Promotion Council, Calcutta.
53. Mica Export Promotion Council, Calcutta.
54. Shellac Export Promotion Council, Calcutta.
55. Silica Export Promotion Council, Calcutta.
56. Collector of Customs, Calcutta.
57. Directors of Industries of Assam, Bihar, Orissa and West Bengal.
58. Secretary, Deptt. of Industries, Government of West Bengal.
59. Secretary, Hindustan Steel Ltd., Ranchi.
60. Chairman, Tea Board, Calcutta.

**New Delhi**

61. Delhi Chamber of Commerce, Delhi.
62. Indo-Afghan Chamber of Commerce, Delhi.
63. Director of Industries of Delhi, Himachal Pradesh, Punjab and Uttar Pradesh.

**Ludhiana**

64. Northern India Chamber of Commerce and Industry, Chandigarh.
65. Engineering Association of Northern India, Batala.
66. East Punjab Cycle Parts Manufacturers' Association, Ludhiana.
67. Hosiery Industry Federation, Ludhiana.
68. Industries Association of Chandigarh.
69. Large Scale Manufacturers, Ludhiana.
70. Ludhiana Machine Tools Makers Guild, Ludhiana.
71. Northern India Hosiery Manufacturers Corporation, Ludhiana.
72. Small Scale Hosiery Exporters Association, Ludhiana.
73. Small Scale Cycle Assemblers Association, Ludhiana.
74. Sewing Machine Manufacturers Association, Ludhiana.
75. Sewing Machine Parts Manufacturers Association, Ludhiana.
76. The United Ludhiana Cycle Manufacturers Association, Ludhiana.

## APPENDIX II

The various aspects looked into in the course of the case studies conducted in the offices of the Chief Controller of Imports and Exports, New Delhi, Joint Chief Controller of Imports and Exports, Bombay, Textile Commissioner, Bombay, and Industries Commissioner, Maharashtra, Bombay

- (a) how each case is actually processed, *i.e.*, whether it is dealt with in accordance with the general policy and instructions or is at variance with them;
- (b) whether all the work processes involved are essential or any of them can be eliminated or simplified;
- (c) contribution made at each level and the element of scrutiny involved;
- (d) time-lag involved at each stage, the total time taken in the disposal of the case and whether the time spent on different jobs is in proportion to the result;
- (e) circumstances in which
  - (i) files are needlessly pushed up by lower levels to higher levels,
  - (ii) references are made by regional licensing offices to the headquarters or technical authoritiesand whether such references are necessary or avoidable for reasons resulting from the policy not being clear, reluctance to accept responsibility or lack of adequate delegation of powers;
- (f) whether work flows uninterruptedly or there are any bottlenecks;
- (g) whether requests for amendment or revalidation of licences or other communications from the licences or importers or post-licensing references from Customs are speedily disposed of;
- (h) whether deficiencies in the applications noticed by licensing officers are communicated to the applicants in one lot or piece-meal;
- (i) whether maximum clientele satisfaction consistent with the effectiveness of the organisation is maintained and, in particular, whether enquiries from the public are answered quickly and satisfactorily and reasons for rejection of applications are communicated to the applicants;

- (j) whether the Public Relations Officers are devoting adequate time on functions which are considered important from the point of view of the clientele satisfaction;
- (k) whether the position as indicated in the "Position slips" is factually correct, clear and complete or whether certain information which can be supplied to the applicant is held back;
- (l) whether interviews granted were actually called for and served the purpose;
- (m) whether the structure of the organisation is conducive to its efficient working; and
- (n) how the applications for licences are processed at the source, *i.e.*, in the offices of the sponsoring/recommending authorities.

### APPENDIX III

#### Outline of the new procedure for disposal of applications for import of raw materials/components received from S.S.I. Units

1. The form of application for licences for the import of raw materials, components and spares, to be used by the small-scale units will be as annexed thereto. This is an application-cum-recommendation form. There will be no separate form of application for submission to the sponsoring authority for obtaining his recommendation for licence. The form of application which has been suggested has three parts. Part I of the form is for use in the licensing office, Part II is for use by the sponsoring authority and Part III which is to be filled in by the sponsoring authority will contain his recommendation for licence. Part III of the application form will be in duplicate having perforated arrangement. If any sponsoring authority finds any column in Part II of the application form unnecessary and wishes to delete it or if the sponsoring authority wishes to add any additional column to Part II of the form, he may do so.

2. The actual user will submit to the sponsoring authority concerned the application for licence in duplicate along with Treasury Challan showing the payment of application fee. The sponsoring authority will issue an acknowledgement-cum-deficiency letter to the applicant within a period of 7 days from the receipt of the application, acknowledging the application and pointing out any deficiencies therein. For the purpose of pointing out deficiencies, the sponsoring authority will scrutinise the information given in Part II of the application and also the I.V.C. Number and the Treasury Challan furnished by the applicant. In regard to the I.V.C. number, the sponsoring authority will only see whether the number quoted by the applicant in his application is valid for the licensing period concerned or not. As regards the Treasury Challan, the sponsoring authority will check up whether the applicant has paid the correct amount which he is required to pay on the value applied for. The applicant will be given a specified time to make up the deficiencies.

3. The recommendations for licences will be made by the sponsoring authority in terms of the import policy in force and the general directions given by the Development Commissioner Small-Scale Industries, (DC, SSI) as may be required from time to time and within the foreign exchange ceiling allocated to each State. The sponsoring authority will prepare four copies

of his recommendation for licence in each case in Part III of the application. Of these four copies, one copy will be sent by him to the applicant, one will be retained in his own office and two copies will be sent to the licensing authority along with one copy of the application and the Treasury Challan furnished by the party.

4. On receipt of the application through the sponsoring authority, the licensing authority will check up entries in Part I of the application form including the I.V.C. Number and the Treasury Challan. If any deficiency is found therein, it will be communicated by the licensing authority to the applicant within a period of 7 days from the date of the application giving the applicant a specified time to make up the deficiencies. In case of applications having no deficiency, the import licence or the rejection letter, as the case may be, will be issued to the applicants within a period of 15 days from the date of receipt of the application from the sponsoring authority. In case of incomplete applications, the period of 15 days will count from the date the deficiencies are made good by the applicants. After examining the application on the check points, the licensing authority, while sending to the applicant a licence or a rejection letter, as the case may be, will simultaneously send back to the sponsoring authority one copy of his recommendation indicating therein the items deleted and the consequential reduction in value, if any. This will enable the sponsoring authority to correct the account of progressive utilisation of ceiling maintained by him and will also enable him to note the items which have been deleted by the licensing authority.

5. The sponsoring authority will also send a weekly statement to the licensing authority showing the progressive utilisation of the ceiling placed at the disposal of the sponsoring authority. This will serve as a double check for the licensing authority to ensure that licences are not issued in excess of the ceiling allocated to a particular State. If any licence is recommended by the sponsoring authority in excess of the ceiling at his disposal, the licensing authority will reject the application under intimation to the sponsoring authority concerned.

6. The sponsoring authorities will also introduce security seals to be affixed on their recommendations while sending the same to the licensing authorities in order to avoid any forged or fabricated recommendations being made.

7. *New Units*—In order to ensure rational growth and expansion of capacity in the small-scale sector in the country, the DC (SSI) will, at the commencement of each licensing



period, that is, on 1st April, prepare for issue in the Red Book a list of industries for which new capacity is not to be encouraged. This list which may be known as "Restricted Industries List", hereinafter referred to as "R.I.L.", will be circulated to the Directors of Industries in the States and to the licensing authorities. This list will remain in operation for one licensing year. If a Director of Industries receives an application from a new unit for the import of materials required in the manufacture of an end-product included in the "R.I.L.", he will normally reject the application. But, if he is convinced of its necessity, he will forward the application to the DC (SSI) with his comments and such application will be recommended for the grant of a licence only after clearance to this effect has been granted by the DC (SSI). A suitable column for indicating whether the industry falls in the "R.I.L.", and, if so, whether the Director of Industries has obtained the necessary clearance from the DC (SSI) before recommending the licence, has been provided in the proposed form of application-cum-recommendation. Wherever the DC (SSI) gives clearance for the grant of a licence, he will send his communication in this regard to the Director of Industries, in duplicate. The Director of Industries, will enclose one such copy of the DC (SSI's) communication with the application while forwarding his recommendation to the licensing authority. The licensing authority will issue a licence to such new units only after the DC (SSI) has given the necessary clearance; otherwise the recommendation of the Director of Industries will not be accepted. The DC (SSI) will also intimate to all other Directors of Industries the fact of clearance of a unit falling in the "R.I.L." indicating the reasons for which such clearance has been given.

8. In the case of new units other than those referred to in para 7 above and in the case of all existing units, it will be open to the Directors of Industries to recommend a licence for any value for permissible items within the ceiling allocated to him, subject to such general directions as may be given by the DC (SSI) and the policy laid down in the Red Book. The DC (SSI), while distributing the ceiling may make due provision for the development and growth of industries of a priority nature like defence-oriented industries, ancillaries, etc., which may have to be supported under any policy of national importance. The licensing authority will issue a licence on the basis of the recommendation of the Director of Industries. Although it will be within the discretion of the Director of Industries to recommend a licence to such units for permissible items for any value within his ceilings, the Directors of Industries will be well advised to adhere, as far as possible, to the

principle whereby the existing industries may not be recommended licences for permissible items for values less than those permitted to them in the immediately preceding licensing period provided the foreign exchange allocation remains unchanged and the production of the unit has not fallen or the indigenous content of the finished product has not gone up or phased programme of indigenous content admits of less foreign exchange or there is any other reason to the contrary.

9. In case of the small-scale industries, the import policy will provide only two categories of items, one of banned items and the other permissible. For the latter, no non-availability certificate or indigenous clearance will be necessary. In the case of items which are banned but the Director of Industries desires to recommend, he will refer such cases for advice to the DC (SSI) before recommending the licence. In the office of the DC (SSI), such reference from the Director of Industries will be placed before a Committee consisting of the representatives of the D.G.T.D. and the DC (SSI). The minutes of the meetings of Committee will be circulated to the Directors of Industries and the licensing authorities. The Directors of Industries will recommend the licences on the basis of the recommendations made by the said Committee which may be known as the SSI Committee. The SSI Committee functioning at present in the office of the CCI & E will cease to function. Though with the abolition of the restricted items of import, reference to D.G.T.D. and other technical authorities will be minimised, to clear even those few cases of banned items where the Directors make a recommendation, it may be necessary for the Committee to meet more frequently from 15th May to 31st July. The meetings may be arranged in such a manner as to enable the Directors of Industries by turn to get all their cases disposed of in one or two meetings. The Directors of Industries themselves may in such a case be able to attend the meetings also. If any item is licensable in consultation with any other technical authority, the Directors of Industries will consult such authority before recommending the licence and an endorsement to this effect will be made in the recommendation of the Director of Industries. If, for any reason, the Director of Industries recommends the licence for any of such items without obtaining the necessary clearance from the SSI Committee or the technical authority concerned, the licensing authority will not issue the licence for such items under intimation to the Director of Industries.

10. In the case of items which are permissible for a specified end-product only, Director of Industries will ensure that the licences recommended are for items permissible for the specified

end-products; otherwise the licensing authority will disallow the item under intimation to the Director of Industries.

11. In the case of items for which the requirements are to be met by Actual Users through an approved agency such as the S.T.C., the Director of Industries will recommend a licence only after the said agency is not in a position to supply the goods in a reasonable period. A certificate to this effect will also be given by the Director of Industries in the proposed form of recommendation.

12. In cases where the Director of Industries recommends any new item to Actual User, it will be his responsibility to see that the c.i.f. price quoted by the applicant in his application is correct. For this purpose, the Director of Industries will either ask the applicant to produce the pro forma invoices or he will compare the c.i.f. price quoted by the applicant with the price for the same item quoted by other parties.

13. After the issue of licence, it will be the responsibility of the Director of Industries to check up whether the imported materials have been properly utilised by the licensee. In case of contravention of the conditions of the licence, the report will be sent by the Director of Industries to the CCI & E to enable the latter to initiate action against the parties concerned under Imports and Exports (Control) Act, 1947. In the case of new units, the Director of Industries should inspect the unit before recommending the licence whereas in the case of existing units the inspection done may be at least once in four years.

14. Since the DC (SSI) has to play a crucial role in the distribution of foreign exchange ceilings to the DIs as also in respect of planned growth in the crowded sector and has to ensure promotion of priority industries in the small-scale sector in the fields of ancillaries, defence production, backward areas, etc., he will have to establish a deeper functional rapport with the State Directors. Besides informal discussions, etc., a mechanism of feed-back of information from the Directorates to the DC (SSI) will have to be built in. This can be effected by requesting the Directors to send abstracts of their recommendations periodically to the DC (SSI) in a form which will be most informative but least cumbersome for the DIs to send and DC (SSI) to examine. Limiting feed-back of information to the strategic sectors of small-scale units may be useful to start with.

15. The specific role of the organisations of the DC (SSI), the Directors of Industries and the licensing authorities in the grant of licences to SSI units in terms of the revised procedure is summarised below:—

(a) *Role of the DC (SSI)*

- (i) To distribute ceiling to the States on the basis laid down.
- (ii) To prepare and circulate "R.I.L.", consider cases of relaxations and to inform all the Directors of Industries where relaxations are allowed indicating reasons for the same.
- (iii) To give general directions to the Directors of Industries as may be required from time to time.
- (iv) To convene meetings of the SSI Committee and circulate its decisions promptly.
- (v) To undertake *post-facto* check of the recommendations made by the D.I.s with a view to seeing whether the Directors of Industries have followed the over-all import policy and the general directions given to them.
- (vi) To co-ordinate the work of licensing to SSI units between the licensing authorities and the sponsoring authorities.

(Note: In the case of pharmaceutical industries sponsored by the State Drugs Controllers, the function of the DC (SSI) will be performed by the Drugs Controller of India).

(b) *Role of Sponsoring Authorities*

- (i) To recommend applications for grant of licences within the ceiling allocated to them and forward the same to the licensing authority concerned in accordance with the prescribed procedure.
- (ii) To ensure compliance with the general directions issued by the DC (SSI) and the policy laid down in the Red Book in the matter of assessment of requirements.
- (iii) To obtain clearance from the DC (SSI) in respect of industries appearing in the "R.I.L."
- (iv) To devise a policy to govern recommendations in cases other than those covered by (ii) and (iii) above.
- (v) To obtain clearance from the SSI Committee and the technical authorities, wherever necessary, before recommending licences.

- (vi) To ensure that in respect of items available from the STC or indigenous manufacturers, the licences are recommended only after obtaining the necessary clearance from the STC, or the indigenous manufacturers, as the case may be.
  - (vii) To ensure that recommendations do not exceed the ceiling allotted to that State and also to see that a small cushion is kept in reserve for implementing decisions in appeals.
  - (viii) To send an abstract of the recommendations made to the DC (SSI).
  - (ix) To undertake post-check of the industrial units to see whether the imported material has been properly utilised and to report cases involving misuse of such material or breach of conditions of licences to the licensing authority.
- (c) *Role of Licensing Authorities*
- (i) To issue licences on the basis of the recommendations of the Director of Industries where such recommendations are in consonance with the policy/procedure indicated above.
  - (ii) In the case of rejections, to communicate reasons therefor to the applicants.
  - (iii) To take penal action against the licensees or importers for violations of import and export control regulations.
  - (iv) To watch utilisation of ceilings State-wise.

## ANNEXURE TO APPENDIX III

**Form of application for import of goods (other than those falling under the CG licensing procedure) by Actual Users who are not borne on the books of the Directorate General of Technical Development**

### PART I

(To be filled in by the applicant for use in the Licensing Office)

#### A. *Particulars of Applicant:*

1. Name of the applicant.
2. Full Postal Address.
  - (i) House/Shop No.
  - (ii) Name of Street/Road.
  - (iii) Name of locality.
  - (iv) Name of State.
3. Telegraphic Address.
4. Address of location of factory.

#### B. *Particulars of Application:*

1. Registration No. allotted to Income Tax Verification Certificate or Exemption, therefrom.
2. Treasury Receipt No. and date (Treasury Receipt to be attached in original).
3. Licensing period in respect of which application is made.
4. Where shipment is to be effected from a country different from a country in which the goods originated, full statement of reasons for the same should be given.
5. Is a letter of authority desired? If so, name of the firm in whose favour it is desired.

(Note: Documentary evidence as required should be furnished).

#### C. *General Information to be furnished:*

1. Date of Establishment of business in India.
2. Nature of the concern, whether Public Company or Private Company, Partnership or Hindu undivided family concern.

3. Names of Directors, Partners, Proprietor or Karta as the case may be.
4. Details of branches or associated companies (Name and locations):—
  - (i) In India.
  - (ii) Abroad.
5. Has any application been already made by the applicant for goods falling under the same S. No. or sub-item of serial No. for the same period from any country in any category? If so, give details.
6. Have any branches or associate companies mentioned in (4) or any of the gentlemen named in (3) applied for an import licence for import of goods falling under the same serial number or sub-item of serial number for the same period?
7. Is any branch/associate concern of applicant holding an Established Importer quota for particular item/items covered by this application? If so, details of quota certificates/Established Importers licences may be given.
8. The Customs House where the import licence, if granted, will be registered.
9. Full details of the enclosures attached with the application. (Every copy of the document should be marked as a true copy and signed beneath by the applicant).

## PART II

(To be filled in by the applicant for use by the sponsoring authority)

1. Name of the Industry and the purpose for which the raw materials/components are required.
2. Description of goods manufactured.
3. Production capacity.
4. Actual production in the preceding two years.
5. Estimated production in ensuing year.

6. Capital investment:
  - (i) Machinery and equipment (Details of machinery to be attached).
  - (ii) Land and buildings or rent of premises.
7. Registration No. allotted by the State Director of Industries.
8. Particulars of raw materials/components to be imported:—

Item with I.T.C. Serial No.	Quantity Number	Value (c.i.f.)
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9. Particulars of licences issued and imports effected during the last three periods.
10. Actual sales of the manufactured products during the preceding year.
11. Value of exports, if any, of the manufactured products, during the preceding year.
12. Stocks of raw material/components applied for, on the date of the commencement of the period, *i.e.*, on 1st April:
  - (i) Imported.
  - (ii) Alternate sources.
13. Expected arrivals of the goods applied for on the date of the commencement of the period against licences in hand.
14. Period for which stock and expected arrivals of raw materials to last.
15. Consumption of the imported material applied for during the 12 months:—

Item with I.T.C. Serial No.	Quantity Number	Value
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- (1) I/We hereby declare that if this licence is granted, the goods will be utilised only for consumption as raw materials/components or accessories in our factory and that no portion thereof will be sold to or permitted to be used by any other party.



- (2) I/We hereby declare that the above statements are true and correct to the best of my/our knowledge and belief. I/We fully understand that any licence granted to me/us on the basis of the statement furnished is liable to cancellation, in addition to any other penalty that the Government may impose having regard to the circumstances of the case if it is found that any of the statements or facts therein are incorrect or false.

Date.....

Signature.....  
 Name in  
 Block Letters.....  
 Designation.....  
 Residential.....  
 Address.....

### PART III

(To be filled in by the sponsoring authority in duplicate)

1. Particulars of goods recommended:

Item & I.T.C. Serial No.	Requirements in Quantity. Numbers as per installed capacity	Requirements in value (CIF) as per installed capacity	Quantity Number recommended for import	Value (CIF) recommended for import	End use
1	2	3	4	5	6

2. (a) Whether the applicant is a new or existing unit.
- (b) If new unit, whether the industry is included in the List of Restricted Industries circulated by DC (SSI).
- (c) If the industry is included in the list of Restricted Industries, whether clearance from DC (SSI) has been obtained and if so, a duplicate of the DC (SSI)'s letter may be enclosed.

3. (a) Whether the items recommended are licensable in consultation with DGTD/DC (SSI) or any other technical authority.
  - (b) If so, whether the clearance from the concerned technical authority has been obtained. (The No. and date of the reference of the technical authority may be given).
- 4\*. In the case of items available indigenously whether the applicant has produced evidence to show that indigenous manufacturer(s) are unable to supply.
  5. In the case of items which are being imported by STC whether the STC have expressed their inability to supply the material. (The No. and date of their letter may be quoted).

Signature of sponsoring authority.

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\*To be filled in respect of items where the import policy provides clearance from indigenous manufacturers.

## APPENDIX IV

### Summary of Results of Case Studies

#### S.S.I. Units

In all 243 applications pertaining to raw materials/components were studied in the office of the Joint-Chief Controller of Imports and Exports, Bombay, and 202 applications in the Directorate of Industries, Maharashtra.

2. Of the applications studied in the Office of the Joint Chief Controller of Imports and Exports, Bombay, 174 applications were found to be incomplete. The common deficiencies were (a) non-submission of essentiality certificates, (b) non-submission of treasury challans for the correct value, (c) non-indication of I.V.C. Number, (d) non-indication of particulars of past licences and (e) non-indication of S.S.I. Registration Number. The average time taken by the licensing office in asking the applicants to make up the deficiencies was 39 days. In 12 cases, deficiencies were called for piece-meal.

3. Only in 15 per cent of the applications scrutinized, the essentiality certificates issued by the Director of Industries were honoured in full by the licensing authority. In the remaining 85 per cent cases, either the value recommended did not conform to the provisions of the policy or the items recommended were not permissible. The licensing authority had, therefore, to recalculate the entitlement of actual users in 85 per cent cases.

4. The Director of Industries inspected only 36 out of 153 existing units and 29 out of 49 new units before the grant of essentiality certificates.

5. In the case of requests for import of new items not previously applied for by the applicant, the relevant files indicated that the Director of Industries checked the c.i.f. price as quoted by the applicant only in 10 out of 161 cases. (The Director of Industries, Maharashtra, however, informed that the c.i.f. prices as quoted by the applicants were invariably compared to the prices for the same items quoted by other parties although no indication to this effect was available in individual files.)

6. The average time taken by the Director of Industries in issuing the essentiality certificates was 71 days. In the licensing office, the average time taken in the final disposal of applications was 40.6 days. Taking into account the time taken by the outside organisations like the D.G.T.D., etc., the average time taken by the licensing authority was 30 days.

7. Of the 243 cases studied, licences were issued in 174 cases and refused in 28 cases. In the remaining 41 cases, the applicants who were informed of the deficiencies in their applications, failed to make up the deficiencies and as such their cases had to be closed. The reasons of rejection in the 28 cases were (i) banned items (7 cases), (ii) indigenous availability (14 cases), (iii) canalised imports (5 cases), (iv) non-approval of phased production programme (1 case) and (v) non-priority of the end-product (1 case). In five cases, while rejecting the applications on grounds of indigenous availability, the names of indigenous manufacturers were not communicated to the applicants.

8. In 48 out of 243 cases, *i.e.*, roughly in 20 per cent the first order passed was appealed against. In 27 appeals, the original order was upheld while in the remaining 21 it was modified. There were only five cases in which second appeal was preferred to the headquarters and in all these cases, the decisions of the port office were upheld. The average time taken in the disposal of first and second appeal was 48 and 80 days, respectively.

9. Out of 174 licences issued, it was in respect of 27 that amendments were sought. In 14 out of these 27 cases, the amendments sought for related to either change in the description of items or insertion of new items and, in 10 cases, it was the value that was sought to be amended; the remaining 3 cases were of minor amendments. The average time taken in carrying-out the amendment was 15 days.

10. Twenty-three cases were referred to the D.G.T.D. for advice and the D.G.T.D. took on an average 69 days.

11. Eight cases were referred to the S.S.I. Committee at the headquarters for advice which, on an average, took 53 days.

12. The D.C. (SSI) was consulted in one case which took 52 days.

13. The average time taken in revalidation of licences was 7 days.

#### Non-S.S.I. Units

14. In all, 279 applications pertaining to raw materials/components were studied in the office of the Joint Chief Controller of Imports and Exports, Bombay, and 97 applications in the Textile Commissioner's office.

15. Of the 279 applications studied, 146 were found to be incomplete. The common deficiencies were (i) non-submission of essentiality certificates, (ii) non-submission of treasury challan, and (iii) non-indication of I.V.C. Number. The average time taken in calling upon the applicants to supply deficiencies was found to be 34 days.

16. The Textile Commissioner is issuing the essentiality certificates on six-monthly basis. The average time taken by him in issuing the essentiality certificates for the first half year was 79.2 days and for the second half year 147 days.

17. Three cases were referred to the D.G.T.D. for clearance from indigenous angle which, on an average, took 55 days. One case had to be referred back to the Textile Commissioner on the point of clarification in regard to the essentiality certificate issued by him, and this took 38 days.

18. Of 279 cases, licences were issued in 205 and the remaining 74 were rejected. The reasons for rejection were (i) non-production of essentiality certificates (53 cases), (ii) time-barred applications (17 cases), (iii) banned items (1 case), (iv) canalised imports (1 case), (v) indigenous availability (1 case) and (vi) items not licensable to actual users (1 case).

19. The average time taken by the Jt. Chief Controller of Imports and Exports, Bombay, in the final disposal of the applications after they were complete in all respects, was 16 days.

20. Only in five out of 279 cases, the first order of the licensing authority was appealed against. In three appeals, the original order was upheld while in the remaining two, it was modified.

21. Out of 205 cases in which licences were issued, requests for amendment were received only in 11 cases. These requests related to change in the description of items or addition of new items or increase in the value of licences or change in the I.T.C. Classification of the goods. The average time taken in the disposal of these cases was 15 days.

#### **Scheduled Industries**

22. In all, 203 applications for import of raw materials and spares were studied in the office of the Chief Controller of Imports and Exports. Of these, 57 applications were found to be incomplete. The common deficiencies noticed were (i) non-submission of treasury challan for the correct amount (53 cases) and (ii) non-indication of I.V.C. Number (4 cases).

23. The D.G.T.D. took, on an average, 80 days in sending their recommendations to the Chief Controller of Imports and Exports. The average time taken by the Chief Controller of Imports and Exports in the disposal of the applications was 21.5 days.

24. Of 203 cases, the DGTD recommended grant of licences in 162 cases and rejection in the remaining 41 cases. Out of the 41 rejected cases, 17 cases were rejected on grounds of indigenous availability.

25. Applications for revalidation were made in 20 out of 162 cases in which licences were issued. The time taken in allowing revalidation was, on an average 28 days.

26. The requests for amendment were made in 77 out of 162 cases in which licences were issued. The amendments related mostly to change or additions in the items or increase in value. The D.G.T.D. took, on an average, 42 days in giving their advice on requests for amendment and the Chief Controller of Imports and Exports took another 16 days in carrying out the necessary amendment.

27. Thirty-seven applications were received in the D.G.T.D. after the prescribed list date. The delay was condoned by the D.G.T.D. in all these cases. However, in 8 such cases, the D.G.T.D. did not inform the Chief Controller of Imports and Exports about the condonation of delay with the result that the Chief Controller of Imports and Exports had to refer these cases back to the D.G.T.D. for advice. This process involved, on an average, a loss of 20 days.

28. In all the cases, licences were issued or refused by the Chief Controller of Imports and Exports as recommended by the D.G.T.D.

29. In 36 out of 162 cases, where licences were issued, the D.G.T.D. either did not forward the list of items to be allowed for import or furnished a mutilated copy of the list and advised that the parties should be asked to submit revised list through the D.G.T.D. for attestation. The D.G.T.D. took, on an average, 18 days in clearing the revised lists and the Chief Controller of Imports and Exports took 22 more days in attesting and issuing the lists.

30. In 10 cases, the DGTD omitted to attest the list of items recommended for import. These cases had, therefore, to be referred back to them for necessary attestation which, on an average, took 18 days.

31. In 8 cases, back references had to be made to the D.G.T.D. for obtaining certain additional information or clarifications in regard to the recommendations made by them. The D.G.T.D. took, on an average, 40 days in furnishing the required information.

32. It was only in one case that reference had to be made to an organisation other than D.G.T.D. The reference was made to the Ministry of Petroleum and Chemicals for advice which took 40 days. Two more cases were referred to the Policy and C.G. Sections of the office for advice which took 20 days.

33. Appeals were made only in 9 cases. In 5 cases, the original order was upheld while in the remaining 4 cases; it was modified. The average time taken in the disposal of the first appeal was 65 days. There was no second appeal in any of these cases.

34. In all, 50 applications relating to quota certificates and 51 applications relating to quota licences were studied in the office of the Joint Chief Controller of Imports and Exports, Bombay.

35. In the applications for quota certificate, only 15 were found to be complete and the remaining 35 applications were incomplete lacking some information or the documents of imports. The average time taken by the licensing authority in asking the applicant to furnish the deficiencies was 13.5 days and the average time taken in the final disposal of the applications was 29 days.

36. Out of 40 cases in which quota certificates were issued, the documents of past imports were verified in 33 cases but it was only in three cases where such verification was done before the issue of quota certificate.

37. Of the 51 applications for quota licences, 27 were found to be complete and the remaining 24 were incomplete. The common deficiencies were declaration regarding selection of common basic year by different offices of the applicant firm, non-submission of quota certificates, non-production of evidence relating to transfer of quota and non-indication of I.V.C. No. The average time taken in the final disposal of the applications after they were complete in all respects, was 13 days.

## APPENDIX V

### Summary of Results of Case Studies of Import Applications in D.G.T.D.

In all, 154 cases were studied. The results of the case studies were recorded in the proforma devised for the purpose.

2. Of the 154 applications examined, only 11 (i.e. roughly 7 per cent) were found to be deficient in certain respects, the deficiencies noticed being non-indication of past consumption figures or details of spares required, or non-submission of Treasury Challan. As all the required information and documents are clearly stated on the application form, the deficiencies noticed cannot be attributed to any defect in the application form but to the indifference on the part of the applicants.

3. 21 of the 154 applications studied (i.e. roughly 14 per cent) were received after the prescribed date. The delay involved appears to have been condoned in all cases, although it was only in 11 cases that specific mention of the fact of condonation was made in the files. Of these 11 cases, one was decided at D.D.G.'s level, 9 at I.A.'s level and one at D.O.'s level. Since condonation of delay involves a large scope for exercise of discretion, it is felt that power to condone delays should vest in I.A.'s and D.O.'s should not be authorised to sanction condonation except in accordance with the general policy settled at a higher level.

4. After the foreign exchange allocation is made to the different Directorates falling within the charge of the various Industrial Advisers, each I.A. is expected to distribute the foreign exchange placed at his disposal among the various industries falling within his charge. The allocation made in respect of each industry is then distributed among the various industrial units in that industry. The procedure for making this sub-allocation, however, varies from Directorate to Directorate. In some places, the foreign exchange allocation among the various industrial units is decided and communicated to the parties in advance, asking them to submit their import applications to cover their six months' requirements within the specified allocations. This sub-allocation is made on the basis of the past performance and past imports of the industrial units involved. This practice is in vogue in the Rubber, Leather and Ceramics Directorates. In some cases, the allocations are made after bulk of the applications have been received and their requirements tabulated. This,



however, involves avoidable delay in as much as in the ultimate analysis, the value of the imports of raw materials and spares recommended is mainly based on the past performance and past imports, figures of which should be available in the Directorates concerned. The following are the main advantages of communicating the foreign exchange allocation to individual units in advance:

(i) The parties would know fairly early where exactly they stand in the matter of foreign exchange needed for the imports and would thus be able to plan ahead on that basis.

(ii) The applicants would restrict their requirements to essential items only and omit items which could be indigenously obtained. This would not only reduce the correspondence between the D.G.T.D. and the parties but also minimise inter-Directorate consultations for obtaining indigenous clearance which, as will be seen later, is a time-consuming process. In many cases this may also eliminate the need for obtaining from the party the revised list of items to be imported. The study shows that there is a large-scale variation between the value of imports applied for and the value recommended. In many cases, the value applied for has been slashed by as much as 70 to 85 per cent.

5. It was only in 63 out of 154 cases studied that there was a clear indication that the firm was submitting periodical returns regularly. In 4 cases, it was specifically stated that the applicants were not submitting production returns regularly and that, in any case, the latest production return was not available. Even so, the import was recommended without waiting for the receipt of the production returns. The relevant files did not contain any justification for adopting this unusual course. If the production statistics have to be looked into before recommending imports, the recommendation made in these 4 cases would appear to be unjustified. If, on the other hand, such statistics have no bearing on the import applications, they should not be looked up at all as even the linking of these returns to the import applications takes a considerable time. In the remaining 87 cases, the records did not contain any indication whether the applicants were furnishing production returns regularly and whether the relevant statistics were actually looked into before making recommendations regarding the value of imports.

6. It was only in 36 out of 154 (i.e., roughly 25 per cent) cases that indigenous clearance had to be obtained by the Sponsoring Directorate from other Directorates concerned. In 23 (i.e., nearly 2/3rd) cases the indigenous clearance had to be obtained only from one Directorate. It was only in 8 cases that 3 or more

Directorates had to be consulted for this purpose. In 6 out of these 36 cases, the clearance given by the Directorates concerned was partial necessitating back reference to them. The average time taken in obtaining the indigenous clearance was 34.5 days per case or 15.2 days per Directorate consulted. It was observed that only rarely were the Directorates concerned consulted simultaneously by the Sponsoring Directorate, the common practice being to approach the Directorates for indigenous clearance one after the other. This involved unnecessary to and fro movement of papers and consequent avoidable loss of time. Much of the delay could be avoided by the Sponsoring Directorates making simultaneous references to the other Directorates concerned. This should not be difficult as the applicants supply a number of copies of the list of items to be imported which could be made available simultaneously to the Directorates concerned. Since, in most cases, the Development Officers could provide the indigenous clearance without reference to any records, it is felt that the average time of 15 days taken in providing this clearance is unduly high. If a suitable time-limit for disposal of import applications has to be prescribed and enforced, not more than 3 days and, in any case, no longer than a week, could be allowed to a Directorate for furnishing the requisite clearance.

7. Eight of the applications were rejected wholly on grounds of indigenous availability. In 42 other cases, some of the items were disallowed on the same ground. It was only in 16 out of these 50 cases that the names and other particulars of the indigenous manufacturers were communicated to the applicants. But only in a few cases, the names have been communicated by the D.G.T.D. In most cases, the names were communicated by the C.C.I.&E., *i.e.*, about 4—6 months after the receipt of the application in D.G.T.D. Feasibility of communicating names of indigenous manufacturers to the parties by the D.G.T.D. in all cases should be explored. In most of the cases, indigenous availability was not properly assessed—a conclusion which is borne out by the fact that, in many cases, the firms, which were initially refused import of certain items on grounds of indigenous availability, did return to the charge affirming that the items disallowed were either not available at all with the manufacturers specified or that the manufacturers concerned had expressed their inability to supply them the requisite materials and the import of those items had to be subsequently recommended by the D.G.T.D.

8. The average time taken in the initial scrutiny of applications was nearly 45 days. In most of the cases studied, the initial Examination was held over till the foreign exchange allocation

was made. This meant that even those applications which had to be rejected on the grounds of indigenous availability or the units not having started the production were informed of the decision after the foreign exchange position was known. This also delayed unnecessarily the process of locating the deficiencies in the applications and calling for further information or clarification. It would be better if the applications received are subjected to a preliminary scrutiny with reference to the past performance, past imports and from the indigenous angle without waiting for the foreign exchange allocation so that by the time this allocation is known, the application would have been complete and ready for processing only from the point of view of foreign exchange availability. This is particularly important from the point of view of clientele satisfaction as delay in asking the applicants to supply deficiencies or delay in communicating rejection of applications tends to irk the applicants.

9. It was only in 19 (*i.e.*, roughly 12 per cent) cases that the applicants were asked to supply deficiencies or to furnish certain clarification. Although on an average the party took 42 days, it did not materially affect the overall average time taken for disposal of an application.

10. On an average, the D.G.T.D.'s organisation took 104 days to communicate their final recommendations to the C.C.I. & E. Out of these 104 days, the allocation of foreign exchange took nearly 24 days. The Co-ordination Directorate took on an average 14 days in transmitting the original application to the sponsoring Directorate and in passing the final recommendation to the C.C.I. & E. The contribution of the Coordination Directorate being limited only to routine clerical operations like registration and despatch, the time taken appears to be unduly high. In none of the 154 cases studied was any evidence available of any scrutiny having been made by the Coordination Directorate or the case having been returned by this Directorate to the sponsoring Directorate for modification or change. This suggests that either no scrutiny was undertaken by the Coordination Directorate or such scrutiny was obviously uncalled for. The Coordination Directorate thus can justifiably be regarded as constituting a serious bottleneck in the disposal of import applications.

11. The average time taken by the sponsoring Directorate in disposing of the import applications after obtaining the foreign exchange allocation (excluding the time spent in obtaining indigenous clearance where necessary from other Directorates) was 67 days. Of this, nearly 6 days were taken in typing and despatch, the average per count being only 3.5 days. Nearly 2/3rds

of the remaining time was taken by the dealing assistant (including J.T.O.) and the rest by A.A.O., D.O. and higher levels. The contribution at the dealing persons (*i.e.*, Assistant, U.D.C., L.D.C.) level being essentially very routine, *e.g.*, reproduction of summarising of facts or putting up of papers, the time spent at this stage could be eliminated if the cases were dealt with *ab initio* by the A.D.O.s or the D.O.s with the help of the stenographer/steno-typists attached to them, the clerks being utilised only for maintaining and putting up of files and occasionally as chasers for obtaining papers from other Directorates to whom they may have been referred for indigenous clearance.

12. In 4 out of 11 cases, in which deficiencies and clarifications were sought from the applicants, the references were made piece-meal. The nature of the references made, however, did not indicate any definite trend although it did point to the need for devising a suitable check-list to ensure that the examination of application is complete in all respects and the defects and deficiencies, if any noticed, are called for from the parties in one lot.

13. Majority of the cases, *viz.*, 106 out of 154 studied, passed through two levels (ADO and above), 33 through one level and 13 through three levels. The remaining two cases passed through 4 and 5 levels, respectively. In nearly 15 per cent of the cases that passed through two or more levels, the higher levels differed from the course of the action suggested at lower levels. This indicates that the various levels provided in the hierarchy are not necessarily superfluous and that each one has a constructive and purposeful contribution to make although it is felt that there is no justification for every case to pass through both A.D.O. and D.O. as a matter of course, particularly when the organisation at these two levels provides "one above one" pattern. It is suggested that while the cases needing careful scrutiny on two successive levels may be allowed to pass through both these levels, the bulk of other work could be allocated among these two functionaries in such a manner as to avoid duplicate processing of such cases at these two levels. In a few cases, it was found that the cases travelled horizontally from one D.O. to another in the same division for orders, etc. This does not appear to be a healthy sign or a desirable practice as, apart from contributing to delay, it tends to result in diffusion of responsibility.

14. A peculiar practice of the fair recommendation to the C.C.I.&E. being signed by two or more officers was found prevalent in most of the Directorates. The fair recommendation was signed by two officers in 56 per cent cases, by 3 officers in 28 per cent cases, by 1 officer only in 16 per cent cases. From the point

of view of security or for ensuring impartial treatment in important cases, it may be desirable to process the case through more than one level for taking a decision. The signing of fair communication by 2 or more officers appears to be hardly necessary and should be discontinued as it entails avoidable movement of papers and consequent delays. It is felt that the instructions contained in the late Development Wing's Office Order of 22-11-1962, which seeks to dispense with the need for counter-signature on recommendations which are either signed by D.O. or signed by A.D.O. after making a specific mention that they have the approval of the Senior Officers, appear to strike a reasonable balance between the considerations of security on the one hand and the need for expeditious disposal on the other. One of the possible reasons for getting the fair recommendation signed by more than 1 officer may be that the precise terms in which the fair recommendation is couched may give an impression of the vigour of weakness with which a particular recommendation is made leading to a possible favourable treatment in some cases and unfavourable in others. The validity of this mis-apprehension was not borne out by the cases studied. However, this particular defect can be overcome by prescribing that the lower officer submitting a recommendation for the approval of the higher officer should, at that stage itself, put up the draft of the recommendation to be communicated to the C.C.I.&E. for the approval of the appropriate authority.

15. 123 (*i.e.*, nearly 80 per cent) cases were disposed of at D.O.'s level. This is as it should be, since the D.O. is authorised to recommend imports up to the value of Rs. 10 lakhs in each case.

16. 21 cases were disposed of at I.A.'s level, 5 at A.D.O.'s level, 4 at D.D.G.'s level and 1 at D.G.'s level. Of 31 cases that were disposed of at a level higher or lower than D.O.'s, 18 cases involved recommendations up to the value of Rs. 10 lakhs which should normally have been disposed of by the Development Officer. Of these 18 cases, 5 cases (3 in Tools Directorate and 2 in Papers and Pulp Directorate) were disposed of by A.D.O., who, according to the orders we have seen, has no power to recommend an import application. In any case, 2 of the 5 cases were of such an importance as to warrant consideration at a higher level. One of these involved recommendation for the import of goods valued at Rs. 1.82 lakhs and the other involved allocation to an individual unit for the first time. The files did not contain any justification for these cases having been disposed of at a level lower than D.O.'s. The remaining 13 cases were disposed of at the level of I.A., D.D.G. or D.G. Five out of these cases pre-

sented certain special features necessitating orders of higher authorities. In the remaining 8 cases, there appeared to be no justification in raising the decision-taking level. The facts on record did not indicate how and why these cases had to be pushed up. Undue interest shown by a particular officer or tendency to shirk responsibility may be some of the possible reasons. It would be better if in such cases (*i.e.*, cases where an officer is empowered to dispose of a case but refers them to higher levels), the officer normally expected to dispose of the cases, should indicate the reasons for his seeking orders of the higher officers. In the absence of any such indication, the higher levels should return the case to the lower levels without dealing with them.

17. In 19 of the 154 cases studied, amendments of the licences issued were sought; the nature of the amendments being change in the description of the items or insertion of new items in place of or in addition to those already included. It was only in 2 cases that the amendment was rejected. In both these cases, reasons were communicated to the parties. In 3 more cases, the request for amendments was acceded to only in part. It was only in one out of these 3 cases that the reasons for partial rejection were communicated to the parties. The reasons for non-communication of the reasons for partial rejection in the other two cases were not stated on the relevant files.

18. In 31 cases, the parties represented against the decision of the D.G.T.D. Ten of these were wholly rejected. It was only in 4 out of the 15 cases that reasons for rejection were communicated to the parties. In some cases 2 or more representations were recommended, the total representations involved being 37.

19. Of the 74 representations and applications for amendment, 37 were disposed of at the level at which the original decision was taken, 3 at higher level and 34 at a lower level. It is perhaps desirable that the representations should be decided at level higher than the one which had taken decision on the original reference, especially so when the acceptance of the representations results either in allowing the import of items which were originally rejected on the grounds of indigenous availability or in increasing the foreign exchange allotment. In cases studied, there were quite a few cases where monetary benefit to the party was substantial but the decision was taken at A.D.O.'s level. Since consideration of representations involves a great deal of discretion, it would be better to prescribe minimum level at which they should be disposed of.

20. In 3 cases, revalidation of the licences issued was sought. There did not appear to be any justification for such cases to be referred to the D.G.T.D. as they did not involve any technical point requiring D.G.T.D.'s expert advice. Such cases could have been dealt with by the C.C.I. & E. himself.

21. While conducting the case studies, an attempt was also made to find out whether any norms were prescribed by the Directorates for allocation of foreign exchange among the various units in a particular industry. Since this information was not directly available from the files, it was separately called for. This has been received from a few Directorates only.

22. It appears that there is no single criterion for this allocation and the criteria also differ from Directorate to Directorate. In some cases the norm prescribed is utilisation of the foreign exchange in the *past* periods while in some others the criterion is the production in the *current* year. In some cases, consumption of indigenous raw material is the norm while in others, allocation may be justified on the grounds of the industry being a "priority industry". In some cases, it was found that the firms were given foreign exchange even without conforming to these norms. For example, in one Directorate, the firm was not sending the production returns but still it was allowed imports. In another Directorate, two similar cases of import of spare are given different treatment and the reason for discrimination is not given. In certain cases, the allocation of foreign exchange granted to the firm was more than the previous year's while in a few cases it was less than the last year's. No precise reasons for changing this are given on the files and it appears that this must have been done by the D.O. concerned in his decision. In one case, the Assistant and the J.T.O. had recommended, import up to Rs. 7.5 lakhs on 'repeat' basis (which was perhaps the basis followed in similar other cases also) but the D.O. in his discretion reduced it to Rs. 7 lakhs without assigning any reason. In the absence of any clear indication on the files, it is difficult to say whether discretion used was arbitrary or based on valid grounds. In any case, the above instances would seem to suggest that there is ample scope for exercise of arbitrary discretion in the matter of recommending import of raw material and spares.

**Particulars of cases which were disposed of at levels higher or lower than those prescribed**

*A—The cases disposed of at higher level, not justified*

- (i) *Case No. 1*—Disposed of at I.A.'s level-value within Rs. 10.00 lakhs; no special feature.
- (ii) *Case No. 3*—Disposed of at I.A.'s level-value within Rs. 10.00 lakhs; no special feature.
- (iii) *Case No. 69*—Case of initial rejection; amount very small; should not have gone upto I.A.'s level at the initial stage, but at the representation stage when in fact it travelled up to that level; value finally recommended, Rs. 20,000.
- (iv) *Case No. 87*—Value Rs. 2.00 lakhs, decided at I.A.'s level; No justification particularly when the value was predetermined.

*Discretion*

- (v) *Case No. 115*—Value Rs. 32,975; decided at D.A.G.'s level; import of components; rejection decided at I.A.'s level; initial examination indicated the need for obtaining clearance from F. & A. Ministry (Fertilizers' item) and S.T.C. but import of all the three items recommended.
- (vi) *Case No. 117*—Value Rs. 7.00 lakhs; decided at D.D.G.'s level; no special feature; Asstt. and J.T.O. recommended Rs. 7.5 lakhs on repeat basis but D.O. in his discretion recommended Rs. 7.00 lakhs without assigning reasons.
- (vii) *Case No. 135*—Rejection case of a new unit asking for import of components; rejection decided at I.A.'s level.
- (viii) *Case No. 153*—Value applied for Rs. 37.00 lakhs; application not in conformity with the terms of the Industries Act; rejected at D.D.G.'s level.

*B—Cases decided at higher level, justified*

- (i) *Case No. 19*—Import of banned articles; released at D.D.G.'s level.
- (ii) *Case No. 97*—Value Rs. 15,875; decided at D.D.G.'s level special feature being recommendation even before the foreign exchange allocation,



- (iii) *Case No. 140*—Value Rs. 6,435; decided at I.A.'s level, discretion; applicant not registered with D.G.T.D.; D.O. suggests rejection and puts upto another D.O.; the latter commends and suggests that the firm may be asked to get themselves registered. The firm does not do so still the import is allowed even for the second period with I.A.'s clearance;
- (iv) *Case No. 141*—Value recommended Rs. 1.80 lakhs; decided at I.A.'s level because party was allowed Rs. 3.00 lakhs during the last period and less amount was being recommended this time as the production had fallen and the figures regarding phased manufacture of indigenous components not satisfactory.
- (v) *Case No. 142*—Value Rs. 16,000; decided at I.A. (RE)'s level; priority industry on railway equipment; special machinery set up for considering such levels; I.A.(RE)'s being the member of the special committee.

*C—Cases disposed of at lower level*

(i) to (iii).

*Cases Nos. 47—49*—Decided at A.D.O.'s level (Tools).

(iv) *Case No. 64*—Value Rs. 1.82 lakhs decided at A.D.O.'s level (Paper & Pulp Directorate).

(v) *Case No. 65*—Value Rs. 35,000 but new unit getting foreign exchange for the first time decided at A.D.O.'s level.

## APPENDIX VI

### Form 'C'—Special Form of Application for the Import of Raw Materials/Spare Parts for Certain Specified Industries as well as other Industrial Units borne on the List of the Directorate-General of Technical Department.

The following amendments in the existing form are recommended:

(1) At present, there is no separate form for the import of spare-parts and this very form is used for that purpose also. It is, therefore, recommended that the heading of the form should be changed as follows:

“FORM 'C'—Special form of application for import of raw-materials, components and spare parts for certain specified industries as well as other industrial units borne on the list of the Directorate-General of Technical Development.”

(2) At present, three copies of this application form are received, of which one is retained in the Directorate-General of Technical Development and two copies are passed on to the Chief Controller of Imports and Exports. The Chief Controller of Imports and Exports, however, requires only one copy of the application. In order to make the position very clear, the entry on the top of the form should be amended as follows:

“This application should be submitted to the Chief Controller of Imports and Exports through the Directorate-General of Technical Development. Only two copies should be submitted, of which one would be retained by the Directorate-General of Technical Development and the other passed on to the Chief Controller of Imports and Exports.”

(3) The following entries should appear on the top of this form:

“Licensing period.....

Code No.....

(4) Section B

(a) In Serial No. 4, omit sub-item (ii).

(b) In Serial No. 5, omit sub-item (ii).

(c) Serial No. 6 may be omitted after the system of code numbers has been introduced.

(5) Section C

In Serial No. 5 for the words "the first twelve months" substitute the words "the last twelve months".

(6) Section D

Serial No. 8 should be omitted after the system of code numbers has been introduced.

(7) Section D should be renumbered as Section E and the following should be introduced as a new Section D:

"D. Spare-parts: C.I.F. value of the spares to be imported (list of spare-parts indicating the quantities required to be attached)".

(8) In the tabular form attached to the application, the heading of Column 8 should be reworded as follows:

"Quantity consumed during the last three calendar years, (information to be furnished for each year separately)."

**APPENDIX VII**  
**Names of Sponsoring Authorities**

Industry	Sponsoring authority
(a) Textile Industry, other than jute hemp and silk and Textile Engineering Industry.	Textile Commissioner, Bombay.
(b) Tea Industry .. ..	Chairman, Tea Board, Calcutta.
(c) Coffee Industry .. ..	Chairman, Indian Coffee Board.
(d) Sugar Industry .. ..	Director (Sugar Technical) Directorate of Sugar and Vanaspati, Ministry of Food and Agriculture, New Delhi.
(e) Petroleum Industry .. ..	Ministry of Petroleum and Chemicals, New Delhi.
(f) Rubber Estate .. ..	Chairman, Indian Rubber Board Kottayam.
(g) Procedures of iron and steel and re-rolling mills, excluding re-rolling mills etc., which do not require the permission of Iron and Steel Controller as per Govt. of India, former Min. of Steel, Mines and Fuel (Deptt. of Iron & Steel) Notification No. SC(A)—1(28) 59, dated the 4th June, 1960.	Iron and Steel Controller, Calcutta.
(h) Collieries .. ..	Coal Commissioner, Calcutta.
(i) Electricity undertakings .. ..	Central Water and Power Commission (Power Wing), Govt. of India, Bikaner House, Shahjahan Road, New Delhi.
(j) Silk Industry .. ..	Central Silk Board.
(k) Handloom Industry .. ..	State Directors of Handlooms.
(l) Vanaspati Industry .. ..	Chief Director, Directorate of Sugar and Vanaspati, Ministry of Food and Agriculture, New Delhi.
(m) Coir Industry .. ..	Chairman, Coir Board, Ernakulam.
(n) Shipping Industry—Shipping Companies. (In respect of sea going vessels). The requirements in respect of inland steam and motor vessels will be certified by the Principal Officer, Mercantile Marine Department of the area concerned.	Director General of Shipping, Bombay.
(o) Fruits and Vegetable Preservation Industry.	Directorate of Marketing and Inspection Ministry of Food & Agriculture, Department of Agriculture, Nagpur.
(p) Jute and Rope Industry .. ..	Jute Commissioner, Calcutta.

APPENDIX VII—*contd.*

Industry	Sponsoring authority
(q) Mines other than collieries	.. Director, Indian Bureau of Mines, Nagpur.
(r) Canning, freezing and other fishery industries.	State Director of Fisheries.
(s) Pharmaceutical Industry	.. State Drugs Control authorities.
(t) Salt Industry in the private sector	Salt Commissioner, Jaipur.
(u) Industries other than those mentioned above.	Industries Commissioner, or the State Director of Industries, as the case may be, of the State where the factory is located.

Ministry of Commerce Resolution, dated 31st March 1965, containing the decisions of Government on the recommendations of the Study Team

**MINISTRY OF COMMERCE**

**RESOLUTION**

*New Delhi, the 31st March 1965*

No. 2(5)/65-O&M—The Government of India in the Ministry of Commerce appointed on August 7, 1964, a Study Team under the Chairmanship of Shri Harish Chandra Mathur, Member of Parliament to examine the organisation, structure, methods of work and procedures of the Import and Export Trade Control Organization, particularly with a view to locating the points at which delays occur, where bottlenecks exist and where administrative failures are possible, and to suggest measures for improvements so that opportunities for corruption are eliminated.

2. The Study Team submitted Part I of the Report to the Ministry of Commerce on March 8, 1965.

3. The recommendations of the Study Team and the decisions of the Government thereon are set out in the Annexure.

4. Government wish to place on record their appreciation of the valuable work done by the Study Team.

**ORDER**

Ordered that a copy of the Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India for general information.

**ANNEXURE**

Sl. No.	Recommendations of the Study Team	Decision of the Government
1	2	3
<b>A. GENERAL PROCEDURE &amp; POLICY</b>		
1.	An expert committee should be appointed at the time of extension of the present term of the Imports & Exports Control Act, which expires in 1966, to examine the question whether the existing method by which the objectives of import control are achieved is the best available method and other questions like nationalisation of import business, creation of autonomous organization for the issue of licenses, auctioning of licences, participation of the trade in the distribution of licences etc.	Under consideration.

1

2

3

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2. As a guiding principle, nothing of interest or relevance to the trade should be kept back from publication in the Import Trade Control Policy Book or the Hand book of Rules and Procedure on Import Trade Control and the General Licensing Instructions issued by the Chief Controller of Imports and Exports should indicate only the foreign exchange ceilings and the formula, if any, for calculating the entitlement of various categories of importers as also such other departmental instructions for the guidance of the licensing authorities with which the trade and applicants are not normally concerned. Accepted.

#### B. ACTUAL USERS

##### I. Small Scale Industries

3. The Actual Users in the small scale sector should make their applications of import licences through the sponsoring authority concerned in a revised application-cum-recommendation form. Accepted.
4. The monetary ceilings for import of raw materials, components and spares earmarked for Small Scale Industries should be allocated to the States on a prescribed basis to enable the Directors of Industries and other sponsoring authorities to fit in their unit-wise allocations within the over-all ceiling intimated to them. Accepted.
5. The right authority to evolve a basis and to make actual Statewise allocations each year is the Development Commissioner, Small Scale Industries. For an equitable basis, the distribution of ceilings to the States will ultimately have to be based on the installed capacity to be assessed on a uniform basis on an all India norm by the DC (SSI) and the Directors of Industries jointly. So long as this is not done, an *ad hoc* formula is necessary which should take into account the need to maintain the tempo of industrial production already attained in different States and also the special development needs of backward areas. Accepted.
6. In the first year, the allocation of available foreign exchange should be made in proportion to the average of licences issued to each State for the last three yearly licensing periods by taking, say Rs. 12 crores as the "core" allocation, i.e., if the allocation in 1965-66 is Rs. 12 crores or less the state-wise allocation may be made on the basis of a ratio arrived at by taking three years' average. If the allocation is more than Rs. 12 crores, the first Rs. 12 crores should be allocated in the same ratio. Out of the balance, 50% should be allocated to different
-

1	2	3
<p>States in the same ratio to meet the requirements of normal growth. The remaining 50% should be allocated keeping in view the special development needs of various States. The allocations for subsequent years should be according to the same formula except that instead of Rs. 12 crores, the allocation of the preceding year should be taken as the 'core' figure. The Inter-State ratio will be based on the preceding year's State-wise allocation.</p>		
<p>7. Before the commencement of each licensing period, the DC(SSI) may issue general instructions for the guidance of the Directors of Industries about restrictions on new units in crowded sectors, priority attention to the needs of selected industries of national importance and so on.</p>		<p>Accepted, subject to the modification that instead of having a Restricted Industries List, as recommended by the Study Team, there will be a list of banned industries whose growth is not to be encouraged.</p>
<p>8. The ceiling earmarked for small scale units for import from rupees payment area should also be distributed to the State along with the free foreign exchange ceiling. Inter-state ratio for rupee ceiling may be based on the actual licensing done in 1964-65.</p>		<p>Accepted.</p>
<p>9. All import licences for raw materials, components and spares to small scale units should be issued on annual basis. The holders of licences valued upto Rs. 5,000/- should be allowed to utilise their licences in one lot without any cut or endorsement thereon for the second half year of the licensing period. However, in the case of licences valued over Rs. 5,000/- it may be laid down that even though a party can enter into commitment for the full amount of the licence even during the first half of the period, remittances will have to be spaced in such a way as to have 50 per cent falling in the first half and the remaining in the second half of the period.</p>		<p>Accepted.</p>
<p>10. The ceilings for small scale industries should be allocated in advance in the beginning of April on the basis of the best available data at that time.</p>		<p>Accepted in principle.</p>
<p>11. So far as the small scale sector is concerned, the import policy should provide only two categories of items, namely banned and open and the third category of 'restricted' items which can be allowed to be imported subject to indigenous clearance, should be done away with, at least as a trial for one year.</p>		<p>Accepted.</p>



1	2	3
12. The new procedure for processing and disposal of applications for licences should be clearly spelt out and the role of the DC, SSI, the Directors of Industries and the licensing authorities defined in specific terms. The outline of the new procedure should be as suggested by the Study Team.	Accepted subject to the modification that instead of the list of restricted industries as recommended by the Study Team, there will be a list of banned industries in respect of which new growth is to be discouraged.	
13. A time-table should be prescribed for various stages of processing of applications for licences so as to finish the licensing work in the SSI sector latest by the 30th September.	Accepted in principle subject to the allocation of foreign exchange in time.	
14. The DC, SSI and the Directors of Industries, should be called upon to make an immediate review of their arrangements for handling the work falling to their share in the new scheme of things so as to be prepared fully and in time.	Accepted.	
15. The procedure for licensing to small scale units sponsored by the State Drugs Controllers, the Textile Commissioner, the Directors of Handlooms and the State Directors of Fisheries should be the same as for other small scale industries.	Accepted.	
16. Short-term 'familiarization' courses should be held to give training where the officers of the level of Assistant, Deputy and Joint Directors of Industries and Licensing authorities should be brought together and the whole scheme and its implications explained. There should also be frequent meetings between the sponsoring and licensing authorities during the first year of implementation of the new procedure. Also selected Assistant Controllers from the regional port offices may be sent on one year's deputation to the State Directorates to guide the sponsoring work.	Accepted in principle.	
17. The DC, SSI should be closely associated at the stage of processing the Report as he has to pay a crucial role in the procedure for licensing.	Accepted.	
18. CCI&E should take urgent steps to give publicity to the new procedure.	Accepted.	
19. The 'pack value' system may be extended to embrace more and more industries during each licensing period subject to a review of both the pack value and the items to be imported at the commencement of each period in the light of the indigenous angle and other relevant factors.	Accepted.	

1	2	3
20.	The work relating to the grant of licences to SSI units for import from rupee payment areas should be decentralised.	Accepted.
21.	The State Directors of Industries should be authorised to pool together the small requirements of raw materials, components and spares of actual users (say Rs. 250/- in each case) for import and distribution through the State Sponsored Corporations.	Accepted.
<i>II. Scheduled Industries borne on the Books of DGTD</i>		
22.	Applications from scheduled industries should be invited in duplicate only. The form of application should also be as suggested by the Study Team.	Accepted.
23.	An industrial undertaking in the scheduled sector should, for each industry handled by it, make consolidated applications covering its annual requirements of raw materials, components and spare parts, but excluding non-ferrous and ferrous metals. The applicant should also furnish an extra copy of the list of goods applied for which should be returned to him by the DGTD with such amendments as he may make.	Accepted.
24.	The CCI&E's organisation may make suitable adjustment in the filing number and indexing system to mesh with the processing of import applications on the code numbers allotted by the DGTD to scheduled units.	Accepted.
25.	A delayed application received from the DGTD with his recommendation should be accepted by the CCI&E unless the contrary is indicated by the DGTD.	Accepted.
26.	A time table should be devised whereby all applications are received by DGTD by 15th May, its recommendations sent to the CCI & E by the 31st August and all licensing completed by 30th September. If foreign exchange allocation can be made earlier than 30th June, the time-table will be advanced accordingly.	Accepted subject to the availability of foreign exchange ceiling in time.
27.	The necessity of requiring the party to get a non-availability certificate can be entirely done away with by allowing a certain percentage of the assessed requirement of an item out right and considering further import only when the DGTD is satisfied that the demand cannot be met from the indigenous sources. The list of indigenous manufacturer should be published by the DGTD in consultation with the DC, SSI, simultaneously with the Red Book.	Accepted.

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28. The itemised quantitative limits on licences should apply to speculative and indigenously available items; flexibility upto 25% being allowed for importing even those items subject to overall value of the licence. The licensees should also be allowed to utilise upto 25% of the value of licence for permissible spare parts and small tools not indicated in the licence and out of this 25%, upto 5% or Rs. 2,500/- whichever is less, may be allowed for import of even spares which are not otherwise permissible but which are not banned and are required for servicing, maintenance or replacement of the plant installed in the licence holder's factory.	Accepted.	
29. The recommendation of the D.G.T.D. need be signed by only one Technical Officer and a copy of the recommendation should also be sent to the applicant. The recommendation should also contain reasons for rejecting or reducing the amount of any item asked for.	Accepted.	
30. The D.G.T.D. should also invariably send the lists of goods duly attested to the CCI&E with their recommendation. Further attestation, where necessary, should be done by the CCI&E's office without requiring the party to come through the D.G.T.D. for attestation. The CCI&E's office should be able to issue licences within a period of one month of the receipts of recommendation strictly on the basis of DGTD's advice. A plain paper copy of the licence may be sent to D.G.T.D. only where the advice has not been observed in its entirety.	Accepted.	
31. All licences for raw materials, components and spare parts to scheduled industries should be issued on annual basis. The holders of licences valued upto Rs. 5,000/- should be allowed to utilise their licences in one lot. The licensees holding licences valued between Rs. 5,001/- and Rs. 15,000/- should be allowed the concession of committing the entire amount of the licence at any time during the validity period subject to the condition that not more than 50% of the value of the licence is	Accepted.	

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paid during the first half of the licensing period. In the case of licences above Rs. 15,000/- in value, the licensees may be allowed to place orders and commit against 75% of the face value of the licence even in the first half of the licensing period subject to the condition that out of the 75% committed, not more than 50% of the total value of the licence should be paid in the first half.

*III. Scheduled Industries not borne on the Books of the DGT D and Non-Scheduled Industries other than Small Scale.*

32. The applications for licences by scheduled industries not borne on the books of the D.G.T.D. and non-scheduled industries other than small scale should also be made through the sponsoring authority concerned and the procedure for sponsoring and processing of the applications may be the same as in the case of D.G.T.D.'s units. The licences to such industries should also be issued on annual basis subject to the same restrictions and relaxations about utilisation, commitment or payment as suggested in the case of D.G.T.D.'s units. Accepted.
33. The licences for spare parts to Woollen Hosiery manufacturers should be granted on the recommendation of the Director of Industries within the ceiling placed at his disposal by the Textile Commissioner. Accepted.
- IV. Other Procedural Matters regarding Actual Users* Accepted.
34. The actual users should not be made to suffer in their entitlements if the licences are issued late for no fault on their part.
35. The period of 30 days allowed to the applicants for making up deficiencies in their application should count from the date the deficiencies are intimated to them. Accepted.
36. The stocks and expected arrivals as on the commencement of the period should be taken into account for calculating the entitlement of actual users. Accepted.
37. The licensing of machine tools may be transferred from the D.G.T.D. to the CCI&E.

1	2	3
38. Special arrangements should be made like earmarking separate staff and opening of 'Counters' for disposal of applications for amendment and revalidation of licences. It should not take more than 2 days to dispose of an application for amendment and 7 days to finalise a request for revalidation.		Accepted.
39. Mangalore District of Mysore and Coimbatore District of Madras should be brought under the jurisdiction of Controller of Imports, Bangalore and Jt. CCI&E, Madras respectively.		Accepted.
C. ESTABLISHED IMPORTERS		
40. An application for quota certificate should not take more than 21 days in disposal. Except in doubtful cases, the documents of past imports for establishment of quota should be verified after the issue of the quota certificate and such verification should not take more than a month.		Accepted.
41. The application for licence should include a column requiring the applicant to furnish a declaration regarding the selection of common basic year by different branches of the applicant firm.		Accepted.
42. All licences to established importers should be issued on annual basis subject to the same conditions regarding utilisation or payment as have been suggested in the case of small scale industries.		Accepted.

D. S. JOSHI  
*Secy.*

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1965



**REPORT OF THE  
STUDY TEAM ON  
IMPORT AND EXPORT  
TRADE CONTROL  
ORGANISATION**

**PART II**

109252

**DIRECTORATE OF COMMERCIAL PUBLICITY, MINISTRY  
OF COMMERCE, GOVERNMENT OF INDIA, NEW DELHI**



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CONTROL ORGANISATION

(PART II)

DIRECTORATE OF COMMERCIAL PUBLICITY, MINISTRY  
OF COMMERCE, GOVERNMENT OF INDIA, NEW DELHI



## LETTER OF TRANSMITTAL

H. C. MATHUR, M.P.,  
CHAIRMAN,  
*Study Team on the  
Import and Export Trade  
Control Organisation.*

NEW DELHI,  
*Dated the 22nd December, 1965.*

My dear Manubhai,

I have the honour to submit the second and final report of the Study Team appointed to go into the working of the Import and Export Trade Control Organisation. You will recall that our first report was made in March last. It is indeed gratifying that most of our recommendations were accepted by Government and were also well received outside. I hope our present recommendations will also be found worthy of acceptance. I feel sure that what we have recommended will result in improvements all round.

2. Our approach from the beginning has been first to examine the substantive activity handled by the Chief Controller's organisation in order to find out where improvements can be suggested, not excluding even such points of policy as have a vital bearing on procedures. It was only after we had had a new and comprehensive look at the substantive task of the department that we found it possible to go into the servicing or administration side of the problem.

3. This report, therefore, first completes our survey of the department's substantive activity commenced in our earlier report. I think our most important recommendations are in respect of import licensing for capital goods required by the private sector and import licensing for public sector undertakings. There could be a feeling that with a deteriorating foreign exchange position the present is not the time for relaxing procedures in regard to import licensing, but we have taken the view that it is particularly necessary to make procedures simple and rational when resources are restricted because otherwise complications in procedure by themselves tend to deprive us of the optimum use of whatever small resources are available. I hope that our recommendations for simplification, decentralisation, elimination of unnecessary duplication and so forth will be seen in this background.

4. On the servicing or administration side, I would like to underline the importance of our recommendation for constituting an import trade service. The focus of this study team's task was on procedures, but changes in procedures have certain obvious limitations. Eventually, efficient working will depend on the kind of men the department can get. It is not the case that good men cannot be recruited without there

(ii)

being a regular service; if that were so it would be difficult to explain the existence of the many fine officers the department already has. A regular service would, however, systematise the recruiting of good material and ensuring that its prospects and service conditions are at least at par with those of similar employment elsewhere in the Government.

5. I would also mention our proposals for reorganising the headquarters office of the Chief Controller and also the various port offices. The merit in our having looked at substantive activity before attempting reorganisation has been reflected in the resultant recommendations. What we have proposed should result in considerable economy of staff and money. The headquarters office alone can surrender 73 persons. As for port offices, we studied only the Bombay office and there we find that work can be handled with only 451 men as against 562 at present. The reorganisation of the headquarters and the Bombay office suggested by us should result in a saving of about 7 lakh rupees per annum; if similar reorganisation is carried out in other port offices a further saving of about 5 lakh rupees is estimated. I mention these facts not because economy was our objective, but rather to emphasise that a thorough work study should result not only in improving efficiency but also in effecting savings.

6. The department we have had the privilege to study for over a year has a large clientele. The success of our work will be tested by the quality of service rendered to all who have dealings with the department. We have tried to keep this factor in the fore-front of our thinking, and have suggested a number of measures broadly falling under the title "public relations". We attach a great deal of importance to this aspect of our recommendations and venture to hope that what we have had to say in this field may be of some use to other departments also.

7. The study has been a stimulating and enjoyable experience for all of us. We are grateful for the opportunity given to us to examine the working of an important organisation like this one. We should like to record our sincere appreciation of the unfailing assistance and co-operation given to us by Shri P. Sabanayagam, the Chief Controller, and all his officers. The team was fortunate in having extremely competent secretaries, first in Shri Sushil Kumar and later in Shri Takhat Ram.

Yours sincerely,

H. C. MATHUR

Shri Manubhai Shah,  
Minister of Commerce,  
Government of India,  
New Delhi.

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## CHAPTER ONE

### INTRODUCTORY

It is necessary to have an introductory chapter to this second and final part of our report because it was over nine months back, on the 8th March 1965, that our earlier report came out, and there should be a bridge between that report and this one, if only to emphasise that the two are parts of what has essentially been a single exercise.

2. The task entrusted to the Study Team was to go compositely into the working of the organisation of the Chief Controller of Imports and Exports and to suggest measures for improvements. In the total functioning of any organisation, there are always two aspects: substantive activity, in this case control over imports and exports; and the servicing of substantive activity, i.e. organisation, personnel and all other items which come under the embrace of the word 'administration'. Our line of approach from the beginning has been first to examine the substantive activity of this organisation to find out where improvements can be suggested, not excluding even points of policy having a vital bearing on procedures. Improvements on the servicing side, we felt, could only be suggested in the context of a new and comprehensive look at the substantive task handled by the department.

3. It was in pursuance of this line of thinking that our earlier effort, which we styled Part I of our report, sought to cover as comprehensively as possible all aspects of import licensing for raw materials, components and spares in the case of actual users and also licensing for established importers. It was gratifying that our recommendations were found mostly acceptable by Government and were also well received by the clientele of the department. We were anxious that our views should be with Government in time to be made use of in respect of policy formulation for 1965-66 and that was why we made our first stage report in March last. Unfortunately, the deteriorating foreign exchange position resulted in the Red Book for the year not coming out in the month of April, as is usually the case, and the point of our report being timed for March was in the event lost. The foreign exchange crisis affected also the implementation of some of our recommendations which had earlier been accepted by Government. We hope, that subject to feasibility, these will be implemented in due course. The principles underlying them having found favour has encouraged and enabled us to cover our remaining task with the same kind of approach that we adopted earlier.

4. In this part of our report, we have first completed the examination of the substantive activity of the department begun in our earlier report. On the import control side this meant going into import licensing for capital goods required by the private sector, import licensing for public sector undertakings and State electricity boards, import in connection with trade with Afghanistan and import of a personal kind and of baggage. Export control does not present as many complexities as control over imports, but here too our study resulted in some recommendations. In the field of export promotion we restricted our study to procedures for import licensing under E.P. schemes. A comprehensive study of export promotion was beyond our terms of reference; also the incentive schemes in this sphere have been studied recently by other bodies. Our objective in all these studies was to

eliminate superfluities and to simplify procedures of work to the mutual advantage of both the department and its clientele.

5. We then examined a few overall points which affect substantive operations generally. Most important of these was the process through which import and export policy is formulated. This in fact is at the root of the department's activity and we felt it necessary to suggest provisions that would ensure that the policy evolved from time to time is rational, simply expressed and easily implemented. Next, we looked into the system of appeals in the confident belief that a sound appeals procedure, embodying basic principles of natural justice, is the best corrective for possible maladministration or wrong decisions. Finally, we went into the whole question of public relations comprehensively, examining in the process the role of public relations in an organisation like this, the procedures that should obtain to make public relations work more effective than at present and the organisation suitable for the purpose. Each of these overall points is significant because of the widely favourable impact sound practices here can have on the work of the organisation.

6. Eventually we took up the servicing aspect. If our recommendations about organisation and personnel suffer from the defect of too much detail it is only because we felt these to be crucially important subjects where it would not do to leave points half worked out. As a matter of fact, our most important recommendations, such as the reorganisation of the headquarters and port offices and the constitution of an Indian Trade Service, are not fully worked out and much work will need to be done after their acceptance to fill in details. But we have tried to take each recommendation to a stage of detail where there can be no misunderstanding of what we have in mind and from where implementation can commence without any ambiguity about the major issues involved. In all our proposals we have taken full account of the procedural simplifications and policy adjustments recommended by us on the side of substantive activity. In fact it is to a large extent because of these simplifications and adjustments that we have found it possible to suggest significant streamlining of the organisation. An important feature of our recommendations in the elimination of office noting in most divisions, where the nature of work calls for noting, as in policy sections, we visualise an-officer oriented system. In other sections where work is capable of being 'routinised', such as all licensing sections, we have relied on the technique of making clerks use suitably devised forms and checksheets instead of their noting on files. Our reorganisation proposals, despite additional units suggested for items of work like public relations and O&M, will result in considerable economy both of men and of funds. The monetary saving may be of the order of Rs. 12 lakhs per annum.

7. With the completion of this study one stage is over. But the more important stage of implementation will now begin. A heavy responsibility in this connection will rest on the O & M unit, proposals for strengthening which are at the appropriate place in this report. Implementation will not simply be a matter of issuing instructions; it will need painstaking follow-up and the will and ingenuity to find answers to the unforeseeable hurdles and difficulties that are likely to arise. We are confident, in the background of Government's ready acceptance of our earlier report and the continuing co-operation and help we have received from the head of the department and his officers at all levels, that implementation will present no insuperable problems and will yield results fully up to our expectations.

8. Shri S. S. Kumar, who was with us in our earlier report, could not continue as a member in view of his transfer to another assignment. His successor in the post of Director General, Technical Development, Shri P. C. Kapoor, took his place in the Study Team. Shri Sushil Kumar, Member-Secretary, also had to leave us because of his selection for study abroad; he was replaced by Shri Takhat Ram on the 19th September, 1965.

9. The Study Team followed the same methods of study as in the first report, and was benefited by a wide range of case studies carried out by the analyst staff. A special point was made of discussing matters with representatives of the departments and interests concerned in particular issues, and we owe a debt of gratitude to all who helped us in this process of discussion. The Study Team and its working group on procedures held 32 meetings for this part of the report.

## CHAPTER TWO

### IMPORT OF CAPITAL GOODS BY THE PRIVATE SECTOR

#### EXISTING PROCEDURE

The procedure for the issue of licences for import of capital goods *i.e.* plant and machinery is different from that followed in respect of raw materials, components and spares. With the following exceptions, import licences for capital goods are issued at the headquarters office of the CCI&E :

- (i) the JCCI&E., Bombay is the licensing authority for textile and and hosiery machineries;
- (ii) the JCCI&E., Calcutta is the licensing authority for jute, hemp, coal mining and tea machineries; and
- (iii) the respective regional licensing authorities deal with applications from SSI units for import of machinery valued upto Rs. 5,000 in each case.

The Development Officer (Tools) in the Directorate General of Technical Development was also the licensing authority for machine tools for applications below Rs. 1,00,000 in value; but in pursuance of the recommendations contained in Part I of our report, as accepted by Government, this work has been transferred to the CCI&E.

#### CG/CG AD HOC COMMITTEES

2. Applications falling under the jurisdiction of the headquarters office are considered by one or the other of two committees, *viz.* (i) C. G. Committee and (ii) C. G. Ad Hoc Committee. The C. G. Committee functions in the Ministry of Industry & Supply, the secretary of the Department of Industry being the chairman of the committee. The Economic Adviser to the Ministry of Industry and Supply is the secretary of the C.G. Committee. The other members include representatives of the Directorate General of Technical Development, the Department of Economic Affairs, the Planning Commission, the Ministry of Steel & Mines, the Ministry of Petroleum & Chemicals and the CCI&E. The C.G. Ad Hoc Committee functions in the office of the CCI&E with the CCI&E as the chairman. The members include representatives of the DGTD, the development Commissioner, Small Scale Industries, the Central Water & Power Commission, the Department of Industry and the Economic Adviser. The work between these two committees has been distributed according to the value of the licences applied for. Applications for a value higher than a specified value are placed before the C.G. Committee while others go before the C.G. Ad Hoc Committee. Meetings of the C.G. Committee are held fortnightly and those of the C.G. Ad Hoc Committee once a week. Applications for import of heavy electrical plant under the HEP scheme and from Government Undertakings/projects which are accompanied by foreign exchange release authorisation from the sponsoring Ministry are not placed before either committee. There is no last date fixed for submission of applications for capital goods and applications are considered as and when they are received.



### PROCESSING OF APPLICATIONS PLACED BEFORE C. G. COMMITTEE

3. Applications which are to be considered by the main C. G. Committee are required to be submitted by the applicants direct to the Director General Technical Development. The first scrutiny on these applications is done by the Director General Technical Development. In respect of units borne on the books of the Director General, the applications are scrutinised by him both for essentiality and from the indigenous angle, while applications from other sources including small scale units are scrutinised from the indigenous angle only. If the Director General recommends rejection of all the items sought to be imported, he sends the application straight to the CCI&E for further necessary action. However, applications which are supported by the Director General for the grant of licences are forwarded to the administrative ministry concerned where they are further examined. The administrative ministry then prepares a summary in the prescribed form and manner and forwards it to the Foreign Exchange section of the Ministry of Industry & Supply for placing the case before the C.G. Committee. The Foreign Exchange section is the coordinating section for receiving summaries and framing the agenda for the C.G. Committee. Minutes of the C.G. Committee are also prepared and circulated by this section. On receipt of the minutes, the administrative ministry concerned takes further action as indicated in the minutes. It has sometimes to write to the applicants or others for obtaining additional information or clarification or advice, as may be necessary. The recommendation of the C.G. Committee is then communicated by the administrative ministry to the CCI&E along with the relevant file containing the application for further action. The applicant is also informed of the recommendation of the C.G. Committee by the administrative ministry.

4. In the office of the CCI&E there is a separate division to deal with applications for import of capital goods. This division has a co-ordinating section which is called the 'C.G. Cell'. Files, containing applications for licences, the summary of the case as placed before the C.G. Committee and an extract of the decision of the committee are received from the administrative ministry concerned first in the C.G. Cell. The Cell gives the file number of the CCI&E's office to the application and then transfers the file to the respective licensing section in the C.G. division dealing with the particular industry to which the application pertains.

### PROCESSING OF APPLICATIONS PLACED BEFORE C.G. AD HOC COMMITTEE

5. Applications for import of capital goods which are to be considered by the C.G. Ad Hoc Committee are submitted to the CCI&E (From April, 1965-March, 1966 period, such applications are required to be submitted through the sponsoring authority concerned). The point of receipt is the C.G. Cell where all applications are registered. The C.G. Cell undertakes a preliminary scrutiny, in particular to see whether treasury challans and I.V.C. numbers have been furnished, whether a licence under the Industries (Development & Regulation) Act 1951 has been obtained where necessary, whether the essentiality certificate or recommendation of the sponsoring authority has been furnished where the application is against foreign exchange loan from private parties or from financial institutions such as ICICI and IFC. In the case of incomplete applications, the C.G. Cell writes to the applicant for obtaining the required information. After issue of such deficiency letter, the relevant file is passed on to the licensing section concerned. Here-

also as in the case of applications intended for the C.G. Committee, the advice of the Director General Technical Development is obtained both for essentiality and from the indigenous angle in respect of units borne on his books; for others the DGTD is consulted only as regards indigenous availability. In the case of small scale units, essentiality is determined by the Development Commissioner, Small Scale Industries. After obtaining the advice of the DGTD or the DC(SSl), and after the papers are complete, the application is returned by the licensing section to the C.G. Cell for being placed before the C.G. Ad Hoc Committee. The Cell acts as the secretariat of the C.G. Ad Hoc Committee and is responsible for preparing the agenda for meetings and minutes of decisions. Extracts of recommendations of the C.G. Ad Hoc Committee are placed in the relevant files which are then sent back to the licensing sections for further action.

6. An application for the import of capital goods involves consideration from four different aspects :—

- (i) essentiality;
- (ii) indigenous availability;
- (iii) availability and allocation of foreign exchange; and
- (iv) determination of priority.

The essentiality of a particular item desired to be imported is determined by the sponsoring authority concerned, such as the DGTD in the case of units borne on his list, the DC(SSl) in the case of small scale industries, and authorities like the Tea Board, Coffee Board, etc. in the case of industries under their charge. The authority to give indigenous clearance in all cases is the Director General of Technical Development. Points (iii) and (iv) above are looked after by the C.G. Committee or the C.G. Ad Hoc Committee.

#### CASE STUDIES

7. The total number of C.G. applications received during 1962-63 (excluding applications concerning public sector projects, HEP, TISCO & IISCO) was 3,857. Of these, a sample of 150 cases was studied. The sample included applications placed before the C.G. Committee and those which did not require consideration by the committee *i.e.* applications relating to foreign collaboration schemes etc. In the case of applications falling within the purview of the C.G. Committee, the average time taken for final disposal was 405 days; nearly half of this was before the application came to the C.C.I. & E's office with the recommendation of the C.G. Committee. Of the time taken in the CCI&E's office, on an average, 75 days were taken by other organisations which are consulted and 52 by the applicants in furnishing additional information asked for from them.

8. The average time taken in the case of applications considered by the C.G. Ad Hoc Committee was comparatively less, *viz.* 177 days. Of this period, 44 days were taken by organisations other than CCI&E, 32 by applicants in furnishing missing information. About 101 days were taken by the CCI&E's office itself.

9. Some types of cases do not require consideration by either of the two Committees, as for example cases pertaining to collaboration schemes. Such cases were also studied and it was found that their disposal was speedier, the average time taken in disposal being 87 days.

10. The CCI&E's office received 78 requests for amendment of licences in the cases covered by case studies. The average time taken by the CCI&E's office in carrying out the amendment was 23 days. There were 36 requests for revalidation and the average time taken in their disposal was 21 days.

11. There were representations from the applicants in 14 cases. Of these, the original order was revised in six cases only. The average time taken in deciding the representations and communicating the decisions to the parties was 149 days.

12. A summary of the results of case studies appears at Appendix I.

#### ANALYSIS OF THE PROBLEM

13. We appreciate the position that, as against applications for raw materials, those for capital equipment require greater scrutiny and, therefore, comparatively longer time for disposal. However, we feel that the time actually taken in the disposal of such applications as revealed by results of case—studies is considerably more than what is necessary. This seems to be due largely to a somewhat involved procedure followed in the process of disposal. Although applications are eventually considered by a committee, they are also referred individually to the various authorities who are represented on the committee. The existence of both consultation procedures adds up the processing time and largely defeats the object of having a committee. There is avoidable movement of papers from office to office. The study revealed that in the case of even "key" industries, applications had to go to the concerned section in the administrative ministry four or five times. Some SSI cases had to go to the licensing section concerned six times before the issue of licence. Similar is the position with regard to other categories of applicants and applications had to go to a particular section more than once. In view of this, an attempt to simplify procedure must deal with two major delaying aspects, namely (i) procedures governing submission of applications to the C.G./C.G. Ad Hoc Committee and (ii) procedures responsible for avoidable movement of paper between offices. We have given careful thought to both these aspects before suggesting simplifications in the existing procedure.

#### Recommendation

14. As stated above, although applications are eventually to be placed before a Committee, these are also individually referred to the authorities who are represented on the committee and could express their views in the committee. Thus applications are examined both on 'files' and in committee. The multiplicity of procedures leads to delay in the disposal of cases. Therefore, the first question we considered was whether there is any need for a committee to consider applications for capital goods. There was no such committee prior to the year 1957. In the context of foreign exchange difficulties and planned industrial development, the conditions obtaining today are different from those existing before 1957. There is a greater need today of a selective approach in order to utilise the available foreign exchange resources to the maximum advantage of the country. We, therefore, feel that the need for a committee to consider applications cannot be altogether dispensed with. However, we recommend that, except for technical examination and determination of essentiality by the D.G.T.D. or the D.C. (SSI), all other issues pertaining to an application for C.G. licence should be examined in committee meetings, that in other words indi-

vidual files need not be referred to any other authority and that agenda papers for meeting should bring out all issues clearly to enable members to come prepared to take final decisions.

15. The next question is whether there should be two committees as at present or only one, and whether the present demarcation of responsibilities between the two committees is sound. The existing distribution of work between the two committees seems to have been based on the rationale that only such cases may be considered by C.G. Ad Hoc Committee as relate to replacement, balancing, modernisation and other developmental needs of existing units as well as all cases of small scale industries. But, as it is, even such cases can go to the C.G. Committee if the value of the machinery sought to be imported happens to be in excess of the specified value limits. Thus the present demarcation of functions between the two committees does not appear to be very logical. We feel that the advantage in the Ministry of Industry and Supply handling any category of C.G. applications lies mainly in those cases where industrial licensing is also involved, and for this a separate arrangement may continue. In all other cases there seems to be no reason to justify two separate committees, and no particular reason why the Ministry of Industry and Supply should be burdened with the handling of small cases. Since the function of licensing is primarily that of the CCI & E, we are inclined to think that, except where industrial licensing is involved, all applications should be considered by the C.G. Ad Hoc Committee. This would, in our opinion, be a more rationale arrangement than the present one and would help to cut out some of the delays which are inherent in the present process. Cases which would come over to the C.G. Ad Hoc Committee would be handled under the simpler and quicker procedure obtaining here. Cases left with the C.G. Committee would be fewer than now, and the link up with the relevant industrial licensing cases may be more easily achieved.

#### Recommendation

16. We, therefore, recommend that the C.G. Ad Hoc Committee should be reconstituted so as to include representatives of the department of Economic Affairs, the Planning Commission, the D.C. (SSI) and the administrative ministries. We also recommend that the distribution of work between the C.G. Committee and the C.G. Ad Hoc Committee should be as under :—

- (a) all applications for import of capital goods where an industrial licence is to be issued or the existing industrial licence is to be amended should go to the C.G. Committee;
- (b) all applications for import of capital goods not covered by (a) above should go before the C.G. Ad Hoc Committee.

#### PROCESSING OF APPLICATIONS

17. From the period April 1965-March 1966, licence applications required to go before the C.G. Ad Hoc Committee will not come direct to the Chief Controller of Imports and Exports but through the Directorate General of Technical Development/D.C. (SSI). This change in procedure will, no doubt, simplify matters and eliminate some delay in the finalisation of cases. However, we have analysed the existing procedure in order to simplify it even further.

## Recommendation

### (i) *D.G.T.D. Borne Units*

18. We recommend the following procedure for handling applications from D.G.T.D. borne units :—

- (i) The applicant should submit his application, to the CCI&E through the D.G.T.D. as at present, in duplicate in the prescribed form along with the required number (seven copies) of list of items sought to be imported. On receipt of the application, the D.G.T.D. should send an acknowledgement-cum-deficiency letter to the applicant acknowledging the application and pointing out any deficiencies in it. Such letter should be issued within a period of 7 days. The applicant should be given a specified time-limit (10 days) to make up the deficiencies or to furnish further information or clarification as may be necessary.
- (ii) The application should then be scrutinised by the D.G.T.D. from the point of view of essentiality. If the D.G.T.D. does not consider the import essential, he should forward the application to the Chief Controller of Imports & Exports recommending rejection.
- (iii) If, on the other hand, the D.G.T.D. considers the import essential, he should scrutinise the items applied for from the indigenous angle. In case all the items sought to be imported are available from indigenous sources, the D.G.T.D. should forward the application to the Chief Controller recommending rejection and indicating the names of indigenous manufacturers in respect of items not already covered by the Hand Book of Indigenous Manufacturers.
- (iv) Where the D.G.T.D. considers the import essential and the items applied for are not available from indigenous sources, the application should be forwarded to the Chief Controller with a recommendation for the issue of a licence in respect of items considered essential and not available indigenously. While sending a recommendation to the Chief Controller the D.G.T.D. should invariably attest one copy of the list of items recommended for import.
- (v) While forwarding an application to the Chief Controller the D.G.T.D. should also suitably inform the applicant and communicate the gist of his recommendation to him.
- (vi) The D.G.T.D. should aim to dispose of each case within a range of 15 to 31 days as already recommended by our counterpart team on the D.G.T.D.'s organisation. The time taken by the party in furnishing clarification etc. will be over and above this time limit.

19. Applications for licences which, according to our recommendation, will have to be placed before the C.G. Committee in the Ministry of Industry and Supply should be sent to the Chief Controller after they have been disposed of by the C.G. Committee along with the minutes of the committee. All that needs to be done in such cases is to ensure that a licence or a letter of rejection issues promptly.

(ii) *S.S.I. Units*

20. Under the existing procedure, small scale units have first to obtain an essentiality certificate or recommendation from the State Director of Industries. Where the value applied for is up to Rs. 5,000, applications are sent to the regional licensing authorities, and where the value exceeds Rs. 5,000, to the headquarters office of the Chief Controller through the D.C. (SSI), New Delhi, along with the essentiality certificate or recommendation issued by the Director of Industries. The D.C. (SSI) forwards the applications to the Chief Controller with his comments in regard to essentiality. If the DC (SSI) does not consider the import essential, the application is rejected by the Chief Controller and such applications are not generally placed before the committee. The applications cleared by the D.C. (SSI) are, however, forwarded by the Chief Controller to the D.G.T.D. for obtaining advice on the indigenous angle. If all items sought to be imported are available from indigenous sources, the Chief Controller rejects the application. Applications in respect of items not available indigenously and whose import is considered essential, are placed before C.G. Committee or the C.G. *ad-hoc* Committee, depending upon the value of the application. Further action is taken on the basis of the recommendation of the committee.

21. Unlike industries borne on the books of the D.G.T.D. small scale Industries have two sponsoring authorities, namely the State Director of Industries and the D.C. (SSI). While the Director of Industries screens applications with reference to the bonafides of the applicant and his requirements, the D.C. (SSI) examines from the point of view of essentiality having regard to overall national priorities. Thus both authorities consider the applications one after the other from the essentiality angle only although two different aspects of it. Over and above, there is the third authority (the D.G.T.D.) coming into the picture for examining applications from the indigenous angle. This makes for a cumbersome procedure and results in delays. Therefore the question which we have first considered is whether it is necessary for every application for capital goods from small scale units to be screened both by the State Director of Industries and the D.C. (SSI). We feel that it should not be necessary for State Directors of Industries to deal with all applications for import of capital goods irrespective of whether the industry sought to be set up would require imported or scarce raw materials or not. It is only where the new installation or expansion of existing unit would require imported or scarce raw materials that it would be appropriate for the application to come through the Director of Industries, as the permission to import machinery will directly or indirectly constitute a commitment for import of raw materials or for supply of scarce raw materials against the available resources of foreign exchange or imported goods placed at the disposal of the State Director of Industries. But where a new proposed industry would not require imported or scarce raw materials or where an existing unit not consuming imported or scarce raw materials seeks expansion, we do not consider that such applications for capital goods should be routed through the State Director of Industries. Such cases need an examination only from the angle the overall planning of industry which is more the concern of the D.C. (SSI). In view of this, we recommend that in cases where the installation of machinery would not require any imported or scarce raw materials, the prior recommendation of the State Director of Industries for the import of machinery is not necessary. In such cases essentiality should be certified by the D.C.(SSI) alone.

While examining such cases, the D.C.(SSI) should give due regard to the consideration that raw materials which are scarce, may become freely available in future or vice versa. In other cases, that is, those where the installation of machinery or its expansion would require imported or scarce raw materials, the recommendation of the State Director of Industries should continue to be necessary.

22. The second question examined by us in relation to small scale industries is with regard to obtaining indigenous clearance. Although the D.G.T.D. is not looking after these industries, the applications have to be referred to him for obtaining indigenous clearance. Therefore, each application has to be examined both by the DC(SSl) and the D.G.T.D. In order to eliminate application-wise references to the D.G.T.D. as far as possible, the Development Commissioner (Small Scale Industries) should obtain package clearance from the D.G.T.D. at the commencement of a licensing year in regard to items of capital goods commonly asked for by small scale units. On the basis of such a clearance, the D.C.(SSI) could himself proceed to give indigenous clearance in individual cases. It should be necessary for him to make a reference to the D.G.T.D. only where the package clearance list does not cover a particular case. In such a case, the Development Commissioner (Small Scale Industries) should only refer the items not covered by the list to the Director General Technical Development for indigenous clearance. We recommend that an arrangement on these lines should be introduced in regard to small scale industries work.

#### **Recommendation**

23. Based on the above, we recommend that the following procedure should be followed for dealing with applications for capital goods from small scale units where the licensing authority is the headquarters office of the Chief Controller :—

- (i) Small scale units should submit their application in duplicate in the prescribed form addressed to the Chief Controller in the manner indicated below :—
  - (a) where the installation of machinery would not require any imported or scarce raw materials, the application should be sent by the party to the D.C.(SSI) direct with a copy to the State Director of Industries. The purpose of endorsing a copy to the Director of Industries is that if he has to make any comment, he should send his comments to the D.C.(SSI).
  - (b) where the installation of machinery would require imported or scarce raw material, the application should be sent to the State Director of Industries with a copy to the D.C.(SSI). The purpose of endorsing a copy to the D.C.(SSI) is to keep him informed of the number of cases pending with the Directors of Industries.
- (ii) The sponsoring authority, whether the D.C.(SSI) or the Director of Industries, should, within a period of 7 days, issue an acknowledgement-cum-deficiency letter to the applicant giving him a time-limit of 10 days to make up the deficiencies, if any.
- (iii) The sponsoring authority should then examine the application from the point of view of essentiality for allowing the import.

If he does not consider the import essential, he should forward the application to the Chief Controller recommending rejection. In the case of an application referred to in (i)(b) above, a State Director of Industries, while forwarding the application to the CCI&E, should also endorse a copy of his forwarding letter to the DC(SSl) for information.

- (iv) If in the case of an application made through a State Director of Industries, he considers the import essential, he should forward the application to the DC(SSl) New Delhi with his recommendation.
- (v) In the case of applications received by the DC(SSl) New Delhi, whether from the parties direct or through the State Director of Industries, the D.C.(SSl) will examine them both for essentiality and from the indigenous angle.
- (vi) If the D.C.(SSl) does not consider the import essential, he should forward the application to the Chief Controller with his recommendation for rejection without looking into the indigenous angle.
- (vii) If on the other hand the D.C.(SSl) considers the import essential, he should scrutinise the items from the indigenous angle on the basis of the package clearance obtained by him from the D.G.T.D. as already recommended by us. In case he finds that all the items sought to be imported are available from indigenous sources, he should again forward the application to the Chief Controller with his recommendation for rejection, indicating the names of indigenous manufacturers of items not covered by the Hand Book of Indigenous Manufacturers.
- (viii) In the case of items not available indigenously and whose import is considered essential, the D.C.(SSl) should forward the applications to the Chief Controller with his recommendations for licences. While sending the applications along with his recommendations to the Chief Controller, he should invariably attest one copy of the list of items recommended for import.
- (ix) While forwarding the applications to the Chief Controller, the D.C.(SSl) or the State Director of Industries as the case may be should also inform the applicants and communicate to them a gist of the recommendation. A standard form of communications to be sent to the applicants should be devised.
- (x) It should not take the State Director of Industries more than 15 days to dispose of an application and the D.C. (SSl) a period of more than a month to forward the application to the Chief Controller with his recommendation. The time taken by the party in furnishing clarification etc., will be over and above this limit.

#### **Recommendation**

24. Applications from small scale units for import of machinery valued up to Rs. 5,000 in each case should continue to be dealt with by the regional licensing authorities. The applications should be submitted by the parties through the State Directors of Industries. A State Director of Industries should, within a period of 7 days, issue to the applicant an acknowledgement-cum-deficiency letter giving the applicant a time-limit of



10 days to make up the deficiencies, if any. Completed applications should be forwarded by the State Director of Industries to the regional licensing authority concerned with his recommendations. While forwarding the applications, the Director of Industries should also inform the applicant giving him a gist of the recommendation. If the Director of Industries requires indigenous clearance in any case, he should refer the application to the D.C.(SSI) before making his recommendation. The D.C.(SSI) should give indigenous clearance on the basis of the package clearance obtained by him from the D.G.T.D. in advance. If, in any particular case, the machinery applied for does not appear in the list of the package clearance maintained by the D.C.(SSI) the application should be placed before the S.S.I. Committee in the office of the D.C.(SSI) for indigenous clearance. The Director of Industries should then process the application further and make a suitable recommendation to the licensing authority on receipt of the advice of the D.C.(SSI). We also make the following further recommendations in respect of applications valued up to Rs. 5,000 :—

- (a) Applications should be made in a form analogous to the revised application-cum-recommendation form (Form B) suggested for raw materials.
- (b) It should be open to the Director of Industries to recommend a licence on an application in excess of Rs. 5,000 but not exceeding Rs. 10,000 in value provided he recommends a licence within the raw material ceiling allocated to him. In such cases also, the applications should be forwarded to the regional licensing authority concerned by the Director of Industries with his recommendations.
- (c) The Director of Industries should not take more than 15 days to dispose of an application. The time taken by the party in furnishing clarification etc. or by the D.C.(SSI) in giving indigenous clearance will be over and above this time-limit.

(iii) *Other Industries*

25. The applicants should submit applications in duplicate in the prescribed form to the Chief Controller through the sponsoring authority concerned. The sponsoring authority should, within a period of 7 days, issue an acknowledgement-cum-deficiency letter to the applicant giving him 10 days time to make up the deficiencies, if any. Completed applications should be examined by the sponsoring authority for essentiality. If the sponsoring authority does not consider the import essential, he should forward the application to the Chief Controller recommending rejection. In case he considers the import essential, he should forward the application to the Director General Technical Development, who should examine it from the indigenous angle and send it with his recommendation accompanied by an attested list of cleared items to the Chief Controller. A copy of the recommendation should go to the sponsoring authority from the Director General Technical Development. The sponsoring authority should inform the applicant giving him a gist of the recommendation. The time-limits recommended by us in the case of Directors of Industries should also apply to the sponsoring authorities.

REVALIATION AND AMENDMENTS

**Recommendation**

26. Applications for revalidation of licences need not be routed through the Director General Technical Development or the D.C.(SSI) or any other

sponsoring authority. Such applications should be sent direct to the licensing authority. Where the party has placed an order or entered into commitment within the initial period of validity of the licence, revalidation may be allowed by the licensing authority as admissible, without consulting the sponsoring authority. But in other cases the sponsoring authority should be consulted.

#### Recommendation

27. Applications for minor amendments should also be sent by the licensee direct to the licensing authority. However, where an amendment in value or description of goods is sought to be made, the application should be made through the D.G.T.D. in the case of units borne on his list, through the Development Commissioner (Small Scale Industries) for small scale units and through the relevant sponsoring authorities in the case of other industries. The D.G.T.D.'s role in regard to indigenous clearance for applications from those other than the D.G.T.D. borne units should be the same as for the original applications.

#### Recommendation

28. In the CCI&E's office, the handling of licence applications other than those to be placed before the C.G. Committee should, we recommend, be governed by the following procedure :—

- (i) In the office of the Chief Controller the applications will be received either from the D.G.T.D. or the D.C. (SSI) or from other sponsoring authorities with suitable recommendations both in regard to essentiality and on the indigenous angle. They should be received first in the C.G. Cell.
- (ii) The C.G. Cell will open files and scrutinise the recommendations. If essentiality has not been certified or if the items sought to be imported have not been cleared from the indigenous angle, the C.G. Cell should dispose of the application without reference to the C.G. Adhoc Committee. The rejection letter in such cases should be issued within 7 days from the date of receipt of application in the C.G. Cell.
- (iii) In other cases where essentiality has been certified and where all or any of the items applied for have been cleared from the indigenous angle, the C.G. Cell should proceed to place the cases before the C.G. Adhoc Committee.
- (iv) If the applications in (iii) above have any deficiencies in regard to T.R., I.V.C. etc., the C.G. Cell should write to the party pointing out the deficiencies. Such a letter should be issued within a period of 7 days and the party should be given specified time limit (10 days) to make up the deficiencies.
- (v) Completed applications should be placed before the Committee. It should not take more than 10 days to put the applications before the Committee.
- (vi) The agenda for the Committee and summary in respect of each case to be circulated to the members should be prepared by the C.G. Cell. The agenda should have two parts :—
  - (a) Cases to be considered by the C.G. Adhoc Committee in respect of each such case, there should be a summary for which a standard form should be devised which clearly brings out the recommendation of the D.G.T.D., the D.C. (SSI), other sponsoring authorities and also all other

points to be taken into account by administrative ministries.

- (b) **List of cases** in respect of which intimation has been received by the Chief Controller from the sponsoring authority concerned to the effect that such cases have been sent to the D.G.T.D./D.C. (SSI) for clearance from the indigenous angle and where such cases have not been received in the CCI&E's office within the prescribed period. The intention in circulating this list is to bring delayed cases to the notice of the officers of the D.G.T.D./D.C. (SSI).
- (vii) On the day of the meeting of the C.G. Adhoc Committee, the C.G. Cell should submit to the Chief Controller a statement of cases which have already been cleared by the C.G. Adhoc Committee in its previous meetings but were pending for issue of licence, indicating the reasons for such pendency in each case.
- (viii) The minutes of the meeting of the C.G. Adhoc Committee should be prepared by the C.G. Cell. The minutes should be circulated to the members of the committee within 7 days of the date of the meeting. Simultaneously, the files pertaining to applications which have been considered by the committee should, at this stage, be sent by the C.G. Cell to the licensing section concerned along with an attested extract of the minutes of the meeting.
- (ix) The licensing section should then take further action based on the recommendation of the committee and should complete action within a period of 15 days. The time taken by the party or other authorities to whom a reference may become necessary will be over and above this limit.
- (x) If any case is to be kept on the waiting list for issue of the licence, the licensing section should inform the applicant suitably.
- (xi) If at the time of issue of licence, the indigenous clearance given by the concerned authority has become more than a year old, the licensing section should obtain fresh clearance from such authority before issuing the licence.

29. According to the drill recommended by us, individual applications for C.G. licences which are now referred to the concerned administrative ministries before they are placed before the Committee, will no longer be referred to such ministries. In the case of industries in the private sector, essentiality is determined by the sponsoring authority like the D.G.T.D. and others, indigenous clearance is given by the D.G.T.D., and allocation of foreign exchange based on priority within the available ceiling is determined by the C.G./C.G. Ad-hoc Committee. The administrative ministry is not required to process the application from any of these angles. We have recommended that representatives of the administrative ministries should be included in C.G. Adhoc Committee. The agenda of the meeting and summary of cases indicating the various issues will be circulated to these ministries in advance and their advice will be available to the Committee during the meeting. We are suggesting this procedure on the consideration that when the cases are eventually considered by a committee on which the administrative ministries are represented, it will only amount to

duplication and overlapping of functions if the administrative ministries also deal with these cases separately on the relevant files. However, in cases involving foreign collaboration, technical or financial, or a foreign loan, the approval of such collaboration or loan has to be issued by the administrative ministry concerned. In such cases, the C.G. Cell of the Chief Controller's office should place the application before the Committee only after obtaining the necessary letter of approval issued by the administrative ministry.

#### LICENSING OF TEXTILE, JUTE, COAL AND TEA MACHINERIES

30. Licensing applications for capital goods made by textile, jute, coal and tea industries are not considered by the headquarters office of the Chief Controller. Such applications are considered by the joint chief controllers at Bombay and Calcutta, the former dealing with the textile industry and the latter with the remaining ones. The sponsoring authorities for these industries, namely the Textile Commissioner, the Jute Commissioner, the Coal Controller and the Tea Board certify not only the essentiality of the machinery sought to be imported but they also give indigenous clearance, except for items which are of the nature of general engineering and electronic equipment for which reference is made to the D.G.T.D. for indigenous clearance. The indigenous clearance once obtained from the D.G.T.D. is normally considered valid for a period of six months. This shows that there is already a sort of package clearance arrangement between these sponsoring authorities and the D.G.T.D. In order to eliminate references to the D.G.T.D., and to make the existing procedure more formal and regular, we recommend that these sponsoring authorities should obtain package clearance from the D.G.T.D. in respect of items falling under general engineering and electronic equipments commonly used by their industries. Such package clearance may be considered valid for a period of one year and should be obtained at the beginning of each licensing period. Individual applications need not then be referred to the D.G.T.D. The time limits suggested by us for disposal of application of D.G.T.D. units should also apply to these cases.

#### Resume of Recommendations

31. The following are the salient features of the recommendations in this chapter :—

- (i) A drill has been suggested for handling applications which would help in systematising what is already being done.
- (ii) The issue of an acknowledgement-*cum*-deficiency letter within 7 days will assure the applicant and also help to remove defects quickly.
- (iii) The drill allocates specific responsibilities to various technical authorities particularly in the matter of obtaining quick clearance from the indigenous angle.
- (iv) The drill includes a time-table based on a realistic appraisal of handling items at component stages. This will reduce the delay caused in the disposal of such cases at present.
- (v) Parties will be informed of the gist of recommendations made to the Chief Controller so that they may know where they stand at the earliest opportunity.

- (vi) For the non-D.G.T.D. units, the D.C. (SSI), the Textile Commissioner, the Jute Commissioner, the Coal Controller and the Tea Board will obtain package clearance from the D.G.T.D. and individual applications will not be referred to the D.G.T.D. for indigenous clearance.
- (vii) Avoidable movement of papers between different offices will be eliminated.
- (viii) There will be a more realistic distribution of work between the C.G. and C.G. Adhoc Committee.

## CHAPTER THREE

### IMPORT LICENSING TO PUBLIC SECTOR PROJECTS/UNDERTAKINGS AND STATE ELECTRICITY BOARDS/PROJECTS

#### SECTION—I

#### PUBLIC SECTOR PROJECT/UNDERTAKINGS

##### *Introduction*

Agencies like Government undertakings and public sector projects get their foreign exchange allocations from the Department of Economic Affairs through the administrative ministries concerned. Import licences are issued to this category of applicants within the foreign exchange allocations and subject to clearance on (a) essentiality, (b) indigenous availability and (c) foreign exchange release by the concerned authorities. Essentiality is determined either by the project authorities themselves or by some sponsoring authority like the Central Water & Power Commission in the case of State electricity boards and projects. Indigenous clearance is given by the D.G.T.D. Allocation of foreign exchange is done on a project-wise or on a ministry-wise basis every half year and subject to the delegated powers given to the administrative ministries or projects, individual clearance on each import application has also to be given by the Department of Economic Affairs.

2. The work relating to the grant of import licences for raw materials, components and spares as also capital goods to public sector projects/undertakings and state electricity boards is centralised at the headquarters office of the C.C.I. & E. The form of application to be used by the applicants is the same as prescribed for other actual users. No last date has been prescribed for submission of applications by this category of applicants. Applications are made either directly to the C.C.I.&E or through the administrative ministry after obtaining indigenous clearance and release of foreign exchange.

3. In order to examine the procedure for issue of licences to this category, a study of 50 cases selected through random and purposive sampling was conducted. The case-study report is placed at Appendix II. We also had an opportunity to have detailed discussions with selected representatives of public sector undertakings and to go through the suggestions made in response to a general invitation to all undertakings to send their comments on the existing position. The problems relating to State electricity boards/projects have been discussed separately from para 19 onwards.

4. The procedure relating to the issue of import licences to public sector projects and undertakings can be examined under three broad categories of items :—

- (i) maintenance and operational items of spares and stores;
- (ii) raw materials, components and major assemblies; and
- (iii) capital goods.

The procedure for each category is discussed separately below.

- (i) MAINTENANCE AND OPERATIONAL ITEMS OF SPARES AND STORES

##### **Recommendation**

5. *Existing Procedure.*—On the basis of demands collected three or four months in advance of the licensing year, foreign exchange allocations are

made to public sector projects for their requirements of maintenance and operational items of spares and stores separately from allocations for other categories of imports. The allocations are made separately for each of the two halves of the financial year. Within the ceilings allocated, the project authorities can certify both essentiality and indigenous non-availability and no reference to the Director General of Technical Development is required to be made unless a banned item is to be imported. The project authorities append a certificate to the effect that the items sought to be imported are not available indigenously (after consulting the Hand Book of indigenous manufacturers) and are not banned in terms of the import policy contained in the Red Book. The licensing authorities issue licences for such items on the basis of a certificate of this type and within the foreign exchange ceiling allocated to the project for this purpose.

### Recommendation

6. The case-studies conducted on the D.G.T.D. side revealed that contrary to the prescribed procedure the Director General Technical Development is receiving references from public sector undertakings for indigenous clearance on maintenance and operational items of spares and stores even when the indigenous clearance could have been certified by the project authorities themselves. This not only creates unnecessary work for the D.G.T.D. but also adds to the time taken in the disposal of the applications. In order to make the position abundantly clear, to eliminate unnecessary delay and to enable the public sector undertakings to derive maximum benefit from this facility, we recommend the following procedure :—

- (i) The present position of a separate allocation for maintenance and operational items of spares and stores which exists for some projects, should be extended by administrative ministries and controlling authorities to all departmental and public undertakings so that generally no reference to the headquarters either on indigenous clearance or on release of foreign exchange is required.

NOTE :—If such references continue to be made to the D.G.T.D., the C.C.I. & E's headquarters or the administrative ministries, they should be returned to the project authorities for disposal by the latter.

- (ii) Projects should have the option of selecting a regional licensing authority to handle their work instead of necessarily having to come to the headquarters office of the CCI&E as at present.
- (iii) The form of application for import of these items should also be simplified by omitting several columns from the existing actual user application form which are not relevant to public sector projects. A specimen copy of the form suggested by us is at Appendix III. In order to distinguish applications for maintenance and operational items of spares and stores from other import applications, the form should have an identifying colour.
- (iv) At the end of the application form, a certificate should be appended by the applicant-project covering the following points :—
  - (a) that the items sought to be imported are either not available indigenously or available in specifications or delivery period not suitable to the project authority; and

- (b) that they are not banned or if banned, suitable clearance from the D.G.T.D. has been obtained.

NOTE :—Floating of enquiries in Trade Journals in time and non-receipt of acceptable offers will be a sufficient ground for certifying indigenous non-availability by the project authorities.

- (v) The licensing authorities should accept such a certificate from the project authorities and issue the licences (under intimation to Ministries etc.) as long as the value applied for is within the ceiling allocated to the project for this purpose. The licensing authority should also keep a watch over the progressive utilisation of ceiling by each project.

(ii) RAW MATERIALS, COMPONENTS AND MAJOR ASSEMBLIES

7. *Existing Procedure.*—In the case of import licences for raw materials and components, the cases of public sector projects have to come through the following procedure in the sequence indicated below :—

- (a) sending estimated demands to the Department of Economic Affairs through the administrative ministry concerned;
- (b) obtaining foreign exchange allocation from the Department of Economic Affairs through the administrative ministry;
- (c) getting indigenous clearance from the D.G.T.D. in advance;
- (d) routing individual applications (with indigenous clearance obtained at 'C') for licences to the C.C.I. & E. through the administrative ministry;
- (e) The administrative ministry getting foreign exchange released from the Department of Economic Affairs on each individual application except where powers have been delegated to it, in which type of case passing order of release itself; and
- (f) forwarding import application by the administrative ministry to the C.C.I. & E.

8. It seems that the licensing procedure for public sector undertakings, which was originally intended to provide facilities for quick processing has, through the imposition of partial or complete restrictions at various stages, become more complex than even the procedure available to private sector units such as those borne on the books of the D.G.T.D. The later have only to apply once a year through the D.G.T.D. who not only certifies essentiality but also allocates foreign exchange out of this bulk allocation. The D.G.T.D. is not required to get sanction for individual releases of foreign exchange from the Department of Economic Affairs, nor are the applications routed through the administrative ministries. Moreover, for D.G.T.D.'s units, the import policy and indigenous clearance are valid for one year whereas the period is only six months in the case of public sector undertakings.

9. We have given much thought to the problem of public sector projects. In our view no significant simplification of procedure is possible so long as the present restrictions on the release of foreign exchange continue. The



Rao Committee has already dealt with the question and made a recommendation with which we find ourselves in complete agreement. It was recommended by that Committee that once foreign exchange has been allocated, there should be no further need for a project authority to make a reference to the administrative ministry or the Department of Economic Affairs. While accepting this recommendation, the Government indicated their intention to examine the question of delegation in detail. We understand that in fact no further delegation has taken place. Lest the current acute position of foreign exchange may affect thinking in regard to delegation, we should like to say that the question of decentralisation need not hinge on scarcity of foreign exchange. Even under scarce conditions, allocation and decentralisation of foreign exchange can be made within the available amount and subjected to the same safeguards as in any other circumstances. We are, therefore, in favour of a realistic and precise project-wise allocation of foreign exchange, and full delegation to the project authorities for operation of foreign exchange within the allocation (subject to periodical reporting to the controlling ministries). This would mean eliminating the Department of Economic Affairs and the administrative ministries at the stage of individual applications.

10. Another bottleneck in the way of quick disposal of applications of public sector projects is the need for indigenous clearance on each application. The case-study on the D.G.T.D.'s side has revealed that the time taken by the D.G.T.D. in giving indigenous clearance varies between 3 and 151 days, the average being 29.3 days per case. We feel that it should not be necessary for project authorities to get indigenous clearances on individual applications, or to get indigenous clearance at all on items which are open to actual users in terms of the import policy in force. We, therefore, recommend that indigenous clearance should not normally have to be obtained on more than one occasion in a particular licensing period for each project, and that no indigenous clearance should be necessary for items which are open to actual users. The clearance, instead of being obtained on individual applications, should be obtained before a project authority consolidates its demands for foreign exchange allocation in the beginning of the calendar year.

11. Based on the above, we recommend the following new procedure :—

- (i) In the month of October every year, the project authority should draw up its plan of production for the ensuing financial year and prepare a list of items of raw materials, components and major assemblies likely to be needed for import during the ensuing financial year.
- (ii) The list of goods so prepared should be divided into two parts, viz. List 'A' and List 'B'. List 'A' should contain items (along with their quantity and value) which are 'open' to actual users in terms of policy in force. List 'B' should contain detailed particulars of the remaining items (along with their quantity and value), i.e. the items which are not 'open' to actual users. While preparing List 'A' the project authority should ensure that only items which are clearly open to actual users in the Red Book are included, any item on which there is a doubt as to its permissibility or specification should be included in List 'B'. In the case of List 'A' the project authority should append a certificate at the end of the list to the effect that the items listed are

open to actual users in terms of the import policy in force. List 'A' items need not be referred to the Director General Technical Development at all. List 'B' items should be cleared with the D.G.T.D. in the manner indicated below.

- (iii) In respect of items covered by List 'B', in order to facilitate indigenous clearance at the D.G.T.D.'s end, the project authority should float general trade enquiries from the indigenous manufacturers through the Indian Trade Journal etc. indicating clearly the specifications and delivery time of the items required and watch the response. They should, after deleting the items for which suitable response has been obtained append a certificate to the effect that necessary trade enquiries were floated and the response from the indigenous manufacturers has either been 'nil' or not suitable to their specifications or delivery time. The delivery time required and the delivery offered may also be indicated against the latter category of items. If the response has been for the supply of a part of the requirement, this should be indicated so that the D.G.T.D. might consider giving indigenous clearance only for the balance of the requirements for import.
- (iv) After preparing the above lists with the certificate in the manner indicated, the project authority should approach the D.G.T.D. for indigenous clearance on a "package" basis, only in respect of items covered by List 'B', by the end of October. List 'A' need not be sent to the D.G.T.D. at all.
- (v) The D.G.T.D. should be able to give comments or clearance by the end of November. The processing of such cases within the D.G.T.D.'s organisations has been discussed by our counterpart team on the D.G.T.D. The reference number and date of D.G.T.D.'s clearance and the conditions if any, imposed by him should also be incorporated in List 'B'.
- (vi) After obtaining indigenous clearance the project authority should send the demand for foreign exchange for the ensuing financial year to the administrative ministry for the import of items covered by List 'A' and for those items of the list 'B' for which the D.G.T.D. has given indigenous clearance. (This demand should also be accompanied by a separate demand for maintenance and operational items of stores and spares). The administrative ministry should thereafter arrange with the Department of Economic Affairs for the allocation of foreign exchange to the project.
- (vii) After the commencement of the import policy on the 1st of April, the project authorities should check up the items in lists 'A' and 'B', against 'banned' categories and also such items which were not included by them at the time of obtaining package clearance from the D.G.T.D. in October-November of the previous year. They should get, if necessary, another indigenous clearance on a supplementary list of restricted or banned items, after following the procedure indicated earlier for package clearance. There should not be any other reference on indigenous clearance during the same licensing period.

- (viii) After obtaining a package indigenous clearance in advance in the manner indicated above, and also obtaining an allocation of foreign exchange, it should be left to the project to apply within the ceiling allocated to it direct to the licensing authority, in respect of List 'A' items and items of List 'B' cleared by the D.G.T.D. Individual applications need not be referred to the D.G.T.D. for clearance or to the administrative ministry or the Department of Economic Affairs for release of funds.
- (ix) The licensing authority should check whether the items given in List 'A' are open to actual users and, if not, such items should be deleted while issuing the licence under intimation to the project authorities. In respect of List 'B' items the licensing authority should check whether the number and date of the D.G.T.D.'s communication regarding indigenous clearance have been given. After carrying out these and other procedural checks the licensing authority should issue the licence if the value applied for is within the ceiling allocated to the project. The licensing authority should accept the itemised quantities or value given by the project authorities unless the same have been specifically restricted by the D.G.T.D. at the time of indigenous clearance. The account of progressive utilisation of ceiling should be maintained by the C.C.I.&E.
- (x) Project should make consolidated applications covering the requirements of raw materials, components and major assemblies instead of making piece-meal applications for these items. A consolidated application would reduce repetitive work both for the project authority and for the licensing authority.
- (xi) The form of application should be simplified by omitting columns from the existing A.U. application form which are not relevant to public sector projects. The specimen form as already suggested by us is placed at Appendix III.

### (iii) CAPITAL GOODS

12. *Existing Procedure* : Like other units, public sector projects and Governments undertakings have also to submit their applications for import of capital equipment to the Chief Controller. Before applying for a licence, the project authorities have to obtain indigenous clearance from the D.G.T.D. and they are required to certify that the items applied for have been cleared by the D.G.T.D. An attested copy of the D.G.T.D.'s letter clearing the equipment is also produced. The applications have also to be supported by release of foreign exchange by the Department of Economic Affairs. For this purpose, the project authorities have to approach the Department of Economic Affairs twice, once for getting their foreign exchange allocations and again for foreign exchange release on each import application. These applications are not placed before either of the two capital goods committees.

13. We have carefully examined the existing procedures. Although an arrangement of package indigenous clearance from the D.G.T.D. may not be possible for items of capital goods, and it may also not be possible for the Department of Economic Affairs or the administrative ministry to give bulk allocation of ceiling to the project authorities in all cases requiring

import of capital machinery, we feel that the method of processing the applications should be such as to avoid and eliminate to and fro movement of papers between the project authorities, the D.G.T.D., the administrative ministries, the Department of Economic Affairs and the C.C.I.& E. Keeping this in view, we have gone into the question of simplifying the existing procedure.

14. From the procedural point of view, applications for import of capital goods can be divided into the following three broad categories :—

- (a) applications for equipment required for installation of new projects or for expansion of the existing projects;
- (b) applications for equipment needed for modernisation, balancing, replacement, etc.; and
- (c) applications for equipment required for emergency replacement or in the event of a sudden break-down.

We have dealt with each of these categories separately.

(a) APPLICATIONS FOR EQUIPMENT REQUIRED FOR INSTALLATION OF NEW PROJECTS OR FOR EXPANSION OF THE EXISTING PROJECTS

15. In such cases, project authorities have necessarily to obtain the approved of the administrative ministry/Department of Economic Affairs for setting up a project or for expansion of the existing project before applying for import licences. Therefore, we are not suggesting any change in the existing procedure in respect of these cases. As a present, the project authorities should first obtain approval and the requisite release of foreign exchange from the administrative ministry/Department of Economic Affairs for the project, and also indigenous clearance from the D.G.T.D. in respect of machinery sought to be imported. Thereafter applications for licences should be made to the C.C.I.&E. enclosing therewith copies of communications of the D.G.T.D. and the Department of Economic Affairs/administrative ministry regarding indigenous clearance and release of foreign exchange respectively. In the C.C.I.&E.'s office, such applications should be handled without reference to any other authority.

(b) APPLICATIONS FOR EQUIPMENT NEEDED FOR MODERNISATION, BALANCING, REPLACEMENT, ETC.

Applications of this type should be made by the project authorities to the C.C.I.&E. through the D.G.T.D. and the administrative ministry concerned. The project authorities should send applications to the D.G.T.D., who after giving his comments from the indigenous angle should forward them to the administrative ministry concerned. From the administrative ministry, the applications should reach the C.C.I.&E. with necessary release of foreign exchange or otherwise. Further action should be taken by the C.C.I.&E. without reference to any other authority. Individual applications need not be referred to the Department of Economic Affairs for release of foreign exchange. The Department of Economic Affairs should allocate a specific ceiling for import of machinery falling under this category and it should be left to the administrative ministry concerned to release or not to release foreign exchange in respect of individual applications of this type coming from the projects. This procedure will lead to single processing of applications eliminating much of the present avoidable movement

of papers between the project authorities, the D.G.T.D. and the administrative ministry/Department of Economic Affairs.

(c) APPLICATION FOR EQUIPMENT REQUIRED FOR EMERGENCY REPLACEMENT OR IN THE EVENT OF SUDDEN BREAK DOWN

In view of the urgency involved, we recommend that processing of such cases should be done on the same lines as in the case of applications received from the private sector, in the sense that individual applications should not be referred to the Department of Economic Affairs/administrative ministry for release of foreign exchange. In such cases, the project authorities should apply for import licence direct to the C.C.I.&E. The C.C.I.&E. should place these applications before the CG *Ad-hoc* Committee for indigenous clearance in a separate part of the agenda for the meeting of the Committee. This would obviate the need for individual applications being sent to the D.G.T.D. for indigenous clearance. In so far as the foreign exchange required for the import of goods in such cases is concerned, we recommend that a bulk allocation should be made to the Chief Controller for this purpose so that he may be able to issue import licences against such a ceiling in the cases cleared from the indigenous angle.

**Recommendation**

16. We also make the following further *recommendations* :—

- (i) Public sector undertakings should be requested to submit a consolidated application preferably not more than twice for a particular licensing period.
- (ii) Public sector undertakings should be asked to mention the specifications, quantities and values in respect of items proposed to be imported by them.
- (ii) Public sector undertakings should be asked to mention the indigenous clearance in respect of only those items which are either banned or partially available in the country. Where the accessories are indigenously available, indigenous clearance may have to be restricted.
- (iv) As in the case of raw materials, the indigenous clearance of capital goods items should also be valid for a year.

17. Even if the objective of delegating effective powers to projects through the various measures recommended above, is not considered immediately feasible in view of the present extreme scarcity of foreign exchange, we think that it should be accepted as the desirable goal and that the aim should be to reach this goal as soon as it is feasible to do so. In that event, we would recommend that the whole question should be reviewed periodically, say once every six months at the time of allocating foreign exchange, to see whether any or all our recommendations not considered feasible at the present moment could be accepted and implemented at that time.

**ANNUAL LICENSING**

18. The import licence to actual users in the private sector for the import of raw materials, components and spares are being issued on an annual basis subject to certain restrictions on their utilisation in one lot. This facility has not been provided to the public sector projects. We recommend that the facility of annual licensing should be extended to the public sector projects also, that licences should be issued to them on an annual

basis against consolidated applications made during each period and that as indicated in para 64 (Chapter Three) of Part I of our report, such licences should be subject to the restrictions regarding commitment and payment to the extent of 75 per cent and 50 per cent respectively during the first half year and the balance thereafter subject to endorsement by the licensing authority depending upon the allocation of foreign exchange for the second half year. This procedure will bring down the existing load of repetitive work in the licensing office and in the offices of the public sector projects to approximately half and will also enable the project authorities to plan their inventories on yearly basis. We feel that in the case of public sector projects there is a greater justification for introduction of annual licensing as, in their case, the possibility of substantial reduction in foreign exchange allocation during the second half year is less than that in the private sector.

## SECTION-II

### STATE ELECTRICITY BOARDS/PROJECTS

19. *Existing Procedure.*—Unlike other public sector projects, there is no unit-wise allocation of foreign exchange to State electricity boards and projects. The foreign exchange is placed in bulk at the disposal of the Ministry of Irrigation and Power against a demand collected in advance. State electricity boards have to come up twice for every release of foreign exchange, once for getting an allocation against a specific demand and again with the import application itself. The applications are routed through the Central Water and Power Commission and the Ministry of Irrigation and Power. They are scrutinised by the Central Water and Power Commission both for essentiality and from the indigenous angle. Individual applications are not referred by the Central Water and Power Commission to the D.G.T.D. for obtaining indigenous clearance, but the former keep an up-to-date list of such items cleared in advance by the D.G.T.D. In doubtful cases only individual items are referred to the D.G.T.D. at the stage of scrutiny of the application itself. Each application has also to go to the Ministry of Irrigation and Power as that Ministry keep the foreign exchange allocation with itself and releases it on each individual case.

20. We have carefully examined the existing procedure. In the first place, we feel that it is not necessary for each application to go to the Ministry of Irrigation and Power. The Central Water & Power Commission is a technical body which determines the essentiality of the import and it has also made arrangements for giving indigenous clearance after examination by the Commission, there is not much left for the Ministry of Irrigation and Power to do. The ceiling of foreign exchange may be kept by the Central Water & Power Commission for being operated upon, subject to such general directions as the Ministry may like to give. We, therefore, recommend that each application need not be routed through the Ministry of Irrigation & Power; and in respect of State electricity boards/projects, the Central Water & Power Commission should act exactly in the same manner as the D.G.T.D. do in the case of actual users in the private sector. (Reference : Section II of Chapter Three of Part I of our report).

21. We also recommend that in so far as the import of maintenance and operational items of spares and stores is concerned, the State electricity boards and projects should be placed at par with public sector projects and separate unit-wise ceilings should be allocated to them by the Ministry of Irrigation & Power, in the same manner as for public sector projects. Within such allocation, the boards and projects should have the option of select-

ing a regional licensing authority to handle their work instead of necessarily having to come to the headquarters office of the C.C.I.&E. as at present. The procedure suggested by us for import of such goods in the case of public sector projects should apply in toto to the State electricity boards and Projects also.

22. In the case of raw material, components and electrical plant, we recommend that the following procedure should be followed :—

- (i) The State electricity board/project should submit its application to the C.C.I.&E. through the Central Water & Power Commission in the prescribed form and manner.
- (ii) The application form should be devised by the C.C.I.&E. in consultation with the Central Water and Power Commission so that there is only one form of application both for the release of foreign exchange and grant of import licence. The existing application form meant for obtaining release of foreign exchange by the State electricity boards/projects should be dispensed with and the information which is required from the applicants for this purpose should be furnished by them in the new form of application for licence-cum-release of foreign exchange by providing suitable columns in it.
- (iii) In so-far as raw materials, components and major assemblies are concerned, the State electricity boards/projects should make a consolidated application during each half year. For electrical plant also, the electricity boards/projects should be requested to submit consolidated application preferably not more than twice during a particular licensing period.
- (iv) Applications should be made in duplicate of which one copy should be retained by the Central Water and Power Commission and the original along with the treasury challan forwarded to the Chief Contrôller with the Commission's recommendation. The Central Water and Power Commission should also attest one copy of the list of items recommended by them for import.
- (v) The applicant should be asked to send an extra copy of the list of goods sought to be imported which should be returned to him by the Central Water & Power Commission with such amendments as may be made by them.
- (vi) Within 7 days of the date of receipt of the application, the Central Water & Power Commission should issue an acknowledgement-cum-deficiency letter to the applicant. The amount of the treasury chalan should also be checked by the Central Water and Power Commission and if it is less than the amount which should have been paid, the deficiency should be pointed out to the applicant. The applicant may be given a specific time limit of—say two weeks—to make up the deficiencies, if any.
- (vii) Completed applications may be scrutinised by the C.W.&P.C. both for essentiality and from the indigenous angle. The existing system by which the C.W.&P.C. keep a list of items cleared by the D.G.T.D. in advance seems to be very commendable. References to D.G.T.D. should be made only on non-cleared items. The C.W.&P.C. may consider if circulation of copies of this list to the boards/projects will not further facilitate matters.

- (viii) After scrutiny from indigenous and essentiality angles, the C.W. & P.C. should release foreign exchange to the applicant and the application should thereafter be sent to the C.C.I. & E. The form in which the recommendation should be sent, should be settled between the C.W. & P.C. and the C.C.I. & E.
- (ix) In their recommendation for a licence the C.W. & P.C. should indicate itemised quantity/value only in respect of banned and restricted items. In respect of the remaining items, itemised quantity/value need not be indicated so as to give the same flexibility to applicant as is available to actual users in general.
- (x) On receipt of the application by the C.C.I. & E., the treasury chalan should again be checked. The C.C.I. & E.'s office should be able to issue a licence within a period of 15 days of the receipt of application. The time taken by the applicant to furnish any clarification or information etc., will be over and above this time limit. The list of goods to be attached to the licence should be attested by the C.C.I. & E.'s office by comparing the same with the copy attested by the C.W. & P.C. A copy of the licence on plain paper should be sent to the C.W. & P.C. only where their advice is not accepted in its entirety.
- (xi) Applications for revalidation should be made by the applicants direct to the C.C.I. & E. If the applicant has made commitment during the initial validity period, the C.C.I. & E. should dispose of the application on merits without reference to the C.W. & P.C. But if the applicant has not made any commitment, the application should be referred to the C.W. & P.C. for advice and dealt with accordingly.
- (xii) Applications for amendments of a minor nature should also be made direct to the C.C.I. & E. However, where a change in the value or description of goods is sought, the application should be routed through the C.W. & P.C.
- (xiii) In all other matters the procedure suggested by us for public sector projects should *mutatis mutandis* be followed in case of State electricity boards/projects.

23. In the case of capital goods to be imported by State electricity boards/projects for the initial installation or emergency requirements we recommend that the same procedure as suggested by us in the case of public sector projects should be followed except that, in place of the D.G.T.D., the indigenous clearance will be given by the Central Water and Power Commission.



## CHAPTER FOUR

### PROCEDURE FOR ISSUE OF CUSTOMS CLEARANCE PERMITS FOR IMPORT OF GOODS FROM AFGHANISTAN

#### *Existing Position*

The Government of India enter into trade agreements with the Government of Afghanistan on an annual basis. The import of dry fruits, fresh fruits and certain other commodities from Afghanistan is controlled under the terms of such agreements. Imports are generally allowed to be made by those importers who have imported these goods from Afghanistan during the prescribed basic period. Such importers are required to get themselves registered with the licensing authorities and only registered importers can apply for the grant of customs clearance permits for import. The registration is done only once and is not renewed year after year unless there is a change in the basic period. The licensing authorities are joint chief controllers in the Central Licensing Area, New Delhi and at Bombay and the controller of imports at Amritsar. The total number of approved registered importers is about 300. Under the provisions of the trade agreement, the importers have not to make payment in cash to Afghanistan suppliers but the value of imports is required to be counter balanced by exports of equal value from India to Afghanistan. At the commencement of the trade agreement each year, the approved importers are required to execute a bond and an undertaking to the effect that they will make exports equal to the value of imports within a specified period of 8 months or by the end of the agreement period whichever is earlier. Every importer has to prove by production of documents that he exported goods to Afghanistan of the specified value and within the specified period. It is not, however, necessary for an importer to make required exports to Afghanistan himself. He can also purchase the benefits of export effected by other parties. The approval for the transfer of benefit of purchase by one party from another has to be obtained from the Reserve Bank of India. There are about 600 parties engaged only in the export of goods from India to Afghanistan. They then sell the benefit of their exports to approved importers.

2. The Reserve Bank of India is the chief authority concerned with watching imports to balance the exports made. All the exports to Afghanistan are made with the approval of the Reserve Bank who approves the E.P. forms after the exporter gives an undertaking that he will make imports from Afghanistan equal in value to his exports. The exporter present the E.P. forms to the Customs at the time of shipment of goods. Copies of these E.P. forms are sent back by the Customs to the Reserve Bank. The Reserve Bank maintains party-wise accounts in its ledgers. The accounts of each party show the value of exports and imports made. In the event of imports running short of exports made by that party within a specified period, it is open to the Reserve Bank to initiate action against the importer under the foreign exchange regulations.

3. Imports from Afghanistan are made on the basis of customs clearance permits issued by the licensing authorities. However, the peculiar feature of this trade is that the permits are issued after the goods are despatched from Afghanistan. The importer has to produce along with his

application, the Afghan Customs certificate and railway receipt to show that the goods have been despatched from Afghanistan. The customs clearance permits are valid for a short period within which the party must clear the goods from the Customs. Licensing authorities ensure that an importer asking for a customs clearance permit has already effected exports to Afghanistan so that a situation where goods are imported from Afghanistan in large quantity without there being a corresponding export to that country is avoided. In actual practice, however, the licensing authorities go on issuing import permits to an importer so long as his imports do not exceed the level of his exports to Afghanistan during the preceding agreement period. As soon as the import application exceeds that limit, the import application is held up and the party is asked to produce evidence to show that he has exported goods to Afghanistan during the agreement period of the value not less than 60% of the value of the imports already made by him. For this purpose, the licensing office also maintains accounts of exports and imports in respect of each party. Recently, the Central Licensing Area has introduced a "Pass Book" in which the party enters the value of his exports, which is presented by the party to the Central Licensing Area along with the documents of exports. The Central Licensing Area after verifying the documents of exports, certify the value entered in the Pass Book as correct. This Pass Book serves as an account to the licensing office whenever they have to know the value of the exports made by the party. The value of imports is already available in the licensing office.

4. We find that in the maintenance of accounts of imports and exports there is clearly duplication of work between licensing offices and the Reserve Bank. This not only increases work and diffuses the responsibility for accounts, but creates hardship for importers and at times results in delays in the disposal of applications for import. We have, therefore, considered this question in detail with a view to eliminating the duplication of work and introducing a simple system of maintaining accounts for issue of permits. We have had discussions on this matter with the Customs and the Reserve Bank also.

5. We are of the view that the account of exports and imports in respect of each party should be maintained by the Reserve Bank only. The particulars of exports are, at present, collected by the Reserve Bank from the E.P. forms which are returned by the Customs to the bank and this procedure will continue. As regards imports, the Customs authorities should send the exchange control copy of the bill of entry direct to the Reserve Bank after clearance of goods instead of giving it to the importer concerned. From the exchange control copy, the Reserve Bank will be able to get particulars of imports made by each party. In this way, the Reserve Bank will be able to have figures of both imports and exports of each party. Instead of the Reserve Bank communicating these figures piecemeal and periodically to the licensing authorities, it would be easier, simpler and more systematic if the Reserve Bank were to issue a Pass Book to each approved importer. The Pass Book should contain the value of imports and exports made by the party and the value of exports purchased from other parties. The party need not produce the Pass Book to the licensing authorities alongwith each import application. It should suffice if the Pass Book is presented to the licensing authority once in three months, *i.e.* it should be produced with the first application for import permit in each quarterly period. The last entry in the Pass Book at the

time of its producing to the licensing authority should be within three months both on the import side and export side. If the licensing authority finds on such quarterly check that the shortfall in exports in respect of any party is more than 40% of the imports made, the party should be given 'caution' to make up the deficiency in exports and the next application for permit should not be considered if the deficiency has not been made good. While scrutinising the Pass Book, the licensing authority should also see if the figures on the import side are comparable to the value of import permits obtained by the party. This check will be necessary as, according to the apprehensions of the Reserve Bank, the parties may not produce documents of imports to the Reserve Bank soon after making imports with a view to having more balance on the export side in their Pass Books. We recommend that immediate steps should be taken in this direction so that the Pass Book system as suggested by us can be introduced with effect from the next agreement period starting in February.

6. In view of the fact that permits are issued after the goods have been despatched and the goods are frequently perishable, there is a pressing need for expeditious disposal of such applications in the licensing offices. We, therefore, recommend that there should be no noting on files and licensing offices should have check-sheets to examine such applications. Deficiencies in an application should be pointed out to the applicant at the counter at the appointed time so that he may be able to make it up without loss of time.

7. In the case of imports by the land route, the importers have not only to produce the Afghan Customs clearance certificate but also a railway receipt showing the despatch of goods by rail. If the issue of the customs clearance permit is delayed the goods are held up with Customs. In view of the limited time at the disposal of the importer to obtain a permit, we recommend that applications for permits should be accepted if accompanied by only Afghan Customs clearance certificate and railway receipt need not be insisted upon.

8. Our recommendations will result in the prompt disposal of applications and eliminate duplication of work between the licensing offices and the Reserve Bank. Also, in the case of imports by the land route, importers will have comparatively more time for obtaining Customs clearance permits and the imported goods will not have to be held up with the Customs pending the issue of CCPs.

## CHAPTER FIVE

### PROCEDURE FOR THE ISSUE OF CUSTOMS CLEARANCE PERMITS/LICENCES FOR IMPORT OF GOODS REQUIRED FOR PERSONAL AND PRIVATE USE AND PERSONAL BAGGAGE

#### SECTION-I

##### GOODS REQUIRED FOR PERSONAL AND PRIVATE USE

###### *Existing Position*

The "savings" clause in the Imports (Control) Order provides that no licence is necessary for import of goods through the post meant for the personal and private use of the importer, provided that the c.i.f. value of such goods imported at any time from Asian and non-Asian countries does not exceed Rs. 50 and Rs. 100 respectively, and provided further that the payment for such goods other than gifts is authorised by the Reserve Bank of India. This exemption does not, however, apply to the import of vegetable seeds exceeding 1 lb in weight, artificial silk piece—goods and bees.

2. The import of goods for private and personal use exceeding the above mentioned limits requires a licence or a customs clearance permit from the licensing authorities. Licensing authorities consider such applications on merits and generally do not allow import of goods exceeding Rs. 500 in value in each case. The Chief Controller has enunciated the following guide-lines in consultation with the Department of Revenue for considering applications for gifts in such cases :—

- (i) the gift should be from a close relation;
- (ii) the occasion should be an appropriate one such as a wedding, birth-day etc;
- (iii) the value should not be unduly high;
- (iv) it should be beyond doubt that the consignment is a genuine gift and not meant for commercial or trade purposes;
- (v) if a person has already received a CCP for a gift in one calendar year, his subsequent application for another gift in the same calendar year should be examined with greater care;
- (vi) although no distinction is drawn between banned and permissible items for the purpose of gifts, applications for import of banned items should be examined very carefully to ensure that the gift is a genuine one and that its denial would cause hardship.

No officer below the rank of a deputy chief controller is authorised to decide the issue of a CCP in such cases. If the value exceeds Rs. 500 or the case is not normally covered by the general guide-lines, the deputy chief controller submits cases to a joint chief controller.

3. According to the information available, the headquarters office of the CCI & E received 410 applications during 1963-64 for the issue of CCPs for import of gift parcels. Out of these, 323 applications were rejected. This gives an idea of the generally restrictive approach followed in the matter of allowing gifts which are not covered by the exemption provided in the Imports (Control) Order.

4. During our discussion with the Customs, we got the impression that in many cases articles imported as gifts could not be considered as genuine gifts and that the articles imported were such as carried an appreciable margin of profit in market. Having regard to this, we recommend that in order to prevent the abuse of concession regarding import of gift parcels and goods for private and personal use, the list of banned items given in the "savings" clause in the Imports (Control) Order should be expanded to include items like transistors, tape recorders and other articles which have been imported in the past in large numbers and which are considered to be of a speculative nature so that their import does not take place as gifts or under the concession available for import of goods for private and personal use without an import licence.

5. Another point mentioned to us by the Customs is that in regard to imports under the "savings" clause the payment made in cases other than gifts has to be authorised by the Reserve Bank. The Customs have to satisfy themselves that the importer has got the necessary permission from the Reserve Bank. This causes difficulty to the importers as parcels are held up till the release of foreign exchange from the Reserve Bank. We have considered this question carefully and feel that the Customs need not concern themselves with the foreign exchange angle and should allow clearance if the goods are permissible in terms of the Imports (Control) Order and their value is also within the permissible limit. As regards payment, it should be made clear to the intending importers that they will be required to obtain necessary permission from the Reserve Bank and that no remittance will be allowed without that. We recommend that the "savings" clause in the Imports (Control) Order should be suitably amended.

6. Gift parcels are received in the foreign post offices at Bombay, Calcutta, Madras, New Delhi and Jaipur. In order to have an idea of the amount of work involved, we had discussions with the Foreign Post Office, New Delhi. This has jurisdiction over the territories of Delhi, Punjab, Western UP, Himachal Pradesh and Jammu and Kashmir. The approximate number of gift parcels dealt with by this post office is about 2,000 in a month and this goes upto about 5000 in rush seasons like Christmas. Ordinarily five to ten per cent of the total number of parcels are those where the value of the imported goods is more than the permissible limit, and in these cases again about 95 per cent are those where the value does not exceed Rs. 500 in each case. Where the value exceeds the permissible limit, the importer has to obtain a permit from the licensing office. The parcel is held up till the permit or a letter is issued by the Chief Controller to the Customs authorities recommending lenient treatment. This naturally takes time with the result that the recipient of the gift has to face inconvenience, and run about between the licensing office and the foreign post office. In view of the above facts, we recommend that in cases where parcels exceeding the permissible limit in value but not exceeding Rs. 500 in each case are received at any foreign post, it should be left to the Customs in the foreign post office to dispose of cases in their discretion, whether it is to allow import with penalty or without. The Chief Controller should furnish necessary guide lines to the Customs in consultation with the Department of Revenue, which the Customs should follow in deciding cases of such gift parcels. The discretion at the Customs end should, we recommend be exercised by an officer not below the rank of an assistant collector of customs. Our intention is not to relax the existing control over the import of gift parcels but to empower the Customs to handle such

cases on the basis of the same principles as are followed by the Chief Controller so that avoidable work is cut out in Government Offices and recipients of gifts are saved the inconvenience of going to the Customs as well as to the licensing authorities, a particularly irksome business when genuinely unsolicited gift parcels are received. In the case of gifts which are sent with the prior knowledge of the recipients, the recipients will continue to have to obtain a customs clearance permit from the C.C.I. & E. before-hand as at present.

## SECTION—II PERSONAL BAGGAGE

### *Existing Procedure*

7. The baggage rules are framed by the Ministry of Finance under the provisions of the Customs Act. Baggage in excess of the limit indicated in the Baggage Rules can be imported by a passenger only on the basis of a customs clearance permit issued by the Chief Controller's organisation. According to the information available, the total number of applications for permits received by the headquarters office of the Chief Controller during the first two months of the year 1964-65 was 172.

8. We understand that passengers from abroad face some degree of inconvenience and hardship in the matter of getting their excess baggage cleared. We have, therefore, given careful thought to the question of simplifying the procedure in this regard. Broadly speaking, there are two types of cases :—

- (i) Cases in which an application for the grant of customs clearance permit for the import of personal baggage in excess of the permissible limit is made and permit obtained before departure from the foreign country; and
- (ii) Cases in which this is not done and passengers arrive with personal baggage in excess of the permissible limit, either due to ignorance of rules or for lack of time to apply for a permit before departure.

In the first type, applications for the grant of customs clearance permits will necessarily continue to have to be made to the Chief Controller as at present. But in the second type of cases, there is some degree of duplication of work between the Customs and licensing authorities and, therefore, some scope for simplification of procedure. On arrival of baggage, the Customs authorities make an examination and determine whether it is in excess of the permissible limit. If it is, they serve a notice to the passenger, who then has to approach the Chief Controller for a permit. The Chief Controller acts on considerations such as the nature of the articles imported, their value, the import policy about a particular article at the time, the period of stay of the passenger abroad and the period for which the passenger used the article abroad. This procedure, under which passengers have to deal with two sets of authorities, Customs and Import Control, causes genuine hardship and baggages are sometimes held up resulting in damage and demurrage. We recommend that the guide lines followed by the Chief Controller should be made available to the Customs and it should be left to them to dispose of cases of personal baggage where passengers have not obtained CCPs in advance. If the Collector of Customs decides that a particular case is not covered by the general principles laid down, he will be able to dispose of the matter according to the Customs regulations. Cases in which vehicles are imported should, however, continue to be dealt with by the Chief Controller.

## CHAPTER SIX

### EXPORT CONTROL AND EXPORT PROMOTION LICENSING

#### SECTION—I

#### EXPORT CONTROL

##### INTRODUCTION

Under the Imports and Exports (Control) Act, the control over exports is exercised only in respect of a limited range of commodities which are indicated in Schedule I to the Exports (Control) Order, 1962. Under this Order the Chief Controller acts as the controlling authority for regulating exports in accordance with the policy issued by him under the directions of the Ministry of Commerce. The main object of exercising control over exports is to check large scale exports of relatively scarce commodities and raw materials at the cost of the country's domestic economy, to prevent export of minerals and raw materials of strategic importance and to exercise "destinational" control. We have tried to harmonize the basic aim of export control with the need for simplifying procedures, especially in view of the strategic place exports occupy in the country's economy and the continuing need for augmenting foreign exchange earnings.

2. Like imports, the control over exports is exercised through a system of licensing which operates by the issue of either formal licences and/or by endorsing shipping bills. The items covered by the Exports (Control) Order are subjected to varying degrees of control. Schedule I to the Order has two parts, "A" and "B". Part A contains a list of items not normally allowed to be exported, while Part B mentions items allowed to be exported on merits and/or subject to ceilings or other conditions to be specified from time to time. Going by the nature of the control exercised, the items appearing in the two parts can be divided into the following five categories :—

- |                                  |   |                 |
|----------------------------------|---|-----------------|
| (i) banned items (Part A Items), | } | (Part B items). |
| (ii) merit items,                |   |                 |
| (iii) quota items;               |   |                 |
| (iv) free licensing items; and   |   |                 |
| (v) Open General Licence items.  |   |                 |

3. For (i) banned items and (ii) merit items, exporters have to apply to the port offices from where export is intended to be made. Applications are to be accompanied by treasury challans and other necessary documents. They are then required to be referred to the headquarters office of the CCI&E for disposal instructions. The CCI&E's office in its turn consults the Ministry of Commerce and/or other technical and administrative authorities in all cases and then returns the applications with necessary instructions to the port offices. The port authorities thereafter inform the applicant whether export is permitted or not. In certain cases licences are issued. In other cases where the decision is to allow export but licences are not issued, the exporters are required to present shipping bills to the licensing authorities for endorsement in respect of each consignment. In such cases the Customs authorities allow exports on the basis of the endorsement made

on the shipping bills by the licensing authorities. There does not seem to be any clear rule as to whether licences should issue in a particular type of case or letters of allotment followed by endorsements on shipping bills.

4. Exports of items falling under category (iii) above are allowed to established shippers. Established shippers are granted quota certificates on the basis of their past exports in any financial year within the prescribed basic period. Applications for licences are made to the port authorities with the original quota certificate and other documents and treasury challan. The port authorities issue licences on the basis of the quota percentage fixed by the CCI&E or within the ceilings allocated to the port office. Such applications are not referred to headquarters for disposal instructions.

5. In category (iv), *i.e.*, in respect of free licensing items, the exporter has to get his shipping bill endorsed by the port office. The shipping bills are endorsed within specified ceilings. After the ceiling is reached, the shipping bills are refused endorsements. For certain items, no ceilings are fixed and shipping bills are endorsed up to a certain date irrespective of the quantity exported. For certain other items shipping bills are endorsed irrespective of quantity or date.

6. In the case of items on the Open General Licence, export is allowed in respect of specified goods and to specified countries as covered by the Open General Licence in force. For such items, the exporter has neither to obtain a licence nor is his shipping bill endorsed by the licensing authority. The Customs authorities watch the observance of the conditions laid down in the O.G.L.

#### CASE-STUDIES

7. The working of the export control has been examined with reference to policy formulation and actual licensing. For this purpose a study of about 115 cases of the Bombay port office was undertaken. The case-study report is at Appendix IV. In addition, a study was also made of the files of the headquarters office of the CCI&E and of the Commerce Ministry pertaining to formulation of policy and the control mechanism devised to give effect to it. The conclusions drawn from these studies have been taken into account in the following paragraphs.

#### FORMULATION/ENUNCIATION OF POLICY

8. Unlike import control policy, the policy about control over exports is not reviewed periodically on a regular basis; nor is it published every year for the information of the trade and industry. The policy in force in respect of a particular item or commodity is reviewed only when there is a representation from the public or when the Government itself considers that the circumstances warrant a change. The announcement of policy is done by means of issuing public notices and trade notices. The public notices and trade notices are published in the weekly bulletin of import and export licences issued by the Chief Controller. A statement of the policy in respect of individual items is also given in a consolidated form in the Hand Book of Export Promotion which is published by the Ministry of Commerce. There is no regular periodical publication of this book. We feel that, like the import control policy, the export control policy should also be published in the form of a separate book which should normally be valid for a period of one year subject to six monthly review. The requirement of periodical review will help to systematise the process of



policy formulation. Since technical authorities and administrative ministries will be required to review whether items already under control need any relaxation and whether there is need for imposing control on other items they may be expected to collect and maintain all relevant data in a systematic way. If any unexpected changes become necessary before the normal review, the policy can be amended by means of a public notice. We also recommend that the general principles to be followed for allowing exports in respect of each item should be indicated to the maximum extent possible in the policy book itself, so that intending exporters should know where they stand before they enter into contracts for exports and apply for licences. This will also facilitate delegation of powers to port authorities and reduce the need for *ad-hoc* decisions. Where applications are to be considered in consultation with technical authorities, an indication to this effect should be given against the particular items in the policy.

### EXPORT LICENSING

#### Recommendation

9. We have examined the existing procedure of export licensing separately for the five categories of items mentioned in para 2.

(i) *Banned Items*.—These commodities have been listed separately as Part A of Schedule I to the Exports (Control) Order, 1962. Their supply position does not warrant exports and, therefore, they are not normally permitted for export. However, in “exceptional circumstances” some export is allowed. Of the ten licensing cases studied under this category, six related to export of ‘Vanaspati’ for which the CCI&E had, after consultation with the Commerce Ministry, authorised the Vanaspati Manufacturers’ Association to sponsor applications for export to specified countries within the specified ceilings. Three more cases related to export of thorium salt on the advice of the Atomic Energy Department and the tenth case related to the export of a lion cub. The average time taken in the disposal of these cases by the port office and the headquarters office of the CCI&E was 27 days. As decisions on such applications are taken after careful consideration by the CCI&E, the Ministry of Commerce and the technical authorities concerned. We recommend that, on the basis of the final decision, the port offices should send refusal letters or licences to the parties, as the case may be, and the parties should not thereafter be required to have their shipping bills endorsed by the licensing authorities in respect of individual consignments. The Customs authorities should allow export on the basis of the licence issued by debiting the quantity of individual consignments to the licence. The validity of such licences can be for a limited period as deemed necessary. This would avoid the party having to come to the licensing authorities each time a consignment is to be shipped against the permission already granted for export. In case endorsements on individual shipping bills become necessary, the Customs authorities may be requested to handle this work so that the exporter may not have to deal with both the Customs and licensing authorities at this stage.

(ii) *Merit Items*.—Applications for the export of such commodities are generally referred individually by the port offices to the headquarters office of the CCI&E for disposal instructions. Of the 20 cases studied under this category, 18 were referred to the headquarters office and two cases were disposed of by the port authorities on the basis of the general instructions available with them. The average time taken in the disposal of cases by the port office and the head office was the same as in the case of banned

items *i.e.*, 27 days. We recommend that in respect of such commodities general instructions on ceilings, destination etc. should be enunciated by the CCI&E in consultation with the Ministry of Commerce and the technical authorities concerned to the maximum extent possible, so that the port offices are able to dispose of the cases on the basis of the policy book and the general instructions and the need for referring individual application to headquarters is eliminated. We also recommend that in all cases decided by the port authorities themselves or in consultation with headquarters, the port authorities should issue licences instead of asking the parties to present shipping bills for endorsements for each consignment separately. The Customs authorities should allow the exports on the basis of the licence issued by debiting the quantity of each consignment to the licence. The validity of such licences can be for a limited period as deemed necessary. As already suggested, if endorsements on shipping bills become necessary, the Customs authorities may be requested to handle this work.

(iii) *Quota Items*.—For quota items, export licences are issued to established shippers on the basis of their past exports in the prescribed period for which quota certificates have already been issued to them. We have no change to recommend in the licensing procedure.

In the case of exports of cotton textiles to U.K./U.S.A., however, the control mechanism is pressed into action thrice, namely at the stage of issue of quota slips by the Cotton Textiles Export Promotion Councils within the ceilings allocated to them by the Textile Commissioner, again at the stage of issue of licences by the port authorities and yet again when endorsements are made on individual shipping bills. We feel that once a quota slip is issued within the ceilings allocated and a licence is issued thereon, there should be no need for endorsement on shipping bills by the licensing authorities. It should be left to the Customs Authorities to pass the shipping bills and allow the export on the basis of the licence held by the exporter by debiting the quantity of each consignment to the licence. The validity of such licences may be for a limited period as deemed necessary.

(iv) *Free Licensing Items*.—In the case of items falling in this category, exporters are required to present shipping bills to the licensing authorities for endorsement and export is allowed by Customs on the strength of such endorsements. For certain items in this list ceilings have been fixed and shipping bills are endorsed within such ceilings, whereas for other items no ceilings have been fixed but shipping bills can be endorsed by the port authorities up to a certain date. In respect of still other items, there is no ceiling and no last date; port authorities are authorised to endorse shipping bills without any limit of quantity until further notice. We recommend that in respect of items for which no ceiling has been fixed or for which the port authorities can endorse the shipping bills without limit of quantity up to a particular date, the policy should be framed in such a manner as to do away with the need for getting the shipping bills endorsed on each consignment and it should be left to the Customs authorities to pass the shipping bills for specified destinations until further notice. This can be done by including such items or their specified varieties in the OGL for exports to all permissible destinations or for specified destinations by making suitable changes in the Exports (Control) Order as may be necessary.

(v) *OGL Items*.—OGLs are issued for allowing exports of controlled commodities or their specified varieties to specified destinations. In respect

of such items, no licence or endorsement on the shipping bills is necessary and the Customs authorities pass the shipping bills and allow export in accordance with the provisions of the OGL. We have no procedural improvement to suggest.

#### UNUTILISED LICENCES

##### Recommendation

10. In cases where quotas for exports are fixed and licences are granted on the basis of such quota, there have been instances where the exporters failed to utilise the entire quota resulting in loss of exports to the country. We recommend that in order to avoid situations of this kind, every exporter to whom a quota is allotted for export of any commodity in any particular period should be required to declare the quantity or value of the quota allotted to him for the previous period and the quantity/value actually utilised by him out of the previous year's allotment. Further allotment of quota should be made by the sponsoring or licensing authorities having regard to the previous period's performance of the exporter. We also recommend that quotas need be fixed only for scarce commodities and in cases where the quotas remain under or unutilised, the item should be considered for being included in the free licensing list subject to such conditions as necessary.

#### EXPORT CONTROL VERSUS EXPORT PROMOTION

##### Recommendation

11. It appears that certain commodities or their specified varieties have been included in particular export promotion schemes and at the same time they continue under export control. Although there may be adequate reasons for controlling the export of a particular commodity or variety of a commodity on the one hand, and to provide incentive for its export on the other, the position seems to be rather anomalous. We, therefore, recommend that while including an item in an export promotion scheme, the authorities concerned should see whether the export of that commodity is under control, and if so, to examine whether there is actually any need for continuance of the control on its export. Control should be retained on such commodities only if there is strong justification.

#### SUPPLY OF APPLICATION FORMS

##### Recommendation

12. Applications for export licences for endorsement on shipping bills are required to be made in a form prescribed in the Hand Book of Export Trade Control. Printed copies of forms can be had from the Import and Export Trade Control offices on payment of six paise to be tendered in cash or remitted in advance by money orders only. Forms are not supplied by VPP and postage stamps are also not accepted. We recommend that, like the forms for import applications, the applicants on the export side should also be allowed to use typed or cyclo-styled forms.

#### APPLICATION FEES

##### Recommendation

13. Applications for licences or for endorsement on shipping bills have to be supported by treasury challans in proof of payment of application fees. The shipping bills have a limited validity period which is normally

15 days in respect of commodities licensed on "first-come-first-served" basis and one month in respect of commodities licensed otherwise. Extension in the validity period is not normally allowed except in special circumstances where the vessel mentioned in the shipping bill was actually scheduled to commence loading within the original validity of the shipping bill and where the name of the consignee or consignor, the quantity passed for shipment and the sale price are not changed. In these cases, if a shipping bill expires after payment of duty and before the "let export" order is passed by Customs, the same is revalidated for shipment provided at that stage the ceiling is not exhausted and the export is permissible in terms of the policy in force at the time of considering the request for revalidation. However, for such revalidation, the applicants are required to pay application fees again as if the application for revalidation is an application for a fresh licence or endorsement. As no application fee is charged for revalidation of import licences, we recommend that on the export side also no fresh fee should be charged from the applicants and revalidation should be allowed or refused, as the case may be, depending upon the policy in force, without asking the party to apply afresh with an additional treasury challan.

#### CHECKING OF EXPORTS

##### Recommendation

14. It has been represented to us that goods packed for export are opened by the Customs authorities, in order to check the goods declared by the party in the shipping bills. In the case of goods on which excise duty is payable, the export packings are checked at the gate of the factory by the excise staff. As the goods on which excise duties are charged do not remain in the possession of the party thereafter, the seal affixed by the excise staff on the packings should normally be accepted by the Customs as sufficient proof of the contents of the packing as certified by the excise staff. This will remove chances of damage to the packings at the ports. If considered necessary, the customs authorities can undertake a test check. We recommend that this suggestion should be examined in consultation with the Customs authorities.

#### SECTION-II

##### EXPORT PROMOTION LICENCING

##### General

15. Various export promotion schemes have been evolved for promoting exports of particular commodities. The exporters of such commodities are given additional licences in addition to their entitlement of import under the import policy for the import of raw materials, components, machinery and spare parts against the exports effected by them. The object of the schemes is to keep the export-oriented industries modernised and also to assist them with imported essential raw materials, components, machineries and spares which are not indigenously available thus improving their exports potential. The schemes however benefit not only the manufacturer-exporter but also the merchant-exporter. The import entitlement for raw materials, etc. under the export promotion schemes is determined in relation to the f.o.b. value of exported goods.

16. Exporters desirous of availing themselves of the benefit of export promotion schemes are required to get themselves registered with the appropriate registering authorities. The export promotion councils and commodity boards like the Tea Board, the All India Handicrafts Board, etc.,

are the registering authorities in respect of commodities covered by special export promotion schemes. In respect of other commodities which are commonly known as port items, the registering authorities are export promotion officers/port officers at various ports. All exporters with past performance, good record, sufficient experience and financial soundness are eligible for registration. Even new-comers who have general background of trading and industrial experience are eligible for registration. A registration certificate is issued to every applicant so registered. A party can be de-registered if no application for import licence is made by it for a period of 18 months at a time or for violation of conditions of registration or for indulging in unfair, corrupt or fraudulent practices.

17. Applications for import entitlements under the various schemes can be made on monthly, quarterly, six monthly or annual basis according to the choice exercised by the party at the time of registration. Applications for import licences are entertained by the regional offices of the Chief Controller at Bombay, Calcutta, Madras, Panjim, Ernakulam and New Delhi. Offices headed by controllers or assistant controllers are not empowered to deal with applications for import licences under export promotion schemes.

#### SCOPE OF STUDY

18. In September 1964, the Government of India appointed a committee under the chairmanship of Shri Prabhu V. Mehta for reviewing the work of export promotion councils. The committee submitted its report in May 1965 and made several recommendations. In December 1964, a special inspection cell was set up in the headquarters office of the Chief Controller with the object of studying the working of export promotion schemes and suggesting measures to plug loop-holes which permitted malpractices. The cell continues to function. Not wishing to duplicate the work of the Mehta Committee and of the inspection cell and as a comprehensive study of export promotion was beyond our terms of reference, we have confined our study to procedural aspects of the existing schemes only.

19. During the year 1963-64, the organisation of the Chief Controller received in all 42,420 applications for import licences under export promotion schemes. Against these, 37,837 licences were issued valued at Rs. 23.36 crores. Case studies were undertaken of a sample of applications dealt with by the Joint Chief Controller at Bombay who received 32,885 applications under the various E.P. Schemes during the year. The report of the case studies appears at Appendix V. The working of the export promotion branches at the headquarters office of the C.C.I.&E. was also studied with a view to acquainting ourselves with the type of work they were doing.

#### VERIFICATION AND PUNCHING OF DOCUMENTS

20. We recommend that the documents of export should be verified in each case. In the case of firms borne on the suspect lists issued by the Chief Controller, the licensing authorities should verify the genuineness of documents of exports submitted by the parties before granting the import licences on such exports. In the case of other parties, the documents of exports should be verified after the issue of the licences. Such verification should be done by separate verification cells at each port office. Also in order to eliminate the possibilities of benefits being secured twice over from the same exports, documents like bills of lading and entitlement certificates accompanying import applications should be defaced or punched by the licensing authorities after the issue of licences.

24. As recommended by us in case of other categories of importers, an acknowledgement-*cum*-deficiency letter should go to applicants in export promotion cases also within a period of 7 days of the date of receipt of the application by the licensing authorities. Applicants should be given a specified time limit to make up the deficiencies. Case studies have revealed that the average time taken in the final disposal of completed applications was 19 days in the case of unsponsored applications and 14.5 days for sponsored applications as against 10 and 7 days respectively fixed by the department for disposal. We recommend that no application should take more than 10 days and if the application is likely to take more time than this, an interim reply should be sent to the applicant informing him about the reasons for delay.

## BLACK-LISTING

**Recommendation**

25. We recommend that parties debarred from obtaining licences in the categories of actual users, established importers etc., should be automatically considered as debarred from obtaining E.P. licence. All debarring and suspension orders should apply to E.P. schemes also.

## STUDY OF EXPORT PROMOTION AND OVER/UNDER INVOICING

26. As already stated, in the field of export promotion we restricted our study to procedures for import licensing under export promotion schemes. A comprehensive study of export promotion was beyond our terms of reference; also the incentive schemes in this sphere have been studied recently by an inspection cell set up in the department. The question of over and under invoicing in imports and exports so much talked about also involves a much wider and closer study than can be fitted into our terms of reference. We wish, however, to record our feeling that these are matters which might merit the attention of a separate committee and we recommend accordingly to Government.

## CHAPTER SEVEN

### APPEALS

#### EXISTING PROCEDURE

1. The Chief Controller has a separate appellate division to consider appeals against the decisions of licensing authorities subordinate to him. Similarly, major port offices have also set-up separate sections to deal with appeals. When an applicant is not satisfied with the decision of a licensing authority, he can, in the first instance, prefer an appeal to the joint chief controller or deputy chief controller in charge of the licensing office in which the application for licence was dealt with. In case the appellant is not satisfied with the decision on his first appeal, it is open to him to make a second appeal to the Chief Controller at New Delhi. A revision application can also be filed after the decision on the second appeal. A fee of Rs. 5 is prescribed for the second appeal made to the C.C.I. & E. Appeals as well as revision applications are required to be made within prescribed periods from the date of the decision appealed against. Whenever an appellant requests for a personal hearing or interview in connection with his appeal, it is granted to him before the appeal is disposed of.

#### THE PROBLEM

2. In Part I of our report, we have recommended and the Government has accepted that the monetary ceiling earmarked for import of raw materials, components and spare parts by industrial units in the small scale sector should be distributed to the State Directors of Industries and other sponsoring authorities. In the case of units registered with the D.G.T.D. there is already a ceiling which is operated upon by the Director General himself. Under the new system for other sponsoring authorities, unit-wise allocations will be made by them within the overall ceiling intimated to them. The licensing authorities will issue licences for the value and the items recommended by the sponsoring authorities except in cases where the recommendations are contrary to the provisions of the import policy and procedure in force. It has been accepted that copies of recommendations made by the sponsoring authorities will be sent by them to the applicants so as to keep them informed. Hitherto sponsoring authorities in the small scale sector recommended licences without reference to the actual availability of foreign exchange with the result that the correct entitlement within the available ceiling was determined by the licensing authorities. Under the new licensing procedure, it is the sponsoring authorities that will play the more decisive role; licensing authorities will generally issue licences on the basis of the recommendations made by sponsoring authorities.

3. In view of this we consider it necessary that under the new procedure opportunity should be given to applicants to prefer appeals against even recommendations of sponsoring authorities. The opportunity for redress should be in addition to the existing remedy of appeal available to applicants under which first and second appeals are permissible within the Chief Controller's organisation. In fact, under the new licensing system, there will be two distinct stages of processing of applications for licences. The first stage will be by the sponsoring authority resulting in



a recommendation from him. The second will be the decision on the application by the licensing authority. If the licensing authority decides the application strictly in accordance with the recommendation of the sponsoring authority and the applicant is still not satisfied with such a decision, the licensing authority or the Chief Controller will certainly not be an appropriate forum to hear the applicant's grievance. In such cases the remedy of appeal will be effective only if the appeal is heard by an authority to whom the sponsoring authority is subordinate. For the same reason, if the decision of the licensing authority is at variance with the recommendation of the sponsoring authority, the proper course would be to provide for an appeal against such a decision within the Chief Controller's organisation. Thus, both from the point of view of administrative convenience and clientele satisfaction, there should be a provision for separate appeals being permitted against recommendation of sponsoring authorities and decisions of the licensing authorities.

### Recommendation

4. In this background and keeping in view the need to conform the basic principles of natural justice in a matter like this, we recommend that a new appeals procedure should be formulated and incorporated in the Import Trade Control Hand Book of Rules and Procedure and that the following should be the salient features of the new procedure :—

- (i) There should be a provision for appeals at two stages against recommendations of sponsoring authorities and against decisions of licensing authorities. The appellate authority in each case should be higher than and different from the authority against whose order the appeal is preferred. The C.C.I. & E. should ensure that an appellate machinery is set up in accordance with these principles, particularly at the sponsoring authorities end for hearing appeals against their recommendations.
- (NOTE :—If the impugned order was made under a general or specific direction written or unwritten of an authority, the appeal must not be heard by that authority but by a superior authority.)
- (ii) A time limit should be fixed both for filing an appeal by party and for its disposal by the appellate authority.
  - (iii) A reasonable opportunity of being heard should be given to the appellant and for this purpose the appeals procedure should specifically provide that if an appellant desires to be heard in person, he should say so in his appeal. The appellant should, in that event, be given the fullest opportunity to argue his case. There should not be any bar against representation by a lawyer.
  - (iv) The order passed in appeal should be a 'speaking' order, i.e. it should give reasons in support of the decision taken.
  - (v) If an appellant alleges discrimination and mentions specific instances of other cases more favourably dealt with, the appellate authority should examine those cases before taking a decision.

- (vi) The State Directors of Industries and other sponsoring authorities in the small scale sector should be asked to put in the form of a scheme. The guide-line proposed to be adopted by them in a particular licensing period for making unit-wise allocations and formulating recommendations. The guide-lines should be as specific and detailed as possible. The scheme of guide-lines should be published as soon as it is finalised and before recommendations begin to be sent to the C.C.I. & E. organisations and a copy should be sent to the Chief Controller. The object of all this is not only to make the clientele aware of the principles governing allocations, but also to ensure that the appeals preferred by them are on grounds which are relevant in the context of the guide-lines actually adopted by sponsoring authorities.
- (vii) The appeal system in sectors other than small scale, such as those looked after by the D.G.T.D., the Textile Commissioner etc. should as far as possible be the same in procedure and principles as that recommended for the small scale sector.

#### Recommendation

5. The above procedure will apply to licensing for raw materials, components and spares. For other types of licensing, including the issue of CCPs, we recommend that to the extent possible a similar system of appeal may be worked out for application there also, particularly bearing in mind the underlying principles of the new procedure suggested above.

## CHAPTER EIGHT

### PUBLIC RELATIONS

#### INTRODUCTION

Public relations officers were appointed in the organisation of the CCI&E in June 1962 in pursuance of the recommendations of the Import & Export Policy Committee headed by Shri A. Ramaswami Mudaliar. The enquiry offices which were already functioning in the organisation were placed under the charge of public relations officers.

2. The main duties of the Public Relations Officer were laid down in an office order as under :—

- (a) Giving general clarification on matters of policy and procedure of import and export trade control.
- (b) Attending to complaints made by the public about loss of papers and applications etc.
- (c) Attending to enquiries from the applicants in regard to pending applications, informing them about the latest position of their cases and advising the applicants to contact the concerned officers in other ministries/offices in respect of their cases which are held up in other organisations.
- (d) Enquiring into the causes of delay reported by the public in the disposal of applications and bringing cases of inordinate delay to the notice of the head of office.
- (e) Maintaining contact with the public and investigating complaints made by the public regarding any alleged rude behaviour or any instance of harassment to them.
- (f) Attending to the correction of minor mistakes and omissions found to have been committed in the issue of licences.
- (g) Inspecting the visitors' rooms to ensure that they are kept clean and properly furnished.
- (h) Looking after the amenities to the visiting public.
- (i) Entertaining suggestions from public for improvement of procedure.

3. At the headquarters, the PRO's organisation is headed by an officer of the rank of deputy chief controller. He sits on the first floor of the multi-storied block which houses the CCI & E's office, and to reach him a gate pass has to be obtained from the reception office located in the basement of the building. The P.R.O. is assisted by an enquiry officer of the rank of an assistant controller who sits in the basement of the building along with four counter clerks who receive dak, book interviews, entertain position slips and sell application forms. In the major port offices at Bombay, Calcutta and Madras, the PRO is of the rank of a controller and is assisted by an enquiry office manned by an enquiry officer or an investigator and a few counter clerks. There is a "complaints cell" under the PRO at the headquarters, no such arrangement exists in the port offices.

4. The enquiry officers perform the following functions :—

- (i) attending to verbal enquiries relating to import and export trade control policy and procedure;

- (ii) attending to "enquiry slips" also known as "position slips" through which representatives of the applicants get the latest position in respect of their cases;
- (iii) arranging interviews of trade representatives with the officers of the organisation;
- (iv) receiving applications and other communications which are delivered in person at the counter; and
- (v) displaying import and export trade control public notices and trade notices on the notice boards for the information of the trade.

5. We have examined the functioning of the public relations machinery of this organisation and feel that public relations officers are working within a somewhat limited scope. In our view the primary objective of a public relations officer should be to project the correct image of the functioning of the organisation to the public and also to act as an important channel of communication between the organisation and the public. He should be in a position to remove or effectively get removed the causes of friction and irritation experienced by the clientele public. We feel that in a servicing organisation like that of the Chief Controller, a properly designed machinery to serve the major objective of clientele satisfaction is essential. It is in this context that we have tried to analyse the role of the public relations officers in this organisation.

#### ROLE OF PRO IN DEPARTMENTAL PUBLICATIONS

##### Recommendation

6. The Chief Controller brings out important publications like the Red Book containing the import policy of the Government and the Hand Book containing rules and procedure governing import licensing. The trade is vitally concerned with these publications. It should be the duty of the PRO to ensure that as far as possible the trade and industry clearly understand the rules and policy so that they are not faced with difficulties in applying for licences or in utilising them. If the PRO finds that any particular rule or procedure has not been properly spelt out or presented, he should bring it to the notice of the concerned officers along with his suggestions for such changes as he considers necessary. The suggestions made by the PRO in this regard should be taken into consideration immediately and suitable changes should be made in the rules or procedure to remove the difficulties experienced by the clientele. We also recommend that the work of bringing out pamphlets in easy language on the procedures relating to issue of licences to various categories, a decision about which has already been taken by the Government in pursuance of a recommendation in Part I of our report, should be assigned to the PRO. The pamphlets should, besides explaining the procedure in a simple and attractive manner, indicate the time limits prescribed for disposal of applications by the department.

#### ROLE OF PRO IN PRESS ACTIVITIES

##### Recommendation

7. Another important function of the PRO should be to deal with matters reported in the press concerning the department. At present he is doing only a part of this job by taking note of "clippings" appearing in the press and issuing contradictions or clarifications wherever necessary. We feel that in matters concerning the press, the PRO should function as the

Information Officer of the department and should keep close liaison with the Information Officer of the Ministry of Commerce in the Press Information Bureau. In particular, we recommend that (a) all publicity material regarding the department should go to the press and the public through him, (b) clarifications or contradictions as may be necessary in regard to reports appearing in the press should be issued by him, and (c) articles by officers of the department in commercial and economic journals should be organised by him. He should also take extracts or clippings from newspapers and journals in respect of reports appearing in the press about the department and organise documentation work for keeping the head and other officers of the department fully posted with the public reaction to the working of the department.

#### PLANNING PUBLIC RELATIONS POLICY

##### Recommendation

8. Since the functions of the PRO are to ensure clientele satisfaction, we recommend that the public relations policy of the department should be periodically reviewed in consultation with the representatives of trade and industry. For this purpose, and also to coordinate and refresh public relations work at headquarters and port offices, a committee might be set up consisting of the Chief Controller, the heads of major port offices and two representatives of trade and industry. This committee should meet once in six months to discuss public relations policy and the functioning of the PRO units at the headquarters and port offices, and to suggest measures for improvement. The committee will not be concerned with substantive matters of import and export policy of the department. We recommend that a consultative procedure on these lines may be tried out for a period of one year; its further continuance should depend on whether it is found useful in this period.

#### Q AND M LINK

##### Recommendation

9. We recommend that the agency of the PRO should be in close touch with the O & M branch of the organisation so that procedural remedies to various types of public grievances are continuously developed and implemented.

#### COMPLAINTS

##### Recommendation

10. A complaints cell was set up in the C.C.I. & E.'s office under the charge of the Public Relations Officer in pursuance of the recommendations of the Committee on Prevention of Corruption. A study of the types of complaints received in the cell shows that the cell has been dealing with even such complaints as are against the decisions of licensing authorities and are thus in the nature of appeals. As there is a separate appellate division under the Chief Controller, we recommend that all complaints which are in the nature of appeals or representations against the decisions of licensing authorities should be appropriately dealt with in the Appeals Division. The Complaints Cell should only deal with complaints against delays in the disposal of applications. If the examination of a complaint reveals a vigilance angle, the matter should be reported to the Vigilance Section for further action, but remedial action to redress the grievance of the complainant should not on that account be put off. The P.R.O. should be primarily concerned to ensure that effective redress is provided by the department to individual complainants. Cases of inordinate delay should

be brought to the notice of the concerned joint chief controller and the Chief Controller. Apart from following up individual complaints, the P.R.O. should also undertake an analytical study at the end of each quarter in respect of complaints received during that quarter in order to locate problem areas. On the basis of such study he should send his suggestions to the O & M and policy branches for suitable changes in the procedures and in the policy as may be called for.

11. We also recommend that in the annual administration reports of the department, the position regarding the implementation of the various recommendations should be reviewed. In particular, a mention may be made of the number of applications not disposed of within 3 months of their receipt and the remedial measures adopted to prevent the recurrence of such delays.

#### COUNTER SYSTEM

##### Recommendation

12. In our earlier report we recommended that requests for amendments of a minor nature or for revalidation of licences not requiring detailed examination should be entertained at counters to be set up for this purpose in all licensing offices and dealt with more or less across the counter. This recommendation has been accepted by the Government. As a step towards the implementation of this decision, we recommend that the counters to be set up for entertaining such requests should be placed under the charge of public relations officers. In order that such requests may be dealt with expeditiously, we also recommend that communications received at the counter should be sent by the counter clerk to the operative section concerned without routing them through the Central R & I Section.

#### SUPERVISING THE ACTIVITIES OF REGIONAL PROS

##### Recommendation

13. There are public relations officers at the major ports like Bombay, Madras, Calcutta and the Central Licensing Area (New Delhi). In so far as the smaller port offices are concerned, we feel that the work pertaining to public relations should be handled by the head of the port office himself and no separate PROs need be appointed. The PRO at the headquarters should supervise the activities of the regional public relations officers and we recommend that for this purpose he should visit major port offices once in six months and other smaller offices at least once in a year to carry out inspection of the public relations work being done at the ports. He should submit his inspection report to the Chief Controller. We further recommend that the PRO should also occasionally visit important industrial towns where the Chief Controller has no regional office. He should meet the representatives of the trade and industry at such places to discuss with them their problems concerning import and export, so that it may be possible to devise measures to remove the difficulties of the trade and industry.

#### POSITION SLIPS

14. The accredited representatives of firms seeking to know how their cases stand have to fill in printed enquiry slips (also known as position slips) available at the enquiry counter and hand them over to the clerk at the counter. The clerk scrutinises the entries made in the slip to ensure that all the relevant columns are properly filled. The position slips are then entered in a register and passed on to the Enquiry Officer for his

signature. After being signed by the Enquiry Officer, the position slips are transmitted to the operative sections concerned. The operative sections are expected to return the slips to the enquiry office within 24 hours of their receipt in the section indicating the factual position of the particular cases. On return, the slips are appended alphabetically in the Position Slips Folder in the enquiry office and kept on a table for inspection by the representatives of firms.

#### CASE STUDIES

15. At the headquarters office of the C.C.I. & E., 27, 237 position slips were entertained during the 1964-65 licensing period. Out of these, 122 slips were selected at random for the purpose of study. The study revealed the following :—

- (i) In 33 cases, i.e. in about 27% of the cases studied, the position intimated on the slips did not conform to the actual position as on date. This shows that in a good number of cases the licensing sections indicate the position on slips without actually referring to the relevant files.
- (ii) Out of the 89 cases where the position indicated on the slip did conform to the actual position on that date, in 27 cases the position indicated on the slip was not precise enough to satisfy the applicant. The usual phrases used in such cases were "the case is under consideration", "the reply is likely to be sent within a week or so", etc.
- (iii) The asking for information through slips was not justified in all cases. In as many as 27 cases, replies had already been given to the parties before the date of filing of position slips or sufficient time had not passed after the submission of application justifying an enquiry through a position slip.
- (iv) In 38 cases, some of the columns in the position slips were left unfilled, with the result the sections had to spend more time than normal in indicating the position of such cases.
- (v) Under the existing procedure position slips are entertained 15 days after the putting in of A.U. applications and one month after the submission of C.G. applications. The study revealed that representatives came to enquire about the position of their applications through position slips after a lapse of 59 days on an average from the date of filing their applications.
- (vi) In 26 out of 122 cases, the position slips were returned by the operative sections to the Enquiry Office without their being shown to the assistant controller concerned.

#### Recommendation

16. It appears from the results of case studies that the system of position slips is not serving the purpose it was meant to, although it is giving rise to as many as 27,237 receipts in one year. It is also not clear whether the position slips have had the effect of lessening the number of interviews with officers. The necessity for having a system of position slips will in any case be reduced under the new licensing procedure in which time limits have been specified for processing applications for licences and interim communications are to be sent to applicants in cases where applications are not disposed of within the prescribed time limits. In view of all this, we recommend that the system of position slips should be entirely done

away with as soon as the new licensing procedure is introduced. On account of various other measures suggested to be built into the new licensing procedure, by which the applicants will come to know the position of their applications at different stages, we believe that the underlying objective of the system of position slips will be adequately looked after by these other measures, and in any case better looked after than by position slips.

#### INTERVIEWS

17. A client seeking an interview with a particular officer has to fill an interview slip available at the enquiry counter and hand it over to the clerk at the counter. The clerk then allots a date for interview after consulting the register of interviews. A separate register is kept for every interviewing officer. The counter clerk is normally expected to book not more than ten interviews for a particular officer on an interview day. In the case of outstation clients, however, this limit is relaxed and they are accommodated at the earliest possible date. The interview slips are then passed on to the concerned officers.

#### CASE STUDIES

18. During 1964-65, 1,46,017 interviews were booked for officers in the C.C.I. & E.'s organisation. A case study of a small sample of 58 interviews was made and it revealed the following facts :—

- (a) In 13 cases, the persons seeking interviews did not turn up on the appointed dates.
- (b) Except in one case, all interviews were booked with the controllers and not with higher officers.
- (c) In 32 cases the interviews were not justified in the sense that either licences had already been issued to the parties and the interviews were only in the nature of representations seeking to get licences for higher values, or rejection letters had been issued and the interviews were only to have the decisions revised. (In such cases, it was more appropriate for the parties to have filed proper appeals than to have come up for personal interview with the officers before filing their appeals).
- (d) In the remaining 13 cases, 5 had been referred to other authorities or sections for advice, another 5 had not been processed till the date of interview, and in the remaining 3 licences or suitable replies were issued to the parties only on the date of interview.
- (e) The results of interviews were not recorded on the respective files by the interviewing officers in many cases.
- (f) Clients or their representatives sought interviews after a lapse of 135 days, on an average, from the date of filing of their applications. In cases where replies had already gone, the parties had come up for interviews after the expiry of 56 days, on an average, from the date of issue of replies.

#### Recommendation

19. We have examined the need and scope for interviews in the context of the new licensing procedure and our recommendations in this regard are as under :—

- (a) We feel that the PRO and his staff should be directly available to the members of the public without the intervention of formalities for seeking interviews or getting gate passes. They



should be located outside the security zone and their location should be prominently displayed for the guidance of visitors. Their primary function in regard to interviews should be to act as a filter for visitors wanting interviews with officers directly concerned with their case. The visitors who are not satisfied with the information given or action taken by the Enquiry Officer should approach the PRO who at his discretion may book interviews with the officers if he also is not able to satisfy the visitors.

- (b) In the case of applications for licences, no request for interview should be entertained before the expiry of the time limit fixed for disposal of applications. This should be made clear to the public in advance through the Hand Book or through public notice. After the expiry of the time limit, the licensing office should issue an interim reply to the party. If an interview seeker has not received a final reply to his application within the prescribed time and if he also has not received any interim reply thereafter, or if he is not satisfied with the interim reply, he should be allowed to have an interview with the officer concerned.
- (c) Visitors seeking interviews should all be screened by the Enquiry Officer himself. In certain cases the Enquiry Officer may be able to give the clarification required himself or he may advise the visitor to meet the Public Relations Officer direct. Where he finds that even the PRO will not be able to answer the need of a particular visitor, he may book an interview with the deputy/joint chief controller concerned. Time for interviews should be fixed and the visitors should be accommodated either on the same day or on the earliest date possible. Visitors from outstations should be accommodated on the same or the following day and should not in any case be required to wait beyond that period. In special circumstances, the dealing officer may be persuaded to meet the visitor immediately or on the same day even outside the interview hours. We feel that with the further delegation of powers to the assistant controllers proposed elsewhere by us, the officers senior to this level will be able to devote the requisite time to interviews.
- (d) At present interviews are granted from 3 to 5 P.M. on alternate days. In order to facilitate what we have stated above, interviews may be granted between 3 to 5 P.M. every day.
- (e) All interviews arranged either by the Enquiry Officer or by the PRO should be on the basis of interview slips which should be delivered at the counter with the endorsement of the Enquiry Officer or PRO as the case may be. The counter clerk will return the counterfoil after indicating the date and time of interview and the name of the officer to be interviewed. The slips will then be diarised and sent to the officers concerned. These slips should be sent to the officers twice a day i.e. once at 1.00 P.M. and again at 4.00 P.M. after which no interviews should be booked. The officers concerned should initiate action on the interview slips immediately on receipt and should ensure that the relevant information or file is available before the interview materialises.

- (f) When the visitor comes on the appointed date and time he should enter his name and address and affix his signature on the gate pass register kept with the Enquiry Officer where the gate passes should be issued automatically on production of the above mentioned counterfoil. The officer interviewing the visitor should record the result of interview in brief at the back of the interview slip and keep it on the file. The interview slip should form a part of the file itself.
- (g) In the case of personal hearings granted in appeal cases, the communication sent to a party asking him to come for interview on a particular date and time should be a sufficient basis to issue a gate pass without going through any other formality. Appellants who do not hear anything from the C.C.I. & E.'s organisation within the prescribed period of 45 days should be granted interviews freely.

#### GATE PASS

20. In the headquarters office of the C.C.I. & E., a Reception Officer has been provided by the Ministry of Home Affairs to issue gate passes to visitors. According to the existing procedure, an interview is booked by the Enquiry Officer but the visitor has also to go to the Reception Officer for getting a gate pass. As the entry of visitors can be effectively controlled by the Enquiry Officer in this organisation, we feel that there is no need for a separate Reception Officer for this purpose. We, therefore, recommend that there need not be a separate Reception Officer of the Home Ministry in this organisation and entrance into the office should be permitted on the basis of gate passes issued by the Enquiry Officer.

#### SET-UP OF THE PUBLIC RELATIONS MACHINERY

##### Recommendation

21. The Public Relations Officer at the headquarters is of the rank of a deputy chief controller and PROs at the major port offices are of the rank of controller. Considering the importance of having an adequate and effective public relations machinery in this organisation, we recommend that at the headquarters office the PRO should be a senior deputy chief controller. At the major ports also the PROs should be deputy chief controllers and should continue to work directly under the head of the office. At smaller ports, as already stated, there need not be separate public relations officers, the head of the office should himself handle this work.

22. We recommend that the complaints cells under the PROs at the headquarters and in the major ports should be headed by assistant public relations officers of the rank of assistant controller. The working of complaints cells should be on an "officer-oriented" pattern and for this purpose each APRO should be assisted by a full-time steno-typist who should also perform the other routine duties of diary, despatch, etc. He should also be seated outside the security zone.

23. The enquiry offices under the PROs at the headquarters and in the major ports should continue to be headed by officers of the rank of an assistant controller. A senior assistant at the headquarters and a section head at the major ports should, however, work as 'Information Assistant' to assist the Enquiry Officer in giving information on routine matters to the visiting public so that the Enquiry Officer may be relieved of such

work. There should be four counters at the Enquiry Office, one for receiving interview slips, the second for receiving applications and dealing with for minor amendment or revalidation, the third for giving information to the trade and the fourth for selling application forms, public notices, trade notices etc.

24. A scheme of the lay-out and organisation of the PROs complex is at Appendix VI.

25. In our approach towards better clientele satisfaction, we have considered some other aspects also and make the following recommendations :—

- (a) In all cases the reasons for rejection of applications should be communicated in writing to applicants, unless such reasons cannot be divulged in the public interest and are based on secret instructions. The communication of reasons will not only make for more open working, it will also give applicants something tangible to base their appeals upon.
- (b) In addition to the existing weekly bulletin issued by the CCI&E., a separate weekly bulletin should be issued which should indicate the particulars of licences granted to small scale industries on a state-wise basis. Making a bulletin of this type will reduce its price and will bring it within the reach of persons interested in its contents.
- (c) The bulletin should indicate the value recommended by the sponsoring authority in respect of each unit as also the value for which the licence is issued. This would enable the industrial units to make representations to the sponsoring authorities if they feel that the value recommended in their favour is less than that recommended in favour of similarly situated units in the same state.
- (d) Licences granted to new units should be indicated in the weekly bulletin in a conspicuous manner.
- (e) Communications sent to applicants should not be hand-written even if this involves engaging more typists. It has been represented to us that in many cases hand-written letters sent to applicants were not properly readable.

## CHAPTER NINE

### RE-ORGANISATION OF HEADQUARTERS AND REGIONAL OFFICES

Hitherto, whether in Part I of our report or in the earlier chapters of this part of the report, we have considered various aspects of the substantive work of the organisation and have made suggestions for improving procedures and modifying policies in order to make for easier handling of work within the organisation and the maximum possible convenience of the clientele public. In the setting of our earlier recommendations, we now address ourselves to the task of suggesting a reorganisation of the department that would be conducive to greater despatch and efficiency. We have based our consideration on studies of a fairly detailed character conducted through our research staff in the headquarters office and in one major port office, Bombay. We have concrete recommendations to make reorganising these two offices, and feel that the reorganisation process could be extended to other port offices on lines similar to the pattern suggested for Bombay.

#### SECTION-I

##### RE-ORGANISATION OF HEADQUARTERS OFFICE

2. The headquarters office of the Chief Controller of imports and exports consists of various divisions, namely (i) the Import Policy Division, (ii) the Investigation & Vigilance Division, (iii) the Appeals Division, (iv) the Export Policy and Export Promotion Division, (v) the Licensing Division (other than C.G.), (vi) the C.G. Division, (vii) the Administration Division and (viii) the Statistical Division. Each division consists of a number of sections and each section is under the charge of an assistant controller except that in the Statistical Division certain sections are supervised by investigators. The assistant controllers work under controllers, deputy chief controllers and joint chief controllers. The Statistical Division is under the over-all charge of the Director of Statistics. Apart from the Chief Controller, at the officers level there are at present 6 joint chief controllers, 11 deputy chief controllers, 19 controllers and 58 assistant controllers. In addition there are 574 non-gazetted officials and 145 Class IV employees. During the year 1964-65, the headquarters office received 68,040 import applications, 469 export applications and 4,18,922 other references. During the same period, the total number of import licences issued and their values were as under :—

i Total number of Import licences.	—	1,39,054
ii Total value		Rs. 778 crores

3. The nature and type of work being different in different divisions, we have examined the working of each division separately for the purpose of suggesting a suitable pattern of re-organisation in order to simplify and streamline the existing procedure and organisation.

#### (i) IMPORT POLICY DIVISION

##### *Existing position*

4. There are four sections in the Import Policy Division, namely (i) the Import Policy Cell, (ii) Policy I, (iii) Policy II and (iv) Policy III. The Import Policy Cell deals with the formulation of the Red Book.

Policy I and Policy II sections deal with interpretation of the Red Book, I.T.C. classification of goods, trade agreements with Afghanistan, Iran and Iraq and other countries, and other policy matters. Policy III section deals with procedural matters.

5. The Import Policy Cell is under the charge of an assistant controller who works directly under a deputy chief controller. The Deputy Chief Controller (Policy Cell) submits cases direct to the Chief Controller. The remaining three sections are also each under the charge of an assistant controller who submits cases through a hierarchy of a controller, deputy chief controller and joint chief controller, except that the assistant controller in Policy I Section submits his cases directly to deputy chief controller and not through a controller. Initial noting on files generally starts from the level of assistants, investigators or upper division clerks. The staff of the division consists of one joint chief controller (part time); two deputy chief controllers, one controller, four assistant controllers, 14 assistants, four investigators/upper division clerks and 17 lower division clerks.

#### GUIDING PRINCIPLES

6. Our study revealed that there was frequent lateral movement of files between the Import Policy Cell and other import policy sections in certain matters of policy and procedure. This to a large extent is due to the existing rather faulty distribution of work amongst the sections, as for instance the work relating to the formulation of import policy is handled by the Import Policy Cell whereas the interpretation of the policy is dealt with by the policy sections. As a result there is unnecessary and avoidable noting, and consequently delay in the disposal of work. Although the study confirmed that in most cases noting on files started from the level of assistant, investigator or upper division clerk, the nature of work did not offer much scope for an effective contribution being made at this level. Having regard to these facts and looking to the type of work handled, we adopted the following guiding principles for a re-organisation of this division:—

- (a) There should be no noting on the files at levels below that of assistant controller. In other words, an "officer-oriented" system should be introduced in this division.
- (b) There should not be more than three levels of handling, including a joint chief controller.
- (c) There should be a distribution of work which ensures that formulation of policy and its interpretation are dealt with in one section.

#### Recommendation

7. Based on the above principles, we make the following recommendations:—

- (i) The existing four import policy sections including the Import Policy Cell should be reconstituted into three units— two (viz. Import Policy Section I and Import Policy Section II) for dealing with substantive policy work, and the third a Registry and Co-ordination Section for providing common services as indicated later.
- (ii) All work regarding the formulation of the Red Book and the Hand Book of Rules and Procedure and their interpretation should be in one section, viz. Import Policy Section I, and the remaining substantive work should be dealt with in the other.

section, viz. Import Policy Section II. The Registry and Co-ordination Section should provide common services like maintenance of index cards and reference materials, opening and maintenance of files registration of dak, typing and despatch and maintenance of certain registers. Typing, despatch and receipt of secret communications should, however, be done in Import Policy Section I.

- (iii) There should be an officer-oriented system of dealing with work in Import Policy Section I and Import Policy Section II. Noting on the files in these two sections should start at the level of assistant controller. The assistant controllers should be given powers to dispose of certain matters at their level so that cases of a simple nature are not required to be submitted to higher officers. The assistant controllers to be posted in the division will need to be officers of proven calibre so that they are in a position to deal with work in the officer-oriented system.
- (iv) The intermediary level of 'controller' should be done away with. This would bring the total number of levels of handling down to three. It would also eliminate what appears to us a defective supervisory system in which the work of assistant controllers is supervised by officers of the same grade drawing a small special pay.
- (v) There should be three assistant controllers in each of the two policy sections proposed. Each assistant controller should be assisted by a full-time steno-typist, who should maintain current files in addition to his stenographic duties. Following the pattern of the recent reorganisation in the Ministry of Works and Housing, the steno-typists should be either upper division clerks or lower division clerks and should be given stenography allowance of Rs. 30.00 per month. The Import Policy Section I, should also have four lower division clerks for doing typing, diarising and despatch of secret papers.
- (vi) The Registry and Co-ordination Section should be headed by a registrar of the grade of an assistant controller. He should be assisted by three upper division clerks and six lower division clerks.
- (vii) The Import Policy Section I should be under a deputy chief controller who should continue to submit his cases direct to the Chief Controller. The Import Policy Section II and the Registry & Coordination Section should be under a separate deputy chief controller and a joint chief controller.

8. We would also like to mention a few other points relating to the work in this division which occurred to us in the course of study:—

- (a) Public notices announcing policy are sometimes followed by departmental instructions in the form of G.L.Is. (General Licensing Instructions). Where such departmental instructions are needed, these should be drafted and issued simultaneously with the public notices so that it may be possible for the licensing authorities to act on a particular public notice without any delay.

- (b) Minutes of the I.T.C. Classification Committee are at present circulated to the members at the draft stage for confirmation. This delays their finalisation. As these minutes do not contain a resume of the discussions held in the meeting but merely state the final decisions taken, it will shorten matters if instead of circulating the draft minutes the classification of items as agreed upon in the meeting is read out at the end of the meeting and verbal confirmation obtained from the members present.
- (c) The commodity-wise system of opening files in the proposed Import Policy Section I (now Policy Cell) may continue unchanged. However, in the proposed Import Policy Section II, the files should be opened in the manner prescribed in the Manual of Office Procedure under which major heads have to be prepared and files opened, as and when necessary, under appropriate heads. For I.T.C. classification work, the files should be opened in the same manner as in the Import Policy Section I, i.e. each file should pertain to a particular commodity or group of commodities.

#### (ii) INVESTIGATION & VIGILANCE DIVISION

9. Existing Position :—The Investigation & Vigilance Division at present consists of four sections. Of these, three sections deal with firms against whom there are allegations of contravention of import and export trade control regulations and one section known as the Vigilance Cell deals with the cases against departmental staff. The Vigilance Cell is under the charge of a controller who submits his cases to a deputy chief controller and a joint chief controller. The three investigation branches are each under the charge of assistant controllers who submit their cases direct to the same deputy chief controller and joint chief controller; there is no controller for these branches. There are in all 15 assistants/ investigators/upper division clerks and 11 lower division clerks in this division. The noting on files ordinarily starts from the level of assistants or investigators or upper division clerks.

#### Recommendation

10. The word 'investigation' in the name of the division is a misnomer as the work actually handled is more in the nature of enforcement. We suggest therefore, that the division should be called the Enforcement and Vigilance Division. The work in this division is essentially of a delicate and complex nature. It involves examination of allegations with reference to rules and regulations and of arguments and explanations furnished by the concerned parties in support of their defence. Therefore, here also, as in the Policy Division, there is not much scope for effective contribution at the level of assistants or upper division clerks. We, therefore, recommend that the division should be reorganised on the following pattern :—

- (i) The existing four sections in the division should be reconstituted into three units, namely, (i) Enforcement Section, (ii) Vigilance Section and (iii) Servicing Section.
- (ii) The distribution work amongst the proposed three units should be on the following lines :—
  - (a) the Enforcement Section should deal with cases of firms involving contravention of import and export trade control regulations;

- (b) the Vigilance Section should deal with disciplinary matters against departmental staff; and
  - (c) the Servicing Section should deal with opening of files, maintenance of records, movement of records, diarisation and despatch of dak, typing, maintenance of registers and statistics pertaining to the Enforcement and Vigilance Division.
- (iii) There should be an officer-oriented system in the proposed Enforcement and Vigilance Sections. Noting in these two sections should start at the level of an assistant controller who should submit cases direct to a deputy chief controller. The intermediary level of controller should be done away with. Assistant controllers should be given powers to dispose of certain matters at their level.
  - (iv) There should be six assistant controllers in the proposed Enforcement Section and two in the Vigilance Section, each assisted by a full-time steno-typist with duties and emoluments as suggested in the case of the Policy Division. Two lower division clerks should also be posted in the Vigilance Section for attending to diary, despatch or typing of papers of a secret nature.
  - (v) The proposed Servicing Section should be headed by a registrar of the rank of an assistant controller. He should be assisted by the upper division clerks and six lower division clerks.
  - (vi) The division should be under the charge of a deputy chief controller who should submit papers to a joint chief controller.

### (iii) APPEALS DIVISION

11. Existing Position :—There are four sections in this division, three dealing with appeals from the trade and industry and one attending to litigation work of the department. All these sections are under the charge of assistant controllers. The three sections dealing with appeals submit their cases to the controller, the deputy chief controller and the joint chief controller, whereas the assistant controller of the Legal Cell dealing with litigation work submits his papers direct to the deputy chief controller. There are in all 16 posts of assistants, investigators and upper division clerks and 12 of lower division clerks.

### Recommendation

12. Having regard to the nature of work involved in appeals and litigation, we recommend that an officer-oriented system should be introduced in this division also on the following pattern :—

- (i) The existing four sections in the division should be reconstituted into three units, namely, (i) Appeals Section, (ii) Legal Cell and (iii) Servicing Section.
- (ii) Work relating to appeals and revision applications should be handled in the Appeals Section and that relating to litigation in the Legal Cell. The Servicing Section should deal with opening of files, maintenance of records, movement of records, diarisation and despatch of dak, typing, maintenance of registers etc. of the division.



- (iii) There should be three assistant controllers in the Appeals Section and one assistant controller in the Legal Cell, each assisted by a full-time stenotypist as in the case of the Policy Division. They should submit their papers direct to a deputy chief controller and the intermediary level of controller should be done away with. The Servicing Section in this division should consist of five lower division clerks who should be under the supervision of a senior assistant only.
- (iv) The Deputy Chief Controller (Appeals) should submit cases to a joint chief controller. There should be only one joint chief controller for both policy and Appeals divisions.

(iv) EXPORT POLICY AND EXPORT PROMOTION DIVISION

13. Existing position.—The Export Policy and Export Promotion Division consists of four sections each under the charge of an assistant controller. There are in all 11 assistants, investigators and upper division clerks and 9 lower division clerks in the division.. The work is of the same type as that in the Import Policy Division.

14. Considering the nature of work involved, we recommend that in this division also an officer-oriented system should be introduced and the division should be re-organised on the following pattern :—

- (i) The existing four sections should be reconstituted into three units : (i) Export Policy Section, (ii) Export Promotion Section and (iii) Servicing Section.
- (ii) Work relating to the export policy and procedure should be handled by the Export Policy Section, whereas that relating to export promotion schemes should be dealt with in the Export Promotion Section. The Servicing Section should, as in other divisions, deal with opening of files, maintenance of records, movement of records, diary, despatch, typing etc.
- (iii) There should be three assistant controllers in the Export Promotion Section and two in the Export Policy Section, each assisted by a fulltime stenotypist with duties and emoluments as suggested in the case of the Import Policy Division. They should submit cases direct to the deputy chief controller and the intermediary level of the controller should be done away with. The assistant controllers should be given powers to dispose of certain matters at their level as in the case of the Import Policy Division.
- (iv) The proposed Servicing Section should be headed by a registrar of the level of an assistant controller. He should be assisted by two upper division clerks and four lower division clerks.
- (v) There should be a deputy chief controller to look after this division as at present and he should submit papers to a joint chief controller again as at present.

(v) LICENSING DIVISION (OTHER THAN C.G.)

(a) Sections dealing with D.G.T.D. Units.

15. Existing Position. There are six sections dealing with applications for import of raw materials, components and spare parts from units borne

on the books of the D.G.T.D. The sections are under the charge of assistant controllers. There are three controllers in the division, each having two sections under him. These controllers work under one deputy chief controller. The distribution of work amongst the sections is on the basis of groups of industries. There are at present 24 assistants, investigators and upper division clerks and 18 lower division clerks in the division.

#### GUIDING PRINCIPLES

16. In our examination of the licensing sections, we kept in view the following guide-lines :—

- (a) The structure of the section should take account of the nature of work handled.
- (b) The number of levels in the hierarchy should be very few in view of the limited scope for exercise of discretion involved in the work.
- (c) The powers of officers at lower levels should be enhanced to enable them to dispose of cases where exercise of discretion is limited.
- (d) Noting on files should as far as possible be eliminated, as the examination of applications for licences is confined to specific points only.

#### Recommendation

17. The nature of work in the issue of licences is different to the work of formulating policy or that of appeals, enforcement and vigilance. What is involved here is a more or less routinised check of licence applications and the recommendations of sponsoring authorities. The officer-oriented system recommended for other divisions will not, therefore, be suitable for this type of work. This being the position, we recommend that the structure of the licensing sections should broadly continue to be on the existing pattern of staffing.

18. In regard to the number of levels of handling, however, we have given careful thought to whether posts of controllers need to continue in this division. There could be two possible reasons for having this intermediary level between the assistant controller and the deputy chief controller. For one thing, controllers help to reduce the pressure of interviews on the deputy chief controllers and secondly, they also help to reduce the number of files going up. As to the first reason, it seems to us that people interview with controllers more to explain the urgency of their cases and to get decision expedited than to discuss the merits of their case. Under the new licensing procedure, as already mentioned, licensing sections will be required to do a routinised check only and if an application is in order a licence will be issued or refused strictly as recommended by the D.G.T.D. Even in the case of time-barred applications, the officers in the CCI&E will be guided by the recommendations of the D.G.T.D. Since copies of recommendations will be sent by the D.G.T.D. to the applicants, the latter will know the items and values recommended in their cases. Applications will be dealt with in the CCI&E's office in a chronological order. There will be time-limits for issue of 'deficiency' letters and licences or final replies as the case may be. There is also a provision that if it is not possible to dispose of an application within the prescribed time-limit, the applicant should be informed as to the probable date by which his application will be decided. Interviews will be granted only where an application has not

been disposed of within the fixed time limit after its having been received in the CCI&E's office and where the applicant has not heard anything in the matter from the CCI&E's office or he is not satisfied with the interim reply issued to him. Thus the number of interviews will go down considerably and interviews will be confined to cases which are not delayed but where the applicant has been kept in the dark. We feel that the deputy chief controller in the Licensing Division will be in a position to handle the smaller number of interviews in the new system. In fact, it is necessary that in the kind of cases which will give rise to an interview under the new system, it should be the deputy chief controller himself who sees the applicant.

19. Coming to the second reason, the powers enjoyed by officers of the Licensing Division are according to the value of an application. Applications up to a certain value are dealt with at the level of the assistant controller and those of higher values go up to controller/deputy chief controller/joint chief controller depending upon the value. We consider that a better way of delegating powers would be to go by the nature of case. Thus, if an application duly recommended by the D.G.T.D. is found to be in order in all respects and the value recommended by the D.G.T.D. is within the amount allocated to them, it should be within the powers of an assistant controller to issue a licence or a letter of rejection, as the case may be without reference to the higher levels, irrespective of the value of the licence. Cases in which the assistant controller does not find it possible to accept the recommendation of the D.G.T.D. in toto should be put up to the deputy chief controller. Cases involving a serious departure from the recommendation of the D.G.T.D. or cases of suspect firms should go up to the joint chief controller. In this pattern of delegation, most cases will be finalised by assistant controllers and only a few cases will need to go higher.

20. In view of these considerations, we recommend that the level of controller should be done away with even in the Licensing Division. This will bring down the number of hierarchical levels from four to three. The elimination of the controller will also reduce the time spent in the disposal of applications and will make it easier for licensing sections to comply with the time schedules prescribed in the licensing procedure.

21. We also recommend that in lieu of the three posts of controllers proposed to be abolished there should be an additional deputy chief controller in the division, so that there are two deputy chief controllers to supervise the licensing sections dealing with D.G.T.D. units.

22. In view of the enhanced powers recommended for assistant controller, we recommend that there should be a periodical and regular test-check by deputy chief controllers of cases finally dealt with by assistant controllers. The reports of such test-checks should be submitted to the head of the organisation.

23. The procedure for handling of applications for licences should be such as to ensure quick, prompt and accurate disposal. We have the following recommendations to make in this regard :—

- (a) In the DGTD., the applications for licences will be acknowledged, the DGTD will also send a copy of their recommendation to the applicant. Therefore, in the C.C.I.'s office, acknowledgement-cum-deficiency letters should be issued only in cases where there are deficiencies in the application.

- (b) The licensing sections should use check sheets and standard letters to avoid noting and drafting. The check sheets and standard letters will also ensure that all points are checked up and communications to applicants are not incomplete in any way.
- (c) There should be an assembly line processing of applications. The three components in the work viz., opening of a file, initial scrutiny and examination on merits should be looked after by separate persons in a consecutive fashion.
- (d) Post-licensing items of work, i.e. amendment and revalidation of licences should be segregated from other work and assigned to one upper division clerk in each licensing section in order to ensure prompt disposal and facilitate the functioning of "counter" system recommended elsewhere.
- (e) An application form should be introduced for revalidation of licences so as to lesson the need for correspondence with applicants on missing information. The form we suggest is in Appendix VII.
- (f) In each licensing section, there should be one assistant and three upper division clerks. An assistant is not strictly justified on the nature of the work, but we recommend one to be provided to look after the work of the section in the absence of the assistant controller.

(b) Other licensing sections

**Recommendation**

24. We recommend that other licensing sections in the headquarters office, i.e. those dealing with ad-hoc applications, personal baggage cases, etc. should also have the same structure and methods of handling as we have recommended for the licensing sections dealing with D.G.T.D. units. The level of the controller should be dispensed with, but the number of deputy chief controllers for such sections should be fixed on the basis of one deputy chief controller for two sections.

(vi) C. G. DIVISION

25. *Existing position* : In the C.G. Division, there are six sections each under the charge of an assistant controller. These sections have in all 23 assistants, investigators and upper division clerks and 16 lower division clerks. There are three controllers in the division each having two sections under him. The three controllers work under one deputy chief controller. One of the six sections, namely the C.G. Cell, acts as the co-ordinating section for the division. It also functions as the secretariat of the C.G. Ad-hoc Committee. Besides, the C.G. Cell acts as the file-bureau of the C.G. Division, in the sense that all new files are opened in this section before they are passed on to the respective licensing sections. The C.G. Cell undertakes the preliminary examination of all cases and also prepares summaries for the consideration of the C.G. Ad-hoc Committee. After the application has been considered by the C.G. Ad-hoc Committee, the necessary follow-up action is taken by the C.G. Licensing section concerned and not by the C.G. Cell.

**Recommendation**

26. The existing distribution of work between the C.G. Cell and other sections in the C.G. Division is such that there is avoidable duplication in

the examination of applications. The preliminary examination of the application is done by the C.G. Cell. If such examination is not complete, the C.G. licensing section concerned has again to make a reference to the applicant or to the sponsoring authority for obtaining further information, with the result that there is delay in the finalisation of the case. Moreover, after the issue of the first "deficiency" letter, the C.G. Cell sends the file to the licensing section concerned, which completes the missing information and sends the file back to the C.G. Cell for the preparation of a summary for the C.G. Adhoc Committee. This is avoidable "to and fro" movement of files between the sections. In order to avoid delays, we recommend that all the preliminary examination of cases should be handled by the C.G. Cell, up to the placing of the case before the C.G. Ad-hoc Committee. To ensure that letters from applicants bringing additional information asked for by the C.G. Cell are directed by the Central Receipt Section to the C.G. Cell and not to the licensing section concerned, the "deficiency" letter issued by the C.G. Cell should bear not only the C.G. licensing section's file number but also the letters "C.G. Cell" at the end. We also recommend that the C.G. Cell should be adequately strengthened to cope with the job it will have to do under this arrangement. After the Adhoc Committee has considered a case, the papers of that case should go over to the licensing section concerned for further handling there.

#### **Recommendation**

27. For the reasons explained in the case of other licensing sections, we recommend that posts of 'controller' should be dispensed with in the C.G. Division. However, as applications, for capital goods require more scrutiny than other applications, we further recommend that in lieu of the three posts of controllers, the number of deputy chief controllers in this division should be increased from one to three.

#### **Recommendation**

28. We have been given to understand that assistant controllers in the licensing sections have too much work to handle with the result that they sometimes cannot do full justice to the scrutiny of cases. The strength of personnel in the organisation depends upon the norms fixed as a result of work measurement studies made by the S.I.U., and such norms can be re-examined only by the S.I.U. undertaking a work study. We have separately recommended that a fresh work study should be conducted in this organisation after the new licensing procedures have been in operation for a period of at least six months. On the basis of such work study, the strength of the staff at various levels, will no doubt be refixed. But it seems to us that, in view of the following considerations, a provisional increase in the posts of assistant controllers in the licensing sections is justified even at this stage :—

- (a) Under the new licensing procedure recommended the powers of assistant controllers are being enhanced.
- (b) The posts of controllers are recommended to be abolished with the result that assistant controllers will have to undertake greater responsibility than before.
- (c) Licensing is now required to be done in a fixed time schedule, which will mean a greater strain on the assistant controller.

In view of the above, we recommend that as a provisional arrangement and on an ad-hoc basis, three additional posts of assistant controllers should

be created in the headquarters office so that the Chief Controller may be in a position to give relief to any assistant controller with whom work accumulates. These posts should continue till the results of the work study are known.

(viii) ADMINISTRATION DIVISION

29. Existing position : The Administration Division of the headquarters office consists of the following sections : —

- (i) O & M Section;
- (ii) Public Relations;
- (iii) Administration Gazetted Section;
- (iv) Administration Non-Gazetted Section (A);
- (v) Administration Non-Gazetted Section (B);
- (vi) Cash Section;
- (vii) General Section;
- (viii) Budget & Accounts Section;
- (ix) Central R & I Section; and
- (x) Welfare Cell.

The re-organisation of the first two sections has been dealt with separately in this report. Here we take up the remaining seven sections. These are each under the charge of an assistant controller. There are two controllers, each having three sections under him. The controllers work under one deputy chief controller. Papers from the Welfare Cell are submitted direct to deputy chief controller.

**Recommendation**

30. Case studies of about 50 files selected at random from the administration sections showed that almost all the cases requiring decision at the levels of deputy chief controller and above were routed through controllers. In other 'participating' offices, cases are submitted by the section officer to the branch officer who is generally of a rank equivalent to that of an under secretary (as such as the deputy chief controller in this office). It seems to us that the working of the C.C.I.&E's office does not present any special feature in the matter of handling house keeping jobs justifying the inter-position of an additional level of handling between the levels of assistant controller and deputy chief controller. The case studies also showed that in 80 per cent of the cases which went upto to the controllers' level, the latter merely signed the note from below signifying approval. In the remaining 20 per cent cases, the contribution at the 'controllers' level consisted mainly of summarising the position of the case or suggesting a course of action within the alternatives proposed from below for the approval of the higher officer. Some of the powers delegated to controllers are such as can be conveniently delegated to assistant controllers. For example, the power to grant earned leave to non-gazetted staff for a period not exceeding 30 days has been delegated to controller in this office, this could be given to assistant controllers also, at least when no substitute is asked for or is admissible. Similarly, the power to issue or renew CHS cards has been delegated to controllers whereas this work can easily be handled by assistant controllers. Again, the power to grant GPF advances under the normal rules has been delegated to controllers when such power could be delegated to the assistant controller who is the drawing and dis-

bursing officer. Case studies have also revealed that most of the cases in the Administration Division are even now finalised at the level of the assistant controller. We feel that the controller's level in the house keeping sections is essentially a non-contributory level and one in excess of the normal hierarchical levels provided in other ministries and offices. We, therefore, recommend that posts of controllers even in this division should be done away with. Looking to the number of sections in the division, we also recommend that the number of deputy chief controllers should be raised from one to two. In case the volume of work justifies, a third deputy chief controller should also be sanctioned.

31. We recommend that the house keeping sections should follow the procedures given in the "Hand Book of Simplified House Keeping Jobs" brought out by the O & M Division which lists not only the substantive operations in the handling of each house keeping job but also the elements of scrutiny involved at each stage. The adoption of these procedures will reduce the volume of paper work to a considerable extent and will speed up disposal.

32. The present distribution of work among the three administration sections is not altogether rational. Work should be re-distributed in such a way that one section deals with gazetted establishment of the headquarters office as well as of the regional offices, another deals with non-gazetted establishment of the headquarters office and third with non-gazetted establishment of the regional offices.

33. We have great deal to say about the Central R & I section; and have considered it best to do so in a section of this Chapter devoted only to this subject (Section II).

#### (viii) STATISTICAL DIVISION

34. The Chief Controller has a separate statistical division in his office which is responsible for the collection of statistics relating to imports and exports. The division is under the charge of the Director of Statistics who is assisted by four research officers and one statistical officer. All these officers belong either to the Indian Statistical Service or the Indian Economic Service. There are 10 sections in the division, 9 of these being headed by investigators of grade of Rs. 325-575 (Class II Non-gazetted) and one section is headed by an assistant controller. Out of the 10 sections, 6 are engaged in the collection of statistics about issue of important licences of various categories, one collects statistics of actual imports, another of actual exports, still another with Parliament questions and the annual administration report of the organisation and to last headed by an assistant controller is concerned with the publication of the Weekly Bulletin of industrial licences, import licences and export licences, etc. The total strength of the division is 130.

35. The work relating to the diarisation of receipts intended for the Statistical Division is centralised in one of the above mentioned sections. This section is known as 'Stat. Miscellaneous Section'. It receives the entire dak of the Statistical Division from the Central Registry Section where this dak is not diarised. In the Stat. Miscellaneous Section, the entire dak of the division is diarised and sorted out section-wise. After sorting the dak is sent to the sections concerned through a transit register. In the respective sections again, the dak intended for the section is diarised in the section diary.

36. Unlike the work of receipts, the despatch and typing work of the Statistical Division is decentralised and each section in the division attends to its own typing and despatch work.

### Recommendation

37. We recommend that all work pertaining to diary, despatch and typing should be completely centralised and for this purpose a separate cell should be set up in the division. This should receive the dak from the R.&I., sort it out section-wise and then register it in the diaries of the respective sections. After diarising, the dak with the section diaries should be sent to the respective sections through a transit register. The transit register should indicate only the name of the section, the date, the total number of communications entered in the section diary for that particular date and a column for obtaining the signatures of officials in the receiving sections in token of receipt. In regard to typing and despatch, out-going communications should be typed in the cell, sent by the cell to the officers who have to sign and then despatched by the cell through the despatch wing of the Central R.&I.

38. Organisational charts showing the present structure of the headquarters office as well as the one suggested in the various recommendations of this section will be found at Appendices viii and ix.

39. The recommendations made in this section for simplifying procedures and restructuring the headquarters office will, we are hopeful, lead to the work being handled more efficiently and at less cost than at present. Although cost reduction has not been the primary focus of our study, it is necessary to mention that our proposals, if accepted and implemented, will result in economy to the extent of 73 posts reflecting an annual saving of Rs. 3 lakhs.

## SECTION II

### REGISTRATION OF RECEIPTS AND ISSUE IN THE HEADQUARTERS OFFICE

#### *Existing position.*

40. In the headquarters office, most of the operations involved in the handling of mail are performed in a centralised section known as the Central Receipt and Issue Section (R&I Section). A part of the work is, however, done in the Enquiry Office and some in the operative sections also. The number of persons employed on this work other than those in the operative sections is 42. Unlike the R&I sections elsewhere, the R&I section here does not attend to fair-typing of drafts, comparing, preparation of pads for signature and, in the case of communications to be sent by post, the preparation of covers. All these operations are performed by the sections concerned themselves.

41. We have examined the system of registration of receipts and issues in three aspects (1) receipt of communications, (ii) despatch of communications and (iii) office lay-out and staffing of the R&I section. The guiding principles followed in our study are as under:—

- (a) Since most of the papers received in this organisation are applications for the issue, amendments or revalidation of licences carrying with them documents like treasury challans, import licences etc., the procedure for receipt and issue should provide for the desired degree of security and accountability.



- (b) As far as possible, dak should be received at one fixed point in the organisation. This point of receipt should be so located that on the one hand, it should be easy of access to the public, the postman and the Government agencies alike, and, on the other it should not involve any undue security risk.
- (c) Dak should reach the operative sections on the date of receipt itself.
- (d) For an assembly-line treatment of a paper within a unit effectively supervised by an officer, there need not be a system of obtaining acknowledgments from different operators as the paper moves from one desk to another.
- (e) The time lag between the operative section and the R&I section in the despatch of communications should be the minimum possible.
- (f) The existing system should be so rationalised and simplified that there is saving of time, effort and stationery.

#### (i) RECEIPT OF COMMUNICATIONS

42. The following features of the existing procedure for registration of receipts in the CCI&E's office are worth mentioning:—

- (i) The dak is received at three different points. (a) dak delivered at the counter is received in the Enquiry Office at the basement; (b) local dak is received in a separate room in the office; and (c) postal dak is received in the main registration cell in the R&I section. Ultimately all types of dak converge in the main registration cell for further processing like date-stamping, machine-numbering, marking, sorting, registration and distribution. This arrangement involves multiple registration of dak causing avoidable delays.
- (ii) The dak received through various channels, *e.g.* ordinary postal dak, registered postal dak, local non-postal dak received through the Enquiry Counter and dak received from the D.G.T.D. is subjected to different treatment in the matter of receipt and registration. In respect of certain types of dak, there is multiple registration within the R&I Section. The object of multiple registration within the same unit seems to be in the event of loss of any paper within the R&I Section, it should be possible to fix responsibility on a particular individual in that section.
- (iii) The average time-lag between the date of receipt of papers in the organisation and its transmission to the operative section is two full working days.
- (iv) All types of dak including ordinary postal dak are registered in full in the central R&I section, resulting in avoidable congestion of work in the R&I section and consequent hold-up.
- (v) Sorting of dak is done in three distinct stages at three different points of time. The first sorting is done by the sorter, diarist-wise; this is done after the marking of the dak. The second is done section-wise; this is done by the diarist after the dak is machine-numbered. The third and the final sorting is done to separate applications for licences, amendments and revalidation, which are to be entered in a separate diary.

- (vi) Date-stamping and machine-numbering of dak also constitute two separate operations performed at two different points of time—one before sorting diarist-wise and the other after such sorting.
- (vii) Sorting of dak section-wise and category-wise succeeds and not precedes machine-numbering, resulting in the loss of continuity of machine serial numbers allotted to each section.
- (viii) About one third of the dak is received addressed to officers by name. This portion of the dak is not opened in the Central R&I Section. This renders the central statistical control of dak, its chronological processing and tracing in the event of need, difficult.
- (ix) Bound volumes of the section diary are used in the Central R&I Section. Since alternate sheets are not perforated, loose diary sheets have to be inserted every time for taking a second copy. Entries on the first copy of the diary which is meant for record in the operative sections, are made in pencil. This makes deciphering of entries for the purpose of tracing or linking difficult.
- (x) The dak sent by the D.G.T.D. in confidential boxes includes not only import applications with their recommendations but also other communications; 'unclassified' papers are thus mixed with 'classified' papers.
- (xi) The proportion of receipts sent back by operative sections of the Central R&I Section for tracing previous references is rather high (daily average of 50). On their receipt in the Central R&I Section, these papers are entered in branch-wise registers. After tracing previous references and recording the result of such tracing on the receipts, the papers are entered in another registers before they are returned to the operative section. The average time-lag between the date of receipt of such papers in the Central R&I Section and their return to the sections concerned is 8.5 days. Not only is the number of cases in which tracing is desired large and the time involved high but the recording of details of such papers in the R&I Section is excessive. The progress made by the tracing clerk is reported daily to the Assistant Controller and for this purpose also, yet another form has been prescribed.

### Recommendation

43. Having examined the existing procedure in detail and considering all relevant factors, we recommend the following procedure for registration of receipts:—

- (i) The entire dak intended for the C.C.I.&E.'s office except that received by officers personally from trade representatives at the time of interview, should be received in the Central R&I Section.
- (ii) The Dak handed over to officers personally at the time of interview should be sent directly to the operative section concerned and not through the Central R&I Section.
- (iii) Dak addressed to officers by name should also be received in the Central R&I section but such dak should not be opened there. The Central R&I section should put a machine num-

- ber on the cover and send the cover to the officer to whom it is addressed. The officer or his personal assistant, after opening the cover, should put down the machine number on the contents.
- (iv) Members of the public desirous of delivering papers personally or through messengers and wanting receipts should be required to present such papers at the receipt counter in the Central R&I section along with either (a) a peon book containing an appropriate entry, or (b) office copy of the communication with enclosures listed at the bottom or (c) a receipt duly prepared by them, for signature by the Receipt clerk at the counter in token of acknowledgement.
  - (v) A pillar box should be provided near the entrance of the Central R&I section to enable members of the public to drop papers for which they are not keen to obtain acknowledgements.
  - (vi) In the Central R&I Section, the dak should be sorted out section-wise straight-away on receipt, and in the case of dak intended for licensing sections, category-wise also, i.e. applications for issue of licences, for revalidation, for amendment and so on. The sorting should be done separately for (a) local dak and registered dak and (b) for ordinary postal dak.
  - (vii) After sorting, the dak should be date-stamped and machine-numbered. A composite date-cum-serial number machine should be used to combine the existing two operations of date-stamping and machine-numbering. The machine-numbering should comprise three portions: (a) the name of the organisation which will be fixed, (b) a progressive serial number which will change with every stroke; and (c) the date which will be manipulated at the beginning of each day.
  - (viii) After machine-numbering, the ordinary postal dak should be distributed to the sections through a transit register on which only machine numbers should be entered and acknowledgment from operative sections obtained. Such dak should not be registered in the Central R&I section and it should be registered only in the operative section concerned. Ordinary postal dak constitutes 57 percent of the entire dak and for this type of dak no acknowledgement is given by the Central R&I section to the postal department. Therefore, such dak should be sent to the operative section where it should be diarised, instead of it being held up in the Central R&I section for being diarised. Similarly, dak received through the pillar box should also be sent to the respective sections after machine-numbering and such dak should be registered only in the operative sections concerned like the ordinary postal dak.
  - (ix) Dak received locally in the Central R&I Section and through registered post for which the Central R&I section gives acknowledgements and should be registered in the Central R&I section in the respective diaries of the operative sections and thereafter sent to the sections.
  - (x) For the purpose of diarising, the first and every alternate sheet of the section diary maintained in the Central R&I Section should be perforated so that it can be easily detached and sent to the operative section concerned along with the dak. The fixed unperforated sheets which would be retained for record

in the Central R&I section should contain only the first five columns of the diary, *i.e.* the columns pertaining to serial number of the Central R&I section, number and date of the communication received, details of enclosures and name of the sender. The Central R&I's portion of the diary sheets should thus be half of the size of the present form. The column pertaining to 'subject matter' may also be provided in the Central R&I's portion of the diary sheet but this should be filled by the Central Registry section only in cases where they feel that it is necessary to do so for purposes of subsequent tracing. Normally this column should also be left to be filled by the operative section. After darising in this manner the diary sheets meant for use in the operative sections should be sent to those sections along with the dak.

- (xi) In the diary meant for applications for licences, the enclosures received with an application should be described in the diary instead of only the number of enclosures being mentioned. If, for example, an application is supported by a treasury challan, the words 'treasury challan' should be mentioned; where the application for amendment or revalidation is accompanied by the licence, the number of the licence should be indicated in the diary.

44. Our study has revealed that a number of communications cannot be marked to the correct operative section by the Central R&I Section for want of full details of the case or previous reference number. Such communications travel from one section to another till they reach the right section, or till more details about the communication are collected from the sender. We find that the Central R&I Section takes on an average more than a week to trace out previous references. All this makes for delays in the disposal of cases. To eliminate such delays and also to make the tracing of previous papers easier and speedier, we recommend the following procedure:—

- (a) The CCI&E should issue a public notice advising the trade to indicate in their communications the subject matter of their communication should be kept back in the Central R&I instead of the importer, the type of the licence to which the communication pertains, whether the communication relates to the grant of a licence or amendment or revalidation thereof or an appeal, the reference number of the office and the number and date of the substantive application to which the subsequent communication relates.
- (b) Where complete details or previous reference number etc., are not given in any communication and the Central R&I Section is not in a position to locate the right operative section, the communication should be kept back in the Central R&I instead of it being sent to the wrong section. In such cases, the Central R&I section should write to the sender requesting him to give more details within a prescribed time-limit. For this purpose, a standardised letter should be used by the Central R&I Section to reduce clerical and repetitive work.

#### **Recommendation**

45. Most of the dak relating to import applications is received in the headquarters office through the DGTD. In order to reduce the time-lag

between the despatch of such dak from the D.G.T.D. and its receipt in the operative section, we recommend that the CCI&E should in consultation with the D.G.T.D. evolve a procedure for the latter organisation sending applications and other communications direct to the licensing section concerned instead of sending them through the Central R&I section. In such an event, dak received from the D.G.T.D. will be diarised in the licensing division and the time normally spent in the Central R&I Section will be saved.

#### (ii) DESPATCH OF COMMUNICATIONS

46. There is excessive registration of out-going communications at present. The operative sections maintain despatch registers and out-going mail from each section is entered there. The operative section are also responsible for placing out-going communications in covers, writing addresses on them, putting seals on the covers, and then sending them to the despatch wing of the Central R&I section. In the central despatch wing again, such communications are entered in the registers maintained there, the object being to keep an account of the postage used. Covers to be sent by registered post are entered in yet another register as a security measure to enable despatch wing to fix responsibility in the event of loss. In respect of registered dak, there is a third register also in the despatch wing used for distributing postal journals to the respective sections after the dak has been sent to the post office for despatch. This register indicates the number of postal journals delivered to each operative section everyday and the signatures of persons receiving the postal journals in the operative sections. All this involves excessive registration and there are understandable delays as a result. We, therefore, recommend that out-going dak should be registered only by the despatch wing only in a single register which should provide columns for entering the name of the section, the despatch number of the communication, the number of the postal journals in the case of registered dak, the amount of stamps used on the cover. A column should also be provided for obtaining the acknowledgement of the operative sections. Separate registers may be maintained for ordinary and registered postal dak for facility of work.

#### Recommendation

47. The central despatch wing has a pan-type weighing scale at present, and the business of shifting and adjusting weights to determine the correctness of covers is time consuming and inefficient in such a big organisation. We recommend that this should be replaced by a dial-type balance as this would greatly lessen the work. A ready-reckoner indicating the precise value of the stamps to be fixed for covers of different weights should also be made available to the despatch wing. We, further recommend the introduction of modern franking machines which would indicate not only the progressive amount used but also the balance available and the number of covers franked.

#### (iii) OFFICE LAYOUT AND STAFFING PATTERN OF THE R&I SECTION

#### Recommendation

48. In order to enable the R&I Section to function effectively, we recommend that the receipt wing of the Central R&I section should be shifted from the second floor to the basement near the main entrance. To provide the desired degree of security and to prevent unauthorised entry, a sufficiently high counter may be provided throughout the length of the room in which the wing is located.

49. The R&I section should continue to be under the charge of an assistant controller. The receipt unit of the section should consist of one upper division clerk for marking and nine lower division clerks (two for receiving dak, one for sorting, three for diarising, one for diarising DGTD's dak if such dak is received in the R&I section, one for general house keeping and one for tracing or for writing to applicants for missing information). There would also have to be four Class IV staff for machine stamping, opening of covers and distribution of dak. In the despatch unit there should be one upper division clerk for supervision and five lower division clerks (one for delivery of local dak, one for ordinary dak, one for registered postal dak, one to maintain the mailing list and distribute copies and one to operate the franking machine and maintain the stamp and franking account). We estimate that the despatch wing will also require to have nine class IV staff for tasks like operation of addressograph, weighing covers, affixing stamps, taking the dak to the post office, delivery of local dak including the dak to be sent by special messengers etc.

#### ADVANTAGES OF THE NEW PROCEDURE

50. The new procedure should result both in the quick transaction of business in the R&I Section and, at the same time, in economy. Listed below are some telling points:—

- (i) The number of registers maintained in the operative sections as well as in the Central R&I Section will be reduced from 27 to 8.
- (ii) The total number of operations will be reduced from 119 to 69 on the receipt side and from 72 to 50 on the despatch side.
- (iii) From the R&I Section, dak will reach the operative sections on the same day or latest the following morning. (At present, the average time lag is two full working days).
- (iv) Letters containing incomplete details will not move about aimlessly between the operative sections and R&I.
- (v) The saving in stationery from the elimination of several registers and forms is estimated at about one lakh foolscap sheets per annum.
- (vi) The simpler procedure suggested will mean a saving of 11 posts in the R&I Section; only 31 persons will be needed against 42. This will yield a saving of about Rs. 30,000/- per annum.

### SECTION III

#### MANAGEMENT OF RECORDS

51. In this sector we confined our study mainly to problems relating to the retention, storage and disposal of records. The object of the study was to see (i) whether the build-up of records in the CCI&E's office is related to its actual needs, (ii) whether records are preserved for the minimum period essential, (iii) whether the operative sections keep only active records and such of the inactive ones as are required frequently for reference in their day-to-day work (iv) whether there is maximum utilisation of available space in the records rooms and (v) whether the record management costs of the organisation in terms of both space and personnel are the minimum.

52. The department has two record rooms—one in Udyog Bhavan and the other in North Block. Nearly two lakh inactive files are stored in these two record rooms. The operative sections also carry a large volume of inactive files and other papers. This seems to be because the record rooms are already full and not in a position to accept any more records.

53. Besides files, the record in the CCI&E's office consists of a large number of registers, publications like the Red Book and the Hand Book of Rules and Procedure, General Licensing Instructions, public notices and so on. A large number of spare copies of these publications, closed registers and counter-foils of licences issued are at present kept in the record rooms.

#### **Recommendation**

54. During the year 1964-65 nearly 72,000 files were opened in the headquarters office—65,000 by the licensing sections and 7,000 by the policy, investigation, appeals and house keeping sections. On account of the large number of files opened during each licensing period and due to the comparatively long periods for which records have to be retained in this organisation because of vigilance angle, the management of records appears to have become a somewhat unwieldy problem. As already mentioned, licensing sections have many inactive files, *i.e.* those which have ceased to be current. The record rooms are also cluttered up with old files retained longer than appears necessary. All this leads us to the view that the first step should be to undertake a complete operation to weed out obsolete and unwanted files. For this purpose, we recommend that a special squad should be formed for identifying old records and destroying them wherever that is justified. The staff for this would come out of the surplus likely to be thrown up as a result of some of the other recommendations in this chapter. The squad will need to be given a time limit to complete the work and will also need to be well supervised so that the time limit is adhered to.

#### **Recommendation**

55. The more important question is how to prevent unwanted record from accumulating in the future. This requires going into the existing schedule where the periods for retaining different types of records are prescribed. In a large number of cases the period of retention prescribed seems longer than would appear necessary from the administrative angle. We have, therefore, done an exercise for reducing the retention periods down to what we consider to be the desirable minimum. The result of our exercise is in the statement at Appendix X. This is essentially illustrative and we recommend that the CCI & E should, with the help of his strengthened O & M unit, undertake a complete review of the existing retention schedule to ensure that the periods prescribed are the minimum essential from the point of view of the requirements of the organisation. In so far as the house keeping sections are concerned, the transfer of records to the departmental record room and their destruction should be regulated by provisions of the Manual of Office Procedure.

#### **Recommendation**

56. In order to ensure that there is a systematic preservation and disposal of records, we make the following **recommendations** :—

- (a) Files which have ceased to be active in the sense that final replies have been sent to the applicants should be segregated from active files and kept centrally (*i.e.* not clerk-wise) in the operative sections.
- (b) Files containing applications for import of raw materials, spares and components should not be retained in the operative sections for more than two years, *i.e.* the licensing year to which the applications relate and the year following it unless action is pending on a particular file. Thereafter such files should be sorted out into two categories : (i) cases in which licences have been

- issued and (ii) rejected cases. The former should be transferred to the record room and the latter weeded out straight-away.
- (c) Files relating to C.G. licences may have to be kept in the operative sections for a longer period. However, even in such cases where all known action has been completed even before the period envisaged or cases where applications have been rejected and no representations have been received within a period of one year, the files should be sent to the record room earlier.
  - (d) Non-essential record i.e. record of an ephemeral nature, need not go to the record room at all. It should be destroyed as soon as it has served its purpose.
  - (e) Records of the Policy Cell and the Vigilance and Enforcement sections should continue to be retained in the operative sections and need not be transferred to the record room.
  - (f) Before a file is transferred to the record room, the period of retention should be clearly marked on the file cover so that its destruction after the due date is ensured as an automatic process.
  - (g) Delay in destroying records is due in part to clearance having to be obtained from the Central Bureau of Investigation. The Central Bureau of Investigation should requisition all records of a case as soon as investigation starts, so that the remaining records having no concern with the CBI investigation can be destroyed without the need to obtain clearance.
  - (h) The existing lay-out of stacking equipment in the record rooms should be improved to make room for additional racks. The essential aim should be to replace existing wooden racks of varying sizes by steel racks of standard dimensions to enable full use being made of space at higher levels.
  - (i) The record room should be shifted from the 4th floor of Udyog Bhavan to the ground floor or to the basement to avoid the risk of the structure of the building being weakened under the load of records.

#### SECTION IV

##### REORGANISATION OF REGIONAL OFFICES

57. We selected the office of the Joint Chief Controller at Bombay as a typical regional office for our study in view of its diversified activities. Our recommendations in regard to the organisational structure and methods of handling work in this office could provide the starting point for similar re-organisation in other regional offices.

58. The Bombay office is the biggest regional licensing office under the Chief Controller. Its territorial jurisdiction extends to the states of Maharashtra, Gujarat and Madhya Pradesh. Besides, work relating to the textile industry is centralised in this office and that relating to imports from Afghanistan, Pakistan and Iran is partly centralised here. During the year 1964-65, this regional office received 94,090 import applications, 41,067 export applications and 3,49,177 other letters. During the same period the total number of licences issued and their value were as under :—

	No.	Value
Import licences . . . . .	68,742	Rs. 117.04 crores
Export licences . . . . .	23,917	Rs. 42.68 crores



59. The present strength of the Bombay office is 562, including Class IV employees. The head of the port office is a joint chief controller in the grade of Rs. 1,100-1,800 (deputy secretary's grade). He is assisted by four deputy chief controllers in the grade of Rs. 900-1,200 (under secretary's grade). There are 17 controllers in the grade of Rs. 740-900 and 43 assistant controllers in the grade of Rs. 400-800. The rest of the staff is non-gazetted. The office has a three-tier system for disposal of work; apart from the noting hand, the paper passes through three different levels in the hierarchical channel before it reaches the head of the office. There are 57 sections in all, each assistant controller having under him either one section or a group of sections.

60. While examining the question of reorganisation of the port office, we kept in view the following main guiding principles :—

- (a) there should be minimum noting on the files, particularly on those dealing with applications for the issue of licences or for their amendment or revalidation.
- (b) there should not normally be more than two levels including that of the assistant controller, below the head of the office.
- (c) there need not be uniformity in the staffing pattern of the different parts of the organisation dealing with different types of work requiring different degrees of skill.

61. Going by the nature of work handled, the office can be divided into the following four parts :—

- (i) policy, appeals and investigation sections;
- (ii) licensing sections;
- (iii) central registry, house keeping sections and statistical section; and
- (iv) *O&M and public relations*

We have examined the organisation and methods of handling work separately for these four parts.

#### (i) *Policy, Appeals & Investigation Sections*

62. *Policy section.*—Port offices do not handle the formulation of import and export policy as such. However, in the course of application of policy, questions relating to interpretation and clarification of policy, I.T.C. classification of goods etc. do arise. In the Bombay port office, such matters are at present dealt with in three different sections; one of these deals with policy work connected with export promotion, another with actual users' policy and the third mainly with ITC classification of goods and references from Customs and other authorities on policy issues. Two of these three sections are also party engaged in licensing work.

We recommend that there should be only one section to deal with all matters of policy including interpretation and clarification of policy, ITC classification of goods etc. and handling of references on these matters, whether from within the office or from outside authorities like Customs, Reserve Bank, Export Promotion Councils, sponsoring authorities and so on. Correspondence with headquarters on policy issues should also be handled by this section. Such an arrangement will help in segregating policy work from licensing work and in securing uniform treatment for cases involving similar issues. This section should be organised on an "officer-oriented" pattern in view of the nature of work involved. The staff in the section may comprise three assistant controllers, each having a full-time stenotypist

to keep current record as well as to attend to stenography. In addition, three lower division clerks in the section could look after miscellaneous routine jobs.

#### *Investigation section*

63. The work of dealing with firms which contravene import and export trade control regulations is handled in a section known as Coordination II Section. This is under the charge of an assistant controller who is assisted by one licensing assistant, four upper division clerks and six lower division clerks. We recommend that, as in the case of the headquarters office, the investigation sections here should be reorganised on an officer-oriented pattern with two assistant controllers, each assisted by a full-time stenotypist, and two lower division clerks for routine work. The name of the section should also be appropriately changed to "Enforcement Section", as the present name does not reflect the true functions of the section.

#### *Appeals section*

64. There is an appeals section which deals with first appeals against decisions on applications for import licences. This is under the charge of an assistant controller with one licensing assistant, one upper division clerk and two lower division clerks/typists. We recommend that, as in the case of the headquarters office, the appeals section should be reorganised on an officer-oriented pattern with one assistant controller, one stenotypist and one lower division clerk. As the appellate authority is the head of the port office, the task of the assistant controller in the appeals section should be merely to record the factual position of a case without commenting on its merits, and eventually to communicate to the appellant the orders of the appellate authority.

65. We recommend that the reorganised policy, enforcement and appeal section should be placed under the charge of a deputy chief controller who should also have under him the statistical section and the section dealing with issue of income-tax verification registration/exemption numbers, maintenance and circulation of lists I.V.C. numbers and maintenance and circulation of T.Q.R. circulars and lists of parties debarred or suspended from obtaining import-export licences.

#### (ii) *Licensing Sections*

66. There are in all 32 sections dealing with import applications from established importers, actual users and exporters under the export promotion schemes. Of these, 11 deal with established importers 11 with actual users and the remaining 10 handle applications for import licences under export promotion schemes. The work of keeping the section diary and of despatch and typing is completely decentralised and done in these operative sections. The initial routine scrutiny of applications is also done in the respective sections. We recommend that the licensing sections should be grouped into five distinct divisions, each dealing with applications for a specified type of licensing, (i) licensing for established importers, (ii) licensing for actual users (SSI), (iii) licensing for actual users (non-SSI), (iv) E.P. licensing (sponsored applications). Each division should be looked after by a deputy chief controller. As licensing of the last category is done in two sections only, and as this may not be a full charge for a deputy chief controller, the three export licensing sections may also be added to that division. Under each division, the work relating to registration of dak, opening and maintenance of files, initial scrutiny of applications, preparation of acknowledge-

ment-*cum*-deficiency letters, typing and despatch should be centralised and segregated from the work of scrutiny of applications on merits and their final disposal.

67. Under the proposed arrangement, applications should be processed according to the following drill :—

- (a) In each division, the applications for licences and other communications pertaining to licences should first be received in a separate cell to be known as the "Divisional Registry". This cell will diarise the dak and open files or if a file on the subject already exists, link up previous papers. The file of a case should then be passed on to the Initial Scrutiny Cell within the division.
- (b) The Initial Scrutiny Cell will scrutinise the application on procedural matters *i.e.* I.V.C. number, treasury chalan, black-list etc., and in case there are any deficiencies in the application, write an acknowledgement-*cum*-deficiency letter and get it issued. If no reply is received from the party within the stipulated period, the Initial Scrutiny Cell will send the application to the concerned licensing section within the division for issue of formal rejection letter to the party explaining the reasons for such rejection.
- (c) Applications which are found to be complete in all respects (including deficient applications, in which deficiencies have been made good by the parties), will be sent by the Initial Scrutiny Cell to the licensing section concerned within the division.
- (d) The licensing sections will examine applications on merits, take orders of the appropriate authority, prepare the draft of the licence or the rejection letter, as the case may be, and send the papers to the Typing and Despatch Cell.
- (e) The Typing and Despatch Cell will fair type the licence or the rejection letter and send the case together with fair-typed copies to the licensing section concerned.
- (f) The dealing person concerned in the licensing section will examine the fair typed copies of the licence (or the rejection letters), make appropriate entries in the relevant index card (where such cards are required to be maintained, e.g. in the case of E.I. licensing) and submit the licence, along with the index card duly completed, to the assistant controller who will sign the licence, attest entries in the index card, and return the index card to the dealing person concerned and the case, with fair copies signed, to the Typing and Despatch Cell.
- (g) The Typing and Despatch Cell will despatch the signed copies of the licences or the rejection letters to the addressees and return the papers to the Divisional Registry.
- (h) The Divisional Registry will post the date of final disposal in the section diary, indicate suitable retention period as per Record Retention Schedule on the file cover, make appropriate entries of the closure of the case and its retention period in the file register, and stack the file in its appropriate place for a period of one year. At the end of the year, this unit will review the closed files, weed out the unwanted ones, and transfer those

required to be preserved for longer periods to the departmental record room. The responsibility for initiating action for preparation of prescribed arrear and disposal statements will also rest on this unit.

- (i) Each of the licensing sections and the Initial Scrutiny Cell will be manned by an assistant controller, a licensing assistant and two U.D.Cs. The common service cells like the Divisional Registry and the Typing and Despatch Cell will be manned by section head, and an appropriate number of U.D.Cs. and L.D.Cs.

68. The proposed arrangement envisages assembly-line treatment of papers, with each functionary in each unit performing a specified operation or a group of related operations (each involving pre-determined elements of scrutiny) and recording results briefly on appropriate check-sheets rather than noting elaborately on files. A diagram depicting organisation lay-out and flow of work under the proposed system in respect of one of the divisions of the port office is given in Appendix XI. The chief merit of the system lies in the fact that it segregates routine from non-routine work, and within each category classifies jobs requiring different degrees of skills so as to ensure rational development and proper utilisation of staff. It also seeks to centralise common services, like registration of receipts, opening and maintenance of blacklists, suspension lists and IVC lists, maintenance of accounts of licence forms and of postage stamps, to achieve optimum utilisation of staff and resultant economy. We have no doubt that the proposed system will not only lead to improvement in the quality and speed of work but also result in substantial economy in men, money and material.

69. Since index cards have to be referred to by the licensing sections for verifying the genuineness of quota certificates produced by parties while applying for change in the quota, or for division for transfer of quota rights, or at the time of applying for licences, it is appropriate that index cards should be opened and maintained in the licensing sections concerned and not in a central unit. Particulars of documents produced by parties for establishment of quota need not be entered on the index cards as this information is not needed frequently and even where needed can be easily found from the relevant files reference to which is invariably made in the index cards. Since a separate index card has to be maintained for each party in respect of each item of import, entries regarding description of goods should be filled only once, i.e. at the stage of opening the cards, and not every time a change is made in the quota or a licence is issued. That being so, the relevant heading should occur at the top of the card and not in the column of the statement appended to it. In the event of a quota initially granted to an established importer being transferred to or divided among other parties, the old card is cancelled and fresh cards are opened for the new parties. Since such old index cards would still be required for reference for some time, there should be an effective link between old and new cards. This could be ensured by entering in the former the name of the new party in whose favour transfer has taken place. The old index cards should continue to be kept in the index cabinet, although in a separate container and for a limited time.

70. We have examined the role of the controller in the licensing sections and have come to the conclusion that this level does not make any effective

contribution to the decision-making process, and should be eliminated. This view is borne out by the results of case-studies according to which only a minor percentage of licensing cases is disposed of at the level of controller. The number of cases studied in each category of licences and the percentage disposed of at the levels of the assistant controller and the controller are indicated below :—

Category	Total number of cases studied	Percentage of cases decided at the level of	
		A.C.	Controller
A.U.	243	63	30
A.U. (non-SSI)	279	88	0
Established Importers	51	96	2
Export Promotion	408	92	3
Export licensing	115	73	1
<b>TOTAL (Overall)</b>	<b>1,096</b>	<b>83</b>	<b>10</b>

The above table shows that the overall percentage of cases disposed of at controller's level was only 10 percent of the total and that the highest percentage of cases disposed of at this level was 30 percent in the case of actual users (SSI). With the adoption of the new licensing procedure for small scale industries, the percentage of cases going beyond the level of assistant controller is expected to go down considerably, as in most cases licences will be issued strictly on the recommendations of the sponsoring authorities. Where the licensing office finds that the recommendation of the sponsoring authority cannot be agreed to *in toto* for any specified reason, it would be advisable for the decision to be taken by at least a deputy chief controller. Thus under the new procedure all applications from S.S.I. units will be finally decided either at the assistant controller's level or at the deputy chief controller's, thus rendering the controller's level superfluous. In the other divisions also, there does not appear to be any justification for interposing the level of controller between the levels of assistant controller and the deputy chief controller.

We, therefore, recommend that there should be no controllers in the port office in the reorganised set-up. The elimination of this level will reduce the number of the levels in the hierarchy and consequently speed up work. However, with the abolition of the controllers' post, it would be necessary to have a few more deputy chief controllers and we recommend that this should be done. According to our study, the Bombay port office will need 7 deputy chief controllers in the reorganised set up as against the present four.

71. A separate section should be opened in the port office to deal with the work of post-verification of the genuineness of documents produced by established importers for the issue of quota certificates and documents of export in export promotion cases. This section should be placed under the charge of the Deputy Chief Controller (Policy, Appeals and Investiga-

tion). The licensing sections should, after the issue of the quota certificate or the licence as the case may be, send the files with documents to the Verification Cell for necessary verification.

(iii) *Central registry, house keeping sections and statistical section*

*Central Registry :*

72. The procedure followed in the central registry in the Bombay port office in the matter of registration and distribution of dak is, by and large, similar to that followed by Central R&I Section at the headquarters office of the C.C.I.&E. Therefore we recommend that the improvements suggested by us in the working of the Central R&I section at the headquarters office should apply *mutatis mutandis* to the central registry in the Bombay port office also.

73. We should, however, mention that, unlike the position in the headquarters office the central registry in the Bombay office does not attend to the despatch of local and postal dak except for trade notices. Despatch work is completely decentralised and is looked after by the operative sections themselves. Accordingly each section has to maintain despatch registers, stamp account registers, weighing machines and postal journals (in the case of registered letters). This renders optimum utilisation of the available man power and machines difficult. For licensing sections, we have already recommended that despatch work should be centralised within each division. For non-licensing sections, we recommend that all despatch work should be pooled together at one place and there should be no section-wise despatch.

74. We have noticed that all the dak coming from Government offices or from headquarters is shown by the central registry section to the head of the port office; and for this purpose various registers are maintained. We feel that it is not for the central registry to attend to this work and that it should be more appropriately done by the operative section concerned on receipt of the dak from the central registry. However, since such an arrangement might delay submission of dak to the head of the office, we recommend that while the central registry may continue to show important dak to him at dak stage, it should not be necessary for the dak to be registered in a separate register before submission.

75. At present there are four sets of section diaries for each licensing section and two sets for each non-licensing section. The dak is divided in the following categories and is then entered in the appropriate section diary :—

- (i) dak received from Government organisations, commonly known as "Government dak";
- (ii) applications for licences;
- (iii) applications for amendment or revalidation of licences; and
- (iv) other dak falling in any of the above categories.

This excessive categorisation makes for an unnecessary load of work. In the headquarters office dak is divided in two categories only : (a) applications for licences (including their amendments etc.) and (b) rest of the dak (irrespective of the source from which it emanates). Dak at the port office should also be divided in two categories only for the purpose of

registration. This will reduce the number of section diaries from 4 to 2 for each licensing section and from 2 to 1 each non-licensing section.

76. For export of controlled commodities, exporters are required to get shipping bills endorsed by the port office. Such endorsement serves as an export licence and Customs allow export on its basis. In the Bombay port office, applications for endorsements are received at a special counter against tokens and shipping bills duly endorsed are returned to the parties at the counter itself. The counter is located in the central registry and is under the assistant controller of that section. Correspondence about shipping bills is also received at this counter. The counter clerk maintains a record of the shipping bills received and returned and of tokens issued and received back. The central registry also maintains an account of the shipping bills received and passes this on to the export licensing sections concerned. We recommend that the special counter which is to be set up at licensing offices for receiving and dealing with applications for revalidation and amendment in pursuance of one of our earlier recommendations, should also handle shipping bills. The counter should be placed under the charge of the Public Relations Officer. It should pass on shipping bills direct to the licensing sections concerned without routing them through the central registry. Correspondence relating to shipping bills should not be accepted here, but in the central registry like other local dak and diarised accordingly.

77. The central registry should be under the charge of an assistant controller who should function directly under the Deputy Chief Controller (Administration).

#### *House Keeping Sections and Record Management*

78. We suggest that our recommendations in regard to house keeping sections and record management at the headquarters office should with such modifications as are necessary apply to port offices also. At Bombay, there is need for a whole time deputy chief controller to look after administration including budget, cash, accounts and the central registry. Record managements should also be under the same deputy chief controller.

#### *Statistical section*

79. A new Statistical Section should be set up at the port office to handle the work of collecting statistics. It should be manned by statistical investigators and other staff and should be headed by a qualified statistical officer of appropriate rank. The section should work under the deputy chief controller in charge of policy, investigation and appeals.

#### *(iv) O & M and Public Relations.*

80. We have dealt with these two sectors of activity separately in this report.

81. Organisational charts showing the present structure of the Bombay port office and the one proposed are at Appendices XII and XIII.

82. The recommendations in this section may be expected, like those for the reorganisation of the headquarters office, to result in more efficient and quick handling of work than at present at less cost than before. We estimate that there should be a saving of 111 posts yielding a budgetary saving of roughly Rs. 4,31,000 per annum. We also expect a saving of

about Rs. 5.0 lakhs per annum at other port offices as a result of reorganisation on the pattern suggested by us for the Bombay office.

*Work Measurement*

83. We hope that our recommendations will simplify the procedure of licensing and consequently reduce work at all levels. We, therefore, **re-****commend** that work loads should be measured through a study by the S.I.U. after the new licensing procedures have been in operation for a period of at least six months. On the basis of such work measurement the strength of the staff at various levels should be refixed at that time.



## CHAPTER TEN

### PERSONNEL ADMINISTRATION

#### *Existing position*

Besides the headquarters office, the Chief Controller has 15 subordinate regional offices under his control. Of these, 5 are headed by joint Chief controllers, 2 by deputy chief controllers, 6 by controllers and 2 assistant controllers. The total strength of the staff in the Chief Controller's organisation is 2541, comprising 290 officers of Gazetted rank, 1763 of non-gazetted excluding Class IV and 488 Class IV employees. A statement showing the number of sanctioned posts in the organisation and their break-up between CSS and non-CSS is placed at Appendix XIV.

2. The headquarters office is an 'included' attached office participating in the Central Secretariat Service. All posts in this office with the exception of a few technical or statistical posts and 12 posts in the grades of controller, deputy chief controller and joint chief controller are, therefore included in the central secretariat services and are manned by officers of the appropriate grade under the central secretariate services scheme. Regional offices are not 'participating' offices and the officers serving there do not belong to any regularly constituted service. They are covered by the Import & Export Trade Control Organisation (Class I and Class II posts) Recruitment Rules, 1962, which are applicable to officers of and above the rank of assistant controllers. Non-gazetted staff in these offices is governed by a separate set of rules administered on a regional basis. The position in each grade is as follow :—

- (i) *Chief Controller*.—The post is filled by transfer on deputation of officers of the I.A.S. and Central Services (Class I).
- (ii) *Joint chief controllers*.—There are 11 posts of joint chief controllers in the grade of Rs. 1,100—1,800. Of these, six are at the headquarters and the remaining at the ports. Fifty per cent of these posts are filled by promotion from the grade of deputy chief controller while the rest are manned by officers on transfer or deputation from other services.
- (iii) *Deputy chief controllers*.—There are 22 posts of deputy chief controllers in the grade of Rs. 900—1,250. Of these, 11 are in the headquarters office and the remaining at regional offices. At headquarters, 9 out of the 11 posts are included in the Central Secretariat Service. On the non-CSS side, posts of deputy chief controllers are filled by promotion of controllers.
- (iv) *Controllers*.—There are 67 posts of controllers, 19 at the headquarters and the rest at the ports. Of the 19 posts at headquarters, 15 are manned by CSS officers. CSS controllers are appointed from amongst section officers of the CSS and are given a special pay of Rs. 75.00 p.m. The scale of pay of a controller (non-CSS) is Rs. 740—900 and 75 percent of these posts are filled by promotions of assistant controllers (non-CSS); the remaining 25 percent by direct recruitment.

- (v) *Assistant controllers*.—There are 184 posts, of which 58 are at the headquarters and belong to the Central Secretariat Service in the scale of pay Rs. 400—900. The remaining 126 posts are of non-CSS assistant controllers and are meant for the ports. The scale of pay of these is Rs. 400—800. 75 per cent of these posts are filled by direct recruitment and the remaining 25 per cent by promotion from amongst section heads of all port offices.

*Need for a compact Central Service for Trade Control Organisation—*

3. The import and export trade control organisation was created during World War II to exercise control over foreign exchange and available shipping space. Since then, the organisation has remained in existence due to the continuing control over imports and exports. The Imports & Exports (Control) Act is, however, a piece of temporary legislation which has its life extended periodically. It appears that this circumstance has resulted in the staff of this organisation having been drawn from different sources and kept in a loose arrangement without being knit into a compact service. Since some degree of control over imports and exports is likely to continue indefinitely, it is a point for serious consideration whether there should not be a regularly constituted service to provide for the officer requirements of the department. The biggest drawback of the present 'unorganised' arrangements is that the department cannot hope to recruit persons of the right calibre. The best of the material available in the market is drawn off by other agencies where there are established services. There is also the fact that belonging to a regularly constituted service does help the morale of an officer and enables him to function with greater confidence and initiative than otherwise. This particular advantage is denied to the officers of this department. The constitution of a service would not only help to remedy these defects in the present situation, it would also make it possible for the department to plan recruitment, training and deployment in a better way than now. We, therefore, **recommend** that a regular central service to be known as the 'Indian Trade Service' should be constituted to provide for the needs of the import and export trade control organisation. If there is a case for an Indian Supply Service, there is certainly one for an Indian Trade Service also.

4. Although at its inception the Indian Trade Service should be designed primarily to meet the requirements of the CCI&E's organisation, it could gradually encompass within its fold other cognate activities where 'professionalisation' in matters of trade and commerce would enable members of the service to make a useful contribution. We, therefore, **recommend** that at a subsequent stage the question of extending the scope of the service to other agencies like the export promotion directorate in the Ministry of Commerce, trade representations abroad, and GATT and other commercial sections in the Ministry of Commerce may be examined.

*Salient features of the proposed service*

5. The functions of the import and export trade control organisation are closely related to those performed by the customs authorities. While the former lay down the policy relating to imports and exports, the latter implement it. We are, therefore, of the view that the pattern of the proposed service should be comparable in a general way to that of the Customs Service in so far as scales of pay and other conditions are concerned.

6. In particular, we recommend that the following should be the salient features of the proposed service :—

#### *Nomenclature*

The service may be named the 'Indian Trade Service'.

#### *Scope*

The service will encadre all gazetted posts in the import and export trade control organisation save those specifically excluded from its purview, e.g., posts to be filled by deputation from the I.A.S. etc., statistical posts, CSS posts of analysts in the O & M set-up.

#### *Composition*

The service will comprise the following three basic grades, of which grade I & II will be in class I and grade III in class II :—

Designation	Grade	Scale of pay	
Controller . . . . .	I	(a) Ordinary grade : Rs. 1,100-1,800.	In replacement of joint chief controllers :scale Rs. 1,100-1,800.
		(b) Selection grade : Rs. 1,800-2,000.	
Deputy Controller . . . . .	II	(a) Ordinary grade : Rs. 700-1,250.	In replacement of deputy chief controllers : scale Rs. 900-1,250.
		(b) Selection grade : Rs. 1,100-1,400.	
Assistant controller . . . . .	III	Rs. 400-900.	In replacement of non-CSS assistant controllers : scale Rs. 400-800.

N.B.—What are known as 'controllers' at present will no longer exist as a result of our recommendations in regard to reorganisation.

#### *Fixation of cadre strength*

The strength of each of the constituent grades may be initially fixed as indicated below. Thereafter, it may be reviewed triennially and refixed in the light of new developments such as the setting up of new offices and the expansion of existing offices.

- (i) There should be nine posts of controllers (grade I), five in the headquarters office and one each for heading the regional offices at Bombay, Calcutta, Madras and Delhi. Of these, five posts only should be included in the proposed service and the remaining four kept outside the cadre of the service for being filled by deputationists from other services.
- (ii) The strength of grade II of the service (*viz.*, deputy controllers) should be fixed after first taking into account the number of deputy chief controllers recommended by us for the headquarters office and the Bombay port office, the number likely to be required for the port offices at Calcutta, Madras and CLA.

(Delhi) if these offices are reorganised on the lines of Bombay, and one each for heading the regional offices at Goa, Ernakulam, Kanpur, Rajkot, Bangalore, Visakhapatnam, Amritsar, Srinagar and Pondicheery. Out of this number, five posts should be excluded from the proposed service and kept for deputationists from other services; the rest should be encadred,

- (iii) The strength of grade III of the service (*viz.*, assistant controllers) may be fixed at 75 percent of the number of assistant controllers recommended by us for the headquarters office and the Bombay port office and the number likely to be required for other regional offices on the pattern proposed for the Bombay port office. The remaining 25 percent of the posts may be kept for being filled by section officers of the Central Secretariat Service. At present, the number of posts in the latter category is about 31 percent of the total number of posts of assistant controllers and section officers in the organisation as a whole. The reorganisation recommended by us will result in an increase in the total number of posts of assistant controllers and 25 percent of the increased number will be almost the same as 31 percent of the existing number. Therefore effectively, the CSS contribution at this level will remain almost the same as now.

#### *Mode of recruitment*

(i) 75 percent of the posts of assistant controllers encadred in the service may be filled by direct recruitment through the U.P.S.C. on the basis of the results of the Combined Services Competitive Examination and the remaining 25 percent by promotion.

(ii) Posts of deputy controller and controller encadred in the service should be filled by promotion from the next lower rank or grade in the service.

(iii) Posts kept outside the cadre should be filled as at present; assistant controllers and equivalent from the CSS and others by deputation from the I.A.S., C.S.S. and other Central services (Class I).

(iv) The post of Chief Controller should be kept outside the cadre and filled on a tenure and deputation basis from the I.A.S., C.S.S. or other Central services (Class I), including the proposed Indian Trade Service.

7. We would like to recommend that the following additional points may be kept in view while finalising the cadre of the proposed service :—

- (a) There should be internal balance in the cadre so as to provide against undue stagnation at any level and, positively, for adequate promotion prospects.
- (b) A deputation reserve should be provided for diversifying the experience of cadre members in other organisations.

8. We would like to clarify an important point. Our recommendation in regard to the various grades in the Indian Trade Service should not be taken to mean that we recommend this number of levels of hierarchical supervision in the organisation. We are strongly of the view that there should be as few levels of handling work as possible and our recommendations on that aspect are separately set out in the reorganisation suggested of the headquarters office and the Bombay port office.

9. We have recommended that the existing posts of controller in this organisation should be done away with. This will obviously affect those holding these posts or having liens on them. We have, therefore, carefully examined the question of their absorption and the degree of protection that should be accorded to them. The present sanctioned strength of the controller's grade in the organisation is 67, of which one post is lying vacant. The proposed abolition of the controller's grade will affect not only the incumbents of these 66 posts but also 8 others who hold liens against posts of controller, having either been promoted to officiate in the grade of deputy chief controller or sent on deputation to *ex-cadre* posts. Of these 74 officers, 14 belong to the Central Secretariat Service and they can revert to their parent cadre. Out of the remaining 60 officers, 5 are already officiating as deputy chief controllers. As a result of our recommendations regarding reorganisation of the headquarters and port offices, there will be an increase in the number of deputy chief controllers. Therefore, some of the senior controllers may be absorbed in the deputy chief controller's grade against the additional posts.

The remaining controllers can be divided into the following three categories :—

- (i) direct recruits through U.P.S.C. to the grade of controller;
- (ii) departmental promotees who have been made permanent in the grade of controller; and
- (iii) departmental promotees who are temporary in the grade of controller.

In the case of (i) above, an option may be given asking the officers concerned to accept the designation of assistant controller with Class-I status personal to them and their pay protected. Officers falling in category (ii) may be allowed to retain their Class-I status as personal to them and their pay also may be protected as a personal measure, but they may be designated as assistant controllers. Temporary controllers may be reverted to the grade of assistant controller, but in their case also the pay drawn by them as controllers may be protected.

The absorption of these persons in the grade of assistant controller as suggested by us will not present much difficulty since the number of posts of assistant controllers will increase as a result of our recommendations for introduction of an officer-oriented system in some sections of the headquarters and the ports. If the increased number is not enough to absorb erstwhile controllers reversions from the grade of assistant controller may become unavoidable, and in such an event the department will no doubt revert the junior-most first.

#### *Mobility of Staff*

10. The headquarters office being an included office, the officers for most of the posts there are drawn from the Central Secretariat Service and they are not transferable to subordinate regional offices in the ordinary course. This leads to a lack of exchange of experience between the field offices and the head office. While we would like the head office to remain an 'included' attached office because of certain advantages in this arrangement, we are of the view that this should not stand in the way of transferring CSS officers to the ports and *vice-versa*. The needs of good administration call for a regular flow of officers between different units of the same organisation.

We, therefore, recommend that 50 percent of the posts of CSS officers at the headquarters should be transferred to the regional offices bringing an equal number of non-CSS corresponding posts from the regional offices to the headquarters office in order to maintain regular exchange of experience between the ports and the head office. In order to provide an incentive to CSS officers to work at the ports, only such CSS officers should be considered at the appropriate stage for deputation to higher posts in the organisation as have worked at the ports for some time.

11. We also understand that many CSS officers have been working in the headquarters office for a number of years continuously. We do not consider it a healthy convention in the best interests of public administration to allow officers to remain working in the same office for long periods, particularly in an office dealing with trade and industry. We, therefore, **recommend** that the policy governing the posting of CSS officers to the CCI&E's organisation should be reviewed to ensure that officers who have worked in this organisation continuously for over 3 years should be transferred away.

#### *Confirmation and seniority of staff*

12. We understand that confirmations have not been made so far against a number of permanent posts in the various grades. There are about 98 gazetted and 600 non-gazetted permanent posts against which confirmations have yet to be made. Two reasons have been advanced for hold up of this work. The first is that, although many posts were declared permanent with effect from the 1st October, 1961, actual orders in this regard were received by the department towards the end of 1963 only. Secondly, it has not been possible to finalise the seniority list of officers in some cases due to frequent representations from affected persons. Undue delays in confirming staff adversely affect their morale. We **recommend** that the work of ordering confirmations should be speeded up. We also **recommend** that, for this purpose, 'working' seniority lists should be finalised after considering representations if any received within a fixed period of the lists being made known to all concerned. Such seniority lists should not cease to be operative simply because of representations received after the due date. In case such representations justify any changes in a particular seniority lists, they could always be carried out later after due notice to the persons likely to be affected thereby. We further **recommend** that the position about permanent and temporary posts should be reviewed promptly on the expiry of each year, and that this work as well as that of ordering confirmations against any new posts declared permanent as a result of the review should be completed before the next review becomes due, *i.e.*, within the course of the following year. If necessary, a time-table should be worked out so that all concerned know when to do what.

#### *Incentive Schemes*

13. The staff in this organisation has to be constantly on its toes if the organisation has to fulfil its role of a truly servicing organisation. For lapses and delays the whole organisation has to face public criticism. Having paid fees on applications for licences, the applicants naturally expect both quality and speed of work. We have, therefore, given thought to the question of providing incentives for sustaining and encouraging good and honest work amongst the employees of this organisation. We **recommend** that outstanding workers should be rewarded by advance increments (without cumulative effect) up to two increments in each case. The persons to be

rewarded should be selected by the Chief Controller every year. A person who earns advance increments once should be re-eligible to the grant of such increments again after two years provided he continues to be outstanding. There are 290 gazetted officer, 1,763 non-gazetted staff and 488 Class IV employees in the organisation and assuming that the number of 'outstanding' in each grade will not be more than 10 percent of the total strength each year, the financial implications of our proposal would be of the order of about Rs. 42,000 in the first year and Rs. 21,000 in the following year, the total commitment being of the order of about Rs. 63,000 in two years. We do not consider this a prohibitive commitment at all. We recommend that advance increments should also be given to employees who help the department in detecting malpractices on the part of the trade. Group incentives in the form of a rolling cup and merit certificates to the best licensing sections should also be introduced.

14. Import licences have to be typed on security paper and on a pin-point typewriter with a ribbon of indelible ink. Accuracy in typing a licence is extremely important as slight mistakes can make a great deal of difference. The typing of licences thus calls for more skill and strain than other typing work. Since the scale of pay of typists is the same as that of clerks doing routine work of diary and despatch of papers, there is reluctance on the part of lower division clerks to do typing work. We are of the view that a clerk engaged on typing licences needs to be appropriately remunerated on account of the extra labour and strain he has to undergo. This is necessary to avoid hold up of licences particularly during peak periods. We, therefore, recommend that clerks working in the licensing sections and engaged on typing licences should be given a special allowance.

#### *Training Scheme*

15. The work in the import and export trade control organisation requires a thorough knowledge of the import and export control rules and regulations and a working knowledge of the Customs and Foreign Exchange Regulations. At present, there is no training scheme to improve the knowledge content of the staff. We recommend that, in the interest of efficiency a scheme of specialised training in Import & Export Control Rules, Customs Regulations and Foreign Exchange Regulations should be drawn up. The following should be its salient features :—

- (i) *Duration of Training.*—The course should be for a period of three months.
- (ii) *Nature of Training.*—There should be lectures by officers of the import control organisation, the customs organisation, and the Foreign Exchange Regulations Organisation; this may take 45 days. Therefore, there should be an on-the-spot study of licensing work of each type, the work of Customs and the work of the Exchange Control Department; 15 days may be allocated for each.
- (iii) *The staff who should be given training.*—All non-gazetted staff excluding Class IV and all assistant controllers, except the following :—
  - (a) persons who are likely to retire within the next three years;
  - (b) I.F.S. (B) personnel posted to the organisation;
  - (c) all lower division clerks.

- (iv) *Syllabus for Training*.—The following should be the syllabus for the training :—
- (a) Red Book.
  - (b) Handbook of Rules & Procedure on Import Trade Control.
  - (c) Handbook of Rules & Procedure on Export Trade Control.
  - (d) Green Book on Export Promotion.
  - (e) Imports & Exports (Control) Act, 1947 and orders issued thereunder.
  - (f) Indian Customs Act, 1962.
  - (g) Foreign Exchange Regulations Act; and
  - (h) Compendium of GLIs.
- (v) *Arrangements for training*.—All new-comers to the organisation should first be given training and only thereafter posted to actual work. In the case of existing hands, training should be given under a phased programme so that the normal work of the department is not dislocated. The number of trainees in each batch should not exceed 25.
- (vi) *Examination*.—There should be an examination at the end of the training period, and certificates of marks and merit obtained by the trainees should be kept in their character rolls.

16. In the headquarters office, the posts of clerks/typists are filled through the Ministry of Home Affairs on the basis of competitive examinations held by the U.P.S.C. We understand that at times such posts have to be kept vacant for a considerable period as surplus hands are not readily available with the Ministry of Home Affairs. The shortage of staff particularly that of typists causes delay in the issue of licences. The import control organisation is a servicing organisation where delays in the issue of licences invite criticism from the trade and industry as such delays upset steady production. We, therefore, feel that although, from the point of view of maintaining a certain minimum and uniform standard throughout the secretariat for recruitment of clerks it may not be desirable to exclude the CCI&E's office from the present arrangement, yet in view of the difficulty caused by hold up of licensing work due to shortage of staff, it is necessary to vest powers with the head of the department for filling the vacant posts of typists as a stop-gap arrangement. We therefore, recommend that the head of the department should be given powers to fill vacant posts of typists up to a period of one year on temporary basis, provided suitable hands are not readily available with the Ministry of Home Affairs.



## CHAPTER ELEVEN

### ORGANISATION AND METHODS

#### *Existing Position*

1. The O & M Section in the office of the Chief Controller of Imports & Exports performs the following main functions :—

- (i) standardisation of forms;
- (ii) scrutiny of proposals from regional offices for sanction of additional staff;
- (iii) allocation of work among sections in the headquarters office;
- (iv) instructions regarding office procedure and management;
- (v) instructions regarding preservation and weeding of records (including records retention schedule), physical verification of files and fixation of responsibility for loss of files;
- (vi) security measures at headquarters and in regional offices;
- (vii) compilation and scrutiny of statistics concerning intake, disposal and pendency of work both at the headquarters and regional offices;
- (viii) compilation of the following periodical returns :
  - (a) fortnightly statement of receipts/disposal of CG applications for values over Rs. 5 lakhs and raw material applications for values exceeding Rs. 75,000 (for the Ministries of Finance and Commerce);
  - (b) fortnightly statement of disposal of cases relating to Public Sector Projects/Undertakings (for the Ministries of Finance and Commerce); and
  - (c) monthly statement of publications brought out by the organisation (for the Lok Sabha Secretariat).
- (ix) chasing of badly delayed cases :
  - (a) emanating from port offices and pending at headquarters or any other government offices in Delhi;
  - (b) emanating from the headquarters or from the regional offices and pending in the Ministry of Commerce or the D.G.T.D.; and
  - (c) emanating from other government offices and pending in the C.C.I.& E.'s office.
- (x) allocations of disputed receipts;
- (xi) complaints from trade associations, chambers of commerce etc., regarding delays in disposal;
- (xii) convening of weekly staff meetings to review the progress of work; and
- (xiii) convening of port offices' meetings.

The section is manned by two assistants, two investigators, four L.D.Cs. and one draftsman and is supervised by a full time assistant controller. At the next higher level, the work of this section is looked after by a deputy chief controller who also holds charge of Export & Export Promotion Sections, the Central R. & I. (including the Record Room) and the Inspection Units.

2. We consider that the primary functions of the O. & M. section should be to attend to the review and standardisation of forms, the evolution of work norms and assessment of staff needs, the simplification and rationalisation of office procedures, and such other problems as may be specifically remitted to it by the head of the organisation. The task of identification of problems obviously belongs to those who administer, though O & M could assist in preliminary surveys in any required sector. We, therefore, recommend that the O & M section should rid itself of functions other than those mentioned above, such as supervision of procedures, chasing of badly delayed cases, compilation of statistics regarding speed and disposal of work and arranging meetings of port offices. These functions should be transferred to appropriate administration, general and statistics sections. Similarly, complaints from the public should be dealt with in the appropriate public relations section under the P.R.O., the O. & M Section concerning itself only after individual complaints have been looked into by the P.R.O. and his report incorporating general points requiring O & M attention has become available. The Inspection Unit should also function separately but its reports made available to O & M section to enable the latter to look into the points requiring O & M attention.

3. We also list below some specific assignments for the O & M section :—

- (a) evolving a suitable system of correspondence-control and efficiency audit;
- (b) review and standardisation of the existing forms, letters and check-sheets to bring them in conformity with the requirement of the new licensing procedures;
- (c) working out a suitable forms control and management system in which no section of the organisation should prescribe a new form or order reprint of an existing form without obtaining clearance from the O & M section;
- (d) review of the records retention schedule to ensure that the retention periods prescribed for different categories of record are the minimum essential;
- (e) evolution of norms for different types of licensing work. This will facilitate objective assessment of the staff needs of different sections at the headquarters and of regional offices and help in securing equitable distribution of work-load.

4. We attach great importance to a properly organised and well-equipped O & M section in an organisation like that of the C.C.I.&E., having direct dealings with the public, for paying continuous attention to the nature and the volume of work, the speed and quality of performance, and the many factors that affect these, e.g. the number, quality and mutual relationship of the persons responsible for decision or action, flow of work and work-load, simplification and rationalisation of procedures, time and labour saving devices. We, therefore, consider that the O & M section should be manned by qualified and trained personnel on a whole time basis. In manning the O & M section we suggest a break away from the conventional pattern of

staffing sections with section officer, assistants and clerks. O & M involves systematic study of problems and calls for special skills and aptitude. It is, therefore, important that persons selected for manning the post of O & M officer and the lower posts in the O & M section have adequate knowledge and training in specialised techniques of analysis like work study. The posts should also carry appropriate telling designations, *e.g.* 'Senior Administrative Analyst', for the post of O & M Officer, and 'Junior Administrative Analyst', 'Research Assistant' and 'Investigator' for posts in the section, and corresponding scales of pay. We recommend that the O & M section in the headquarters office should consist of two junior analysts, two research assistants and two investigators. This section should be placed under the charge of a senior administrative analyst in the scale of pay Rs. 700—1,250, who should work under the Jt. Chief Controller incharge of Investigation, Vigilance and Inspection Unit.

5. We also recommend that the regional offices need not have their own independent O & M cells. Instead, they should have their problems studied through the headquarters O & M staff. In fact, it will be one of the normal duties of the O & M staff at headquarters to visit port offices periodically and to assist in locating problems and in arranging for their study according to an approved integrated programme. It is mainly for this reason that the staff recommended for O & M section at the headquarters consists of two study teams, each comprising a junior administrative analyst, a research assistant and an investigator. We have no doubt that a strong O & M team in the headquarters office will be more effective than weak units in several regional offices.

## CHAPTER TWELVE MISCELLANEOUS MATTERS

### SECTION I

#### WORK RELATIONSHIP BETWEEN THE CCI&E AND THE MINISTRY OF COMMERCE

The Chief Controller functions as head of department for purposes both of administrative and financial rules. However, in order to determine the frequency and the need for references made by him to the Ministry of Commerce and to locate areas in which the single-file system of making references can be extended, case studies were conducted in respect of a representative sample of 300 files. We find that the work here is already handled largely in conformity with the recent Government decision for delegating maximum possible powers to attached offices and for introducing the single-file system wherever feasible. In so far as important policy is concerned, action is generally initiated and policy formulated in the C.C.I. & E.'s office, and there is no corresponding unit in the Ministry for processing such matters a second time. The Chief Controller submits cases direct to the Secretary or the Minister. He is also empowered to authenticate orders and other instruments on behalf of the President in matters pertaining to import and export control. In cases of export control and rupee imports, the Chief Controller makes references to the appropriate unit in the Ministry, but on a single-file system. It is only in administrative matters that formal independent communication is the mode of correspondence with Ministry in many cases. In this background, we have only the following recommendations to make :—

- (i) Since the Chief Controller is associated with the drawing up of trade plans for imports from the rupee payment area, delegation to the maximum extent possible should be made to him for action to be taken by him in the course of implementation of the plans, so that he should be required to refer only those cases to the Ministry of Commerce on which the Ministry's approval is considered necessary at a fairly high level.
- (ii) Since the Chief Controller is functioning as a head of department, he should not be required to refer any administrative or financial matter to the Ministry which lies within the competence of a head of department. Case studies have revealed certain types of cases are referred to the Ministry although under rules the Chief Controller is himself competent to dispose of such matters.
- (iii) The area of delegations to the Chief Controller in administrative and financial matters should be widened taking the delegations recently made by the Ministry of Works and Housing to the Chief Engineer, C.P.W.D., as a guide.
- (iv) The single-file system should be introduced in regard to administrative matters to the maximum extent possible, again taking the pattern evolved recently for the Chief Engineer, C.P.W.D., as a guide.

### SECTION II

#### FORMULATION OF IMPORT POLICY

2. *Existing Position* :—Apart from the purely executive function of exercising control over import and export of goods through issue of licences, the

Chief Controller also frames import policy and publishes it in the form of a book commonly known as the "Red Book". In formulating import policy, the prime task of the organisation is to strike a balance between the country's import needs and the foreign exchange available to finance commercial imports. In the discharge of this function, the Chief Controller is guided primarily by the assessment of the supply and demand position of each commodity made by the technical authorities like the D.G.T.D., the Textile Commissioner and others. Suggestions from the trade and industry are also taken into account.

3. Early in January each year, the C.C.I.&E. requests the technical authorities and administrative ministries to send their recommendations for framing the new financial year's import policy. These recommendations and the suggestions received from the Export Import Advisory Council and from the trade and industry are processed in the C.C.I.&E.'s office some time in February. A tentative import policy is then devised and an estimate is made of the foreign exchange that established importers would require. The Department of Economic Affairs then decides how much foreign exchange can be made available for established importers. If this falls short of the estimated amount, the C.C.I.&E. reviews the established importers' policy and makes appropriate cuts in the quotas tentatively settled so as to bring the foreign exchange needs within the allocation made by the Department of Economic Affairs. The policy is then announced and the Red Book published as effective from the 1st April.

4. Regarding policy for actual users, the Red Book merely indicates the broad outline of policy, the items licensable and those not licensable. The guiding principles for working out the precise entitlement of imports of different items are finalised only after receipt of intimation of foreign exchange allocation from the Department of Economic Affairs, which usually takes place some time in May-June.

5. Work relating to the formulation of import policy is centralised in a secret section known as the "Policy Cell" in the headquarters office. The organisational structure of this cell follows the conventional pattern in which initial examination of cases takes place at the level of Assistants. We have separately recommended that the work in this section should be conducted under an "officer-oriented" arrangement.

#### CASE STUDY

6. A case study was conducted to probe :—

- (a) the actual processes involved in the formulation of import policy;
- (b) the extent of consultation with technical authorities at the stage of policy formulation and the degree of their acceptability;
- (c) the extent to which trade is associated with the formulation of import policy;
- (d) the degree of clarity and definitiveness in the recommendations made by technical authorities and the basis of such recommendations;
- (e) the manner of processing the recommendations of technical authorities in the C.C.I.&E.'s organisation, and the contribution made at each level in that organisation;

- (f) the extent of *suo moto* review conducted within the C.C.I.&E.'s organisation resulting in change in policy; and
- (g) the degree of clarity and finality in the policy finally evolved and announced.

A representative sample of 77 files was selected for the purpose of case study. Our conclusions on the study and the recommendations we have to make in regard to the formulation of import policy are given below.

#### ROLE OF TECHNICAL AUTHORITIES IN THE FORMULATION OF POLICY

7. Import policy is formulated on the advice of various technical authorities and administrative ministries, who are required to give their advice in a prescribed form in respect of each item of import separately. The form requires information to be given about the annual domestic demand for the item, the indigenous manufacturing capacity for that item, actual production in the country, actual imports made during previous licensing periods, the trend of prices and the import requirements for the next year. Cases studies brought out the following facts :—

- (i) Technical authorities generally use the prescribed form only for recommending changes in the existing policy. In respect of items for which they desire *status quo* to be maintained, there is only a general statement to this effect in the recommendations made, without any supporting facts.
- (ii) In some cases, technical authorities and administrative ministries do not use the prescribed form and instead send their recommendations in the form of letters which do not give all the information required to be given in the form and actually needed for the formulation of policy.
- (iii) For a number of items the advising authorities recommend subsequent consultation, and out of these items in some cases they give general clearance during the currency of licensing period.

8. As the Chief Controller has to settle policy about each item with reference to the relevant data about the demand, indigenous production and actual import requirement of that item, we recommend that technical authorities and administrative ministries should send specific recommendations invariably in the prescribed form. For each commodity a separate copy of the form should be completed. We also recommend that even in respect of items for which no change in policy is sought to be made, technical authorities and administrative ministries should give their advice in the prescribed form. Since even for recommending *status-quo* in policy, technical authorities must review the existing policy with reference to the basic data, we feel it would help if the review were to take place on the prescribed recommendation sheet itself and a copy sent to the Chief Controller for record. This would ensure a systematic review of policy for each item, both by the technical authorities and in the C.C.I.&E.'s organisation.

9. The form of the recommendation sheet, copy at Appendix XV, seems to require some changes. In the first instance, the form seeks information about actual indigenous production and actual imports "for the last few years". Since the number of years for which information is required has not been specified, different technical authorities furnish information for different sets of years. The word 'few' therefore, needs to be replaced by a

definite number of years. We think that the period should be the previous three years. Secondly, since the quantum and value of indigenous production and the actual imports of a particular commodity put together give an idea of the total availability of that commodity for a particular year; it is necessary to rearrange the columns of the form in such a way that the totals of indigenous production and actual imports for each of the three years can be struck conveniently. Thirdly, while the present form asks for a recommendation for the coming year, it does not seek the basis for the recommendation. This information is necessary not only in cases where a change in policy is sought but also where status-quo is desired. The basic data recorded on the form does not always lead in a self evident position to the recommendation made. We recommend that the present form should be replaced by a new one in which these defects are remedied. Our suggestion for the new form is at Appendix XVI. We also make the following further recommendations :—

- (a) The C.C.I.&E.'s office should take the responsibility for furnishing information on each recommendation sheet which it can easily give, e.g. description and ITC classification of the item, policy for the previous periods, the import duty and the actual imports during previous years. Forms of recommendation sheets should be prepared with this information in duplicate and sent to the technical authorities concerned.
- (b) The technical authority should complete other details of a particular form, send one copy to the C.C.I.&E. and retain the other for record.
- (c) In the CCI&E's office after the recommendation of a technical authority has been examined, the outcome should be recorded on the form itself to serve as a handy reference for future formulation of policy.

#### ROLE OF TRADE AND INDUSTRY IN THE FORMULATION OF POLICY

10. Import policy is formulated after taking account of the suggestions received from trade and industry. An Export-Import Advisory Council has been set up which advises Government on policies and programmes of foreign trade. The Chairman of the Council is the Minister of Commerce and its members include representatives of the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce of India, the All India Manufacturers' Organisation, the Board of Trade, established importers, actual users, export promotion councils, commodity boards and other organisations of importers and exporters. Meetings of the Council are convened before the formulation of policy each year. There is thus adequate machinery for consulting trade and industry in the formulation of import policy. We recommend, however, that suggestions should also be invited from the Development Councils in the D.G.T.D. and taken into consideration.

#### ROLE OF CUSTOMS AUTHORITIES IN THE FORMULATION OF POLICY

11. The Customs authorities play an important role in the implementation of import policy, and in their day-to-day duties, they come across questions of interpretation of policy and procedure. Therefore, it is important that their views should be invited and duly considered in formulating import policy. We understand that the Chief Controller already

holds meetings with representatives of the Department of Revenue, collectors of Customs and the port officers to discuss difficulties and evolve correctives. We recommend that periodical meetings of this kind should continue to be held twice every year, once at the time of formulation of policy and again after the new policy has been announced.

12. We considered the question of having the Red Book issued in advance in the month of January so that intending applicants have enough time to chalk out their import requirements and apply for licences right in the beginning of the licensing period in April. It would also provide an earlier opportunity to the trade and industry to make representations, if any, against the policy for the ensuing licensing period. However, administratively such an arrangement was not found feasible.

### SECTION III

#### INVESTIGATION AND VIGILANCE

##### *Existing position*

13. Both the Imports and Exports (Control) Act and the Orders issued thereunder include penal provisions for contravention of import and export trade control regulations. The penalty provided in the Act is that if any person contravenes or attempts to contravene or abets a contravention of any Order made or deemed to have been made under the Act or any condition of a licence granted under any such Order, he shall, without prejudice to any confiscation or penalty to which he may be liable under the provisions of the Customs Act, be punishable with imprisonment for a term which may extend to one year, or with fine, or with both. Punishments provided in the Imports (Control) Order and the Exports (Control) Order are debarring and suspension from obtaining import and export licences and cancellation of the licences already issued. Show-cause notice is required to be given to the concerned party before an Order to debar or suspend him from obtaining licences or for cancellation of licences can be passed.

14. No court can take cognizance of any offence punishable under the Act except upon a complaint in writing made by an officer authorised in this behalf by the Central Government by general or special order and no court inferior to that of a presidency magistrate or magistrate of the 1st class can try any such offence. In exercise of this power, the Central Government has authorised the joint chief controller of imports and exports, the deputy chief controllers, the Customs collectors and officers of the Customs to make complaints in writing in courts in respect of any offence punishable under the Act. The power to debar and suspend a person from obtaining licences and for cancellation of licences lies with the Central Government, the chief controller, the joint chief controllers and deputy chief controller.

15. The Chief Controller has no investigating or detecting agency in his organisation. The complaints are referred by him to the sponsoring authorities and the Central Bureau of Investigation for investigation and report. There is a separate division at the headquarters office and separate branches at major port offices to deal with complaints and reports from the sponsoring authorities and the C.B.I. and for taking further action under the Act and the Orders issued thereunder. We have separately



recommended elsewhere that these sections should be named as "enforcement sections" and work should be handled on an 'officer-oriented' arrangement.

16. During the period from 1st January 1961 to 31st October, 1965, the Chief Controller received in all 4,308 complaints involving contravention of import and export trade control regulations. Of these, 2,811 cases have been closed as the investigation did not establish the alleged contravention, and 645 parties have been debarred or suspended from obtaining licences; the remaining cases are still pending. During the same period, prosecution was launched in 83 cases under the Imports & Exports (Control) Act. Of these 39 parties have been convicted by the courts and the remaining are still pending.

#### DELEGATION OF POWERS TO IRON AND STEEL CONTROLLER

17. The Iron and Steel Controller has suggested that he may also be given the power to launch prosecution under the Imports and Exports (Control) Act and to debar and suspend a party from obtaining licences. At present he has no such power and the cases pertaining to his organisation are referred to the CCI&E for penal action. We understand that in so far as prosecution under the Act is concerned, power has already been given to the Iron and Steel Controller. As regards power to debar and suspend the offenders from obtaining licences, we feel that there should be no objection to this power also being delegated to the Iron and Steel Controller in the case of items controlled by him. Such a delegation will simplify the procedure as the Iron and Steel Controller will not then be required to refer such cases to the Chief Controller. We, therefore, recommend that necessary amendments to the rules should be made to authorise the Iron and Steel Controller to take penal action against the parties under the Imports (Control) Order and the Exports (Control) Order in regard to the items licensable by him.

#### DELEGATION OF POWERS TO PORT OFFICERS

18. Case studies have shown that on an average it took 11.6 months to finalise a case in the CCI&E's office after the receipt of a complaint. In the course of examination of complaints, the cases had to be referred to the respective port authorities several times for obtaining their comments on various points or certain other information required. This caused delays in final disposal. In view of this, we recommend that the heads of major port offices should be given powers to dispose of at their level cases requiring action under the Imports (Control) Order and the Exports (Control) Order without referring them to the headquarters. The power should be exercised by joint chief controllers at ports in respect of cases for which they are the licensing authorities. In order to keep the CCI&E apprised of the position, the port authorities should send periodical reports to the headquarters office in regard to such cases. The form in which the reports should be sent should be devised by the chief controller. In the matter of filing prosecutions, however, the Chief Controller's prior approval should continue to be obtained.

#### PROCEDURE FOR INVESTIGATION BY SPONSORING AUTHORITIES

19. In order to ascertain the procedure that the sponsoring authorities were following in the investigation of complaints against actual users, case studies were conducted in respect of some cases dealt with by the Director of Industries, Delhi. The studies revealed that the total time taken by the

Director of Industries in completing investigation ranged between 6 and 14 months on an average. The reasons for the long time taken appeared to be the following :—

- (i) There is no separate investigation cell in the office of the Director of Industries for this work.
- (ii) Separate files are not opened for investigation cases. The complaints are dealt with in the same files in which the import applications are handled, with the result that in the course of handling applications for fresh licences, the investigation into the complaints lags behind.
- (iii) No separate register of complaints is maintained to enable the office to chase such cases properly and in time.
- (iv) Inquiries are sometimes made by correspondence with the parties and not by post inspection.

We feel that the Director of Industries and other sponsoring authorities should have separate cells for investigating into the complaints. The setting up of separate cell will expedite investigations as, in that case, complaints and applications for licences will not get mixed up. It will also help in maintaining the desired secrecy which is necessary at certain stages of the inquiry. We, therefore, recommend that CCI&E should call upon all the sponsoring authorities to set up investigations cells and maintain separate registers in which all the complaints should be entered and results of inquiries recorded. The inquiries should be made by the staff (at a responsible level) by visiting the premises of the actual users concerned and normally no correspondence should be made with the parties for examination of complaints. By writing letters to the parties, the possibility of their gaining time for building up a false record to disprove the complaint cannot be ruled out.

#### SECTION IV

##### EXPOST-FACTO SCRUTINY OF FILES

20. Under the new licensing procedure suggested by us, assistant controllers will have more powers than before to deal with cases at their level. In view of this, we recommend that in addition to other checks in force a scheme should be evolved for deputy and joint chief controllers undertaking regular expost-facto scrutiny of a percentage (we suggest 10%) of the cases decided by assistant controllers. The scrutiny should be on a quarterly basis and reports embodying the results should be submitted to senior officers regularly. A form to be devised by the Chief Controller for this purpose may be found useful.

#### SECTION V

##### TEA, JUTE AND COAL INDUSTRIES

21. In respect of import of raw materials and components required by industries looked after by the Tea Board, the Jute Commissioner and the Coal Controller, we make the following recommendations :—

- (a) As suggested in the case of capital goods, sponsoring authorities should obtain package indigenous clearance from the D.G.T.D. in respect of items of raw materials, components and accessories required by tea, jute and control industries so that individual applications do not have to be referred to the

- D.G.T.D. for obtaining such clearance. The package clearance may be considered valid for a period of one year and should be obtained in the beginning of each licensing period.
- (b) The work of issuing licences to these industries for import from rupee payment countries should be transferred from the headquarters to the office of the Joint Chief Controller at Calcutta.
  - (c) In the case of the tea industry, the work of issuing import licences for insecticides, weedicides etc. should also be transferred from the headquarters to Calcutta.

## SECTION VI

### JOINT COMMITTEE AT HEADQUARTERS

22. The Import Control Enquiry Committee, 1950 (known as Mehta Committee) had recommended that the Chief Controller should discuss with collectors of Customs all outstanding issues bearing on the procedure for handling and clearing cargo through Customs so that final decisions are expedited. This recommendation was accepted and joint committees of import control and customs authorities were set up at each major port. Matters which cannot be decided by the port committees are referred to the headquarters office of the Chief Controller by the regional licensing authorities or to the Department of Revenue by the Customs for further consideration. We feel that such unsettled matters should also be decided through a committee process at the headquarters office of the CCI&E so that decisions may be taken quickly. There is already a committee at the headquarters consisting of representatives of the CCI&E, D.G.T.D. and the Department of Revenue which considers questions relating to ITC classification of stores. We recommend that any matters which cannot be settled by the port committees should be taken up in this committee, and if necessary the functions of the committee may be suitably enlarged.

CHAPTER THIRTEEN  
SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS,

IN PART II

CHAPTER ONE

Introductory

CHAPTER TWO

**IMPORT OF CAPITAL GOODS BY THE PRIVATE SECTOR**

Except for technical examination and determination of essentiality by the D.G.T.D. or the DC(SS1), all other issues pertaining to an application for C.G. licence should be examined in committee meetings and individual files need not be referred to any other authority. The agenda papers for meetings should bring out all issues clearly to enable members to come prepared to take final decisions. (*para 14*).

2. C.G. Ad-hoc Committee should be reconstituted so as to include representatives of the Department of Economic Affairs, the Planning Commission, the DC(SS1) and the administrative ministries. The distribution of work between the C.G. Committee and the C.G. *ad hoc* Committee should be as under :—

- (a) all applications for import of capital goods where an industrial licence is to be issued or the existing industrial licence is to be amended should go to C.G. Committee;
- (b) all applications for import of capital goods not covered by (a) above should go before the C.G. Ad-hoc Committee. (*para 16*).

3. The procedure for sponsoring applications from D.G.T.D. borne units should be as under :—

- (i) The DGTD should send acknowledgement-*cum*-deficiency letter to the applicant within 7 days giving the applicant 10 days' time to make up the deficiencies, if any, or to furnish further information or clarification as may be necessary.
- (ii) If the DGTD does *not* consider the import essential, he should forward the application to the CCI&E recommending rejection.
- (iii) If the DGTD considers the import essential, he should forward the application to the CCI&E with a recommendation for the issue of a licence in respect of items *not* available indigenously. For indigenously available items the names of indigenous manufacturers not already covered by the Hand Book of Indigenous Manufacturers should be indicated. The DGTD should invariably attest one copy of the list of items recommended for import.

- (iv) While forwarding an application to the CCI&E, the DGTD should also suitably inform the applicant and communicate the gist of his recommendation to him. (*Para 18*).

4. In the small scale sector in cases where the installation of machinery or its expansion would not require any imported or scarce raw materials, the prior recommendation of the State Director of Industries for the import of machinery is not necessary. In such cases essentiality should be certified by the DC(SS1) alone. (*Para 21*).

5. The DC(SS1) should obtain package indigenous clearance from the DGTD at the commencement of a licensing year in regard to items of capital goods commonly asked for by small scale units. On the basis of such clearance, he should dispose of individual applications. It should be necessary for him to make a reference to the DGTD only where the package clearance list does not cover a particular case. (*Para 22*).

6. The procedure for sponsoring of applications from small scale units for import of machinery valued over Rs. 5,000 should be as under :—

- (i) Where the installation of machinery or its expansion would not require any imported or scarce raw materials, the application should be sent by the party to the DC(SS1) direct. In other cases, it should be sent to the State Director of Industries.
- (ii) The sponsoring authority should issue acknowledgement-*cum*-deficiency letter to the applicant within 7 days giving him 10 days' time to make up the deficiencies, if any.
- (iii) If the sponsoring authority does not consider the import essential, he should forward the application to the CCI&E recommending rejection.
- (iv) In the case of applications made through a State Director of Industries, if he considers the import essential, he should forward them to the DC(SS1) with his recommendations. In such applications as also in those received by the DC(SS1) direct from the applicants, if he considers the import essential, he should forward them to the CCI&E with his recommendations for the issue of licences for items not available indigenously. For indigenously available items, the names of indigenous manufacturers not covered by the Hand Book of Indigenous Manufacturers should be indicated. The DC(SS1) should attest one copy of the list of items recommended for import. While forwarding an application to the CCI&E, the DC(SS1) should also inform the applicant and communicate to him a gist of the recommendation in a prescribed form.
- (v) It should not take the State of Director of Industries more than 15 days and the DC(SS1) more than a month to dispose of an application. The time taken by the party in furnishing clarification, etc. will be over and above this limit. (*Para 23*).

7. The procedure for sponsoring of applications from SSI units for import of machinery valued up to Rs. 5,000 should be as under :—

- (i) Applications should be made in a form analogous to that suggested for raw materials.

- (ii) Sponsoring authority should issue acknowledgement-*cum*-deficiency letters to the applicants as in other cases, and forward completed applications to the port licensing authority concerned with his recommendations.
- (iii) If a sponsoring authority requires indigenous clearance, he should refer the application to the DC(SS1) who should give clearance on the basis of the package clearance list available with him or else by placing the application before the SSI Committee.
- (iv) It should be open to a sponsoring authority to recommend a licence up to Rs. 10,000 in value on an application against the raw materials ceiling allocated to him.
- (v) The time limit suggested in other cases should also apply here. (*Para 24*).

8. In the case of other industries (except textiles, jute, coal and tea), the applications for machinery should continue to be sent to the CCI&E through the sponsoring authorities concerned. As in other cases, the sponsoring authority should issue acknowledgement-*cum*-deficiency letters to applicants. If the sponsoring authority does not consider the import essential, he should straightaway recommend rejection; otherwise the application should route through the D.G.T.D. who should examine it from indigenous angle. The D.G.T.D. should also send a copy of his comments on indigenous availability to the sponsoring authority to enable the later to give a gist thereof to the applicant. The time-limit recommended for Directors of Industries should also apply here. (*Para 25*).

9. Applications for revalidation of licences should be made direct to sponsoring authorities only where a licensee has not made a commitment within the initial period of shipment. (*Para 26*).

10. Applications for minor amendments should be sent direct to the licensing authority concerned. When an amendment in value or description of goods is sought, the application should be made through the DGTD in the case of units borne on his list, the DC(SS1) in the case of small scale units and sponsoring authority concerned in other cases. (*Para 27*).

11. In the CCI&E's office, the applications other than those to be placed before the C.G. Committee, should be received in the C.G. Cell and dealt with there till they have been disposed of by the C.G. Ad-hoc Committee. The files should be sent to the licensing sections with an attested extract of the minutes of the meeting of the committee. The detailed procedure for handling of such applications should be recommended. (*Para 28-29*).

#### TEXTILE, JUTE, COAL AND TEA INDUSTRIES

12. Sponsoring authorities for these industries should obtain package indigenous clearance from the D.G.T.D. in the beginning of each licensing period, which should be considered valid for one year. Individual applications should not have to be referred to the D.G.T.D. The time limits suggested for disposal of applications from DGTD units should also apply here. (*Para 30*).

## CHAPTER THREE

**IMPORT LICENSING FOR PUBLIC SECTOR PROJECTS/UNDERTAKINGS AND STATE ELECTRICITY BOARDS**

## SECTION I

## PUBLIC SECTOR PROJECTS/UNDERTAKINGS

13. Procedure for import of maintenance and operational items of spares and stores should be as under :—

- (i) Separate allocation for these items should be made to all public sector projects and undertakings by administrative ministries and controlling authorities, so that generally no reference to the headquarters either on indigenous clearance or on release of foreign exchange is required.
- (ii) Projects should have the option of selecting the regional licensing authority to handle their import applications for these items.
- (iii) Applications for licences should be made in the simplified form and manner as recommended.
- (iv) Licensing authority should also keep a watch over the progressive utilisation of ceiling by each project. (*Para 6*).

14. For the import of raw materials, components and major assemblies, the following procedure should be followed :—

- (i) The ceiling for import of these items should be allocated project-wise with full delegation to the project authorities for operation of foreign exchange within the allocation subject to periodical reporting to the administrative ministries. Individual applications should not have to go to the administrative ministries or the Department of Economic Affairs.
- (ii) It should not be necessary for a project to get indigenous clearance on individual applications. Such clearance should be obtained before a project authority consolidates its demands for foreign exchange allocation in the beginning of the calendar year. The detailed procedure for obtaining package indigenous clearance and allocation of foreign exchange for each licensing period should be as recommended.
- (iii) Applications for licences should be made in the simplified form and manner as recommended.
- (iv) The CCI&E should also keep a watch over the progressive utilisation of ceiling by each project. (*Paras 10-11*).

15. For import of capital goods, the following procedure should be followed :—

- (i) Applications for equipment required for installation of new projects or for expansion of the existing one should continue to be dealt with as at present.
- (ii) Applications for equipment needed for modernisation, balancing, replacement, etc., should be made through the DGTD who, after giving his comments from the indigenous angle,

should forward them to the administrative ministry concerned. From the administrative ministry, the applications should reach the CCI&E with necessary release of foreign exchange or otherwise. Individual applications need not have to go to the Department of Economic Affairs. That department should allocate specific ceilings for this purpose to administrative ministries for each licensing period.

- (iii) Applications for equipment required for emergency replacement or in the event of certain break-down should be dealt with on the same lines as those from the private sector, in the sense that individual applications should not be referred to the Department of Economic Affairs and the administrative ministry concerned for release of foreign exchange. The project authorities should apply direct to the CCI&E who should place the applications before the C.G. Ad-hoc Committee for indigenous clearance. A bulk allocation of foreign exchange should be made to the CCI&E so that he is able to issue import licences against such ceiling in cases cleared from the indigenous angle.
- (iv) Project authorities should be requested to submit consolidated applications preferably not more than twice in a licensing period. They should mention the specifications, quantity and value in respect of the items applied for and the DGTD should impose quantitative restrictions in respect of only those items which are either banned or partially available indigenously.
- (v) Indigenous clearance for capital goods should also be valid for a year. (*Paras 15-16*).

16. Even if the objective of delegating effective powers to the projects through the various measures recommended is not considered immediately feasible in view of the present extreme scarcity of foreign exchange, it should be accepted as the desirable goal and the aim should be to reach this goal as soon as it is feasible to do so. In that event, the whole question should be reviewed periodically, say once every six months at the time of allocating foreign exchange, to see whether any or all of the recommendations not considered feasible at the present moment could be accepted and implemented at that time. (*Para 17*).

17. The facility of annual licensing should be extended to public sector projects also for import of raw materials, components and spares with restrictions regarding commitment and payment up to 75 per cent and 50 per cent respectively during the first half year and the balance thereafter subject to endorsement by a licensing authority. (*Para 18*).

## SECTION II STATE ELECTRICITY BOARDS/PROJECTS

18. For State electricity boards and projects, the Central Water and Power Commission should act exactly as the DGTD do in the case of actual users in the private sector. The ceiling of foreign exchange may be kept by the Commission for being operated upon, subject to such general directions as the Ministry of Irrigation and Power may like to give. Individual applications need not have to go to that ministry. (*Para 20*).



19. In so far as import of maintenance and operational items of spares and stores is concerned, the State electricity boards and projects should be placed at par with public sector projects and separate unit-wise allocation should be made to them by the Ministry of Irrigation and Power. The procedure for submission of applications in their case should also be the same as that for public sector projects. (*Para 21*).

20. Import applications for raw materials, components and electrical plant should be made by State electricity boards/projects to the CCI&E through the C.W. & P.C. The form of application should be suitably revised so that there is only one form both for release of foreign exchange and grant of import licence. The detailed procedure for submission and processing of applications should be as recommended. (*Para 22*).

21. For import of capital goods needed for initial installation or emergency requirements, the procedure as suggested for public sector projects should be followed here, except that in place of the DGTD, the indigenous clearance will be given by the Central Water and Power Commission. (*Para 23*).

#### CHAPTER FOUR

##### PROCEDURE FOR ISSUE OF CUSTOMS CLEARANCE PERMITS FOR IMPORT OF GOODS FROM AFGHANISTAN

22. The account of exports and imports in respect of approved importers should be maintained by the Reserve Bank. Instead of Reserve Bank communicating figures piecemeal and periodically to the licensing authorities, it would be easier, simpler and more systematic if the Reserve Bank were to issue a pass book to each party containing imports and exports made by the party and the value of exports purchased from other parties. The pass book should be produced by the party to the licensing office once in three months i.e. with the first application for import permit in each quarterly period. Immediate steps should be taken so that the 'pass book' system can be introduced with effect from the next agreement period starting in February. (*Para 5*).

23. There should be no noting on files and licensing offices should have check-sheets to examine applications for CCPs. The deficiencies should be pointed out to applicants at the 'counter' at the appointed time. (*Para 6*).

24. In the case of imports by land route, applications for CCPs should be accepted if accompanied by only Afghan Customs Clearance certificate and railway receipts need not be insisted upon. (*Para 7*).

#### CHAPTER FIVE

##### PROCEDURE FOR ISSUE OF CUSTOMS CLEARANCE PERMITS/LICENCES FOR IMPORT OF GOODS REQUIRED FOR PERSONAL AND PRIVATE USE AND PERSONAL BAGGAGE

###### SECTION I

###### GOODS REQUIRED FOR PERSONAL AND PRIVATE USE

25. List of banned goods given in the 'savings' clause in the Imports (Control) Order should be expanded to include items like transistors, tape recorders and other articles which have been imported in the past in large numbers and which are considered to be of a speculative nature. (*Para 4*)

26. Customs need not concern themselves with the foreign exchange angle and should allow clearance of goods permissible in terms of the Imports (Control) Order. It should be made clear to the intending importers that for making payment the permission from the Reserve Bank will be necessary. The 'savnigs' clause in the Order should be suitably amended to this effect. (Para 5)

27. Where a parcel exceeding the permissible value limit but not exceeding Rs. 500/- is received at any foreign post, it should be left to the Customs to dispose of the case in their discretion subject to the guide-lines furnished to them by the Chief Controller in consultation with the Department of Revenue. Such discretion should be exercised by an officer not below the rank of an assistant collector of customs. (Para 6)

## SECTION II PERSONAL BAGGAGE

28. The guide-lines followed by the Chief Controller for dealing with import of personal baggage in excess of the permissible limit should be made available to the Customs and it should be left to them to dispose of cases where the passengers have not obtained CCPs in advance. Cases pertaining to import of vehicles, however, should continue to be dealt with by the CCI&E. (Para 8)

## CHAPTER SIX

### EXPORT CONTROL AND EXPORT PROMOTION LICENSING

#### SECTION I EXPORT CONTROL

29. Export policy should be published in a separate book valid for a year subject to a six-monthly review. If any unexpected changes become necessary before the normal review, the policy may be amended by public notice. General principles to be followed for allowing exports should be indicated in the policy to the maximum extent possible. Where applications are to be considered in consultation with technical authorities and administrative ministries, an indication to this effect should be given against the respective items in the policy. (Para 8).

30. Since decisions for allowing exports of items not normally permissible are taken after careful consideration, the exporters should not have to get individual shipping bills endorsed by licensing authorities in such cases and Customs should allow export on the basis of licences issued. The validity period of such licences can be for a limited period as deemed necessary. If endorsements on individual shipping bills become necessary, the Customs may be requested to handle this work so that the exporter may not have to deal with both the Customs and the licensing authorities at this stage. (Para 9).

31. For 'merit' items, general instructions on ceilings, destination, etc., may be enunciated by the CCI&E in consultation with the Ministry of Commerce and technical authorities to the maximum extent possible so that port offices are able to dispose of cases without reference to headquarters. Here also, as in the case of items not normally permissible, the exporters should not have to get the individual shipping bills endorsed by licensing authorities. (Para 9).

32. In the case of export of cotton textiles to U.K./U.S.A., once a quota slip and a licence are issued, there should be no need for the exporter

to get individual shipping bills endorsed by a licensing authority. It should be left to the Customs to pass shipping bills on the basis of a licence held by an exporter. The validity of licences may be for a limited period as deemed necessary. (Para 9).

33. In respect of freely licensable items for which no ceiling has been fixed, the policy should be framed in such a manner as to do away with the need for getting the shipping bills endorsed. It should be left to the Customs to pass shipping bills for specified destinations until further notice. (Para 9)

34. An exporter to whom export quota is allotted should be required to declare the quantity or value of the quota allotted to him for the previous period for that commodity and the quantity or value actually utilised by him out of the previous allotment. Further allotment should be made having regard to the previous period's performance of the importer. Quotas need be fixed only for scarce commodities and in cases where quotas remain under or unutilised, the item should be considered for being included in the free licensing list subject to such conditions as necessary. (Para 10).

35. While including an item in the export promotion scheme, the authorities concerned should see whether the export of that item is under control and, if so, to examine whether there is actually any need for continuance of such control. The control should be retained on such items only if there is a strong justification. (Para 11).

36. Exporters should be allowed to use typed or cyclostyled copies of prescribed application forms. (Para 12).

37. No fresh application fees should be charged on applications for revalidation. (Para 13).

38. In the case of goods on which excise duty is payable, the seal affixed by the excise staff on the packings may be normally accepted by the Customs as proof of contents, subject to test check if considered necessary. (Para 14).

## SECTION II EXPORT PROMOTION LICENSING

39. In the case of 'suspect' firms, the licensing authorities should verify the genuineness of documents of exports before issuing licences. In other cases, the documents of exports should be verified after issuing licences. The export documents should also be defaced or punched after issue of licences. (Para 20).

40. Export promotion councils and other sponsoring authorities should evolve check-sheets in consultation with the CCI&E for initial examination of applications. (Para 21).

41. As a rule, joint chief controllers at ports should have the same powers as are exercised by joint chief controllers at headquarters. Only such cases should be referred to the headquarters by ports as require the approval of the Chief Controller personally. For items for which port authorities get clearance for licensing to actual users, no separate clearance need be obtained by them for allowing such items under the E.P. schemes. (Para 22).

42. Officers handling export promotion matters in the CCI&E should have weekly meetings with the officers of the Ministry of Commerce to clear port references in export promotion cases. (Para 23).

43. Acknowledgment-cum-deficiency letter should be issued to the applicant within 7 days and no completed application should take more than 10 days for disposal. If the application is likely to take more time, an interim reply should go to the applicant informing him about the reasons for delay. (Para 24).

44. Debarring and suspension orders should also apply to applications under E.P. schemes. (Para 25).

45. A study of export promotion and over and under invoicing are matters which might merit the attention of a separate committee. (Para 26).

## CHAPTER SEVEN

### APPEALS

46. There should be a separate provision for appeals against recommendations of sponsoring authorities and decisions of licensing authorities. The appellate authority should be higher than and different from the authority against whose order an appeal is preferred. (Para 4).

47. Time limits should be fixed both for filing an appeal and for its disposal. (Para 4).

48. Reasonable opportunity of being heard should be given to the appellants. There should not be any bar against representations by lawyers. (Para 4).

49. The order passed in appeal should be a 'speaking order'. (Para 4)

50. If an appellant alleges discrimination and mentions specific instances the appellate authority should examine those cases before taking a decision. (Para 4)

51. State Directors of Industries and other sponsoring authorities in the small scale sector should be asked to publish in the form of a scheme the guide-lines proposed to be adopted by them in a particular licensing period for making unit-wise allocations and formulating recommendations. (Para 4)

52. The appeal system in sectors looked after by the D.G.T.D., the Textile Commissioner etc. should as far as possible be the same in procedure and principles as that recommended for the small scale sector. (Para 4)

53. For other types of licensing including the issue of CCPs, a similar system of appeal as recommended for raw materials, components and spares should be worked out bearing in mind the underlying principles of the new procedure suggested. (Para 5)

## CHAPTER EIGHT

### PUBLIC RELATIONS

54. PRO should ensure that trade and industry clearly understand the rules and policy. If he finds that any particular rule or procedure has not been properly spelt out or presented, he should bring it to the notice of the concerned officers with his suggestions for changes. Such suggestions should immediately be considered and suitable changes made in the rules to remove difficulties experienced by the clientele. (Para 6)

55. The work of bringing out pamphlets in easy language on procedure for issue of licences should be assigned to the PRO. The pamphlets should

also indicate the time limits prescribed for disposal of applications by the department. (Para 6)

56. All publicity material regarding the department should go to the press through the PRO, clarifications or contradictions as may be necessary in regard to reports appearing in the press should be issued by him and articles by officers of the department in commercial and economic journals should be organised by him. He should keep the head and other officers of the department fully posted with the public reaction to the working of the department. (Para 7)

57. A committee might be set up consisting of the CCI&E, the heads of major port offices and two representatives of trade and industry to suggest measures for improvements in the public relations policy and the functioning of the PRO units. This consultative procedure should be tried out for one year and its further continuance should depend on whether it is found useful in this period. (Para 8)

58. PRO should be in close touch with the O&M Branch of the organisation so that procedural remedies to public grievances are continuously developed and implemented. (Para 9)

59. Complaints Cell under the PRO should only deal with complaints against delays in the disposal of applications. The PRO should be primarily concerned to ensure that effective redress is provided by the department to individual complaints. Cases of inordinate delay should be brought to the notice of the concerned joint chief controller and the Chief Controller. Apart from following up individual complaints, the PRO should also undertake an analytical study in respect of complaints received during each quarter to locate problem areas and, based on such study to suggest suitable changes in the rules and procedure as may be called for. (Para 10)

60. In the annual administration reports, the position regarding implementation of various recommendations should be reviewed. In particular, a mention may be made of the number of applications not disposed of within three months and the remedial measures adopted to prevent the recurrence of such delays. (Para 11)

61. The 'counters' to be set up for entertaining applications for amendment and revalidation, etc., should be placed under the charge of PRO. Communications received at the 'Counter' should not route through the Central R&I section. (Para 12)

62. The PRO at the headquarters should supervise the activities of the regional PROs. He should also occasionally visit important industrial towns where the Chief Controller has no regional office and meet representatives of trade and industry at such places to discuss with them their problems concerning imports and exports. (Para 13)

63. The system of 'position slips' should be entirely done away with as soon as the new licensing procedure is introduced. (Paras 14-16)

64. The following procedure should be followed for granting interviews:—

- (i) PRO should be directly available to the public without the intervention of formalities for seeking interviews or getting gate passes. In regard to interviews, the primary function of the PRO should be to act as a filter for visitors wanting interviews with officers directly concerned with their case.

- (ii) No interview should be granted before the expiry of the time limit fixed for disposal of the licence application. After the expiry of the time, the licensing office should issue an interim reply to the party. If an interview seeker has not received a final reply to his application or is not satisfied with an interim reply, he should be allowed to have an interview with the officer concerned.
- (iii) Visitors seeking interviews should be accommodated either on the same day or the earliest date possible. Those from outside stations should be accommodated on the same or the following day. In special circumstances, the dealing officer may be persuaded to meet the visitor immediately or on the same day even outside the interview hours.
- (iv) All interviews arranged by the Enquiry Officer or the PRO should be on the basis of interview slips. The officer concerned with the interview should initiate action on the interview slip immediately on receipt and ensure that the required information or file is available before the interview materialises.
- (v) The officer concerned should record the result of interview at the back of the interview slip and keep it on the file.
- (vi) Gate passes should be issued to the visitors on production of the counter-foil of the interview slip.
- (vii) In appeal cases, time and date of hearing should be communicated to the appellants and gate passes issued on the production of such communications. An appellant who does not hear from the CCI&E's organisation within 45 days in regard to his appeal should be granted interview freely.
- (viii) Interviews may be allowed daily between specified hours.

(Para 19)

65. There is no need for a separate reception officer provided by the Ministry of Home Affairs to issue gate passes to visitors in the CCI&E's organisation. Entrance into the office should be permitted on the basis of gate passes issued by the Enquiry Officer. (Para 20)

66. At the headquarters office, PRO should be of the rank of a senior deputy chief controller. At the major ports also, PROs should be of the rank of deputy chief controller. At smaller ports, there need not be separate PROs and the head of the office should himself handle this work. (Para 21)

67. Complaints Cells under the PROs should be headed by assistant public relations officers of the rank of an assistant controller. The working of the cells should be on an officer-oriented pattern. The APRO should be seated outside the security zone. (Para 22)

68. A senior assistant at the headquarters and section heads at major ports should work as information assistants to assist the enquiry officers. (Para 23)

69. In all cases reasons for rejection of applications should be communicated in writing to the applicants unless such reasons cannot be divulged in public interest and are based on secret instruction (Para 25)

70. A separate weekly bulletin should be issued indicating the particulars of licences granted to SSI units on State-wise basis. (Para 25)

71. The weekly bulletin of licences should also contain the value recommended by a sponsoring authority in each case apart from the value for which a licence is issued. (Para 25)

72. Licences granted to new units should be indicated in the weekly bulletin of licences in a conspicuous manner. (Para 25)

73. Communications sent to the applicants should not be hand-written even if this involves engaging more typists. (Para 25)

## CHAPTER NINE

### RE-ORGANISATION OF HEADQUARTERS AND REGIONAL OFFICES

#### SECTION I

#### REORGANISATION OF HEADQUARTERS OFFICE

##### (i) *Import Policy Division*

74. This division should be reconstituted into three units, two for dealing with substantive policy matters and the third for providing common services like maintenance of index cards, registration of receipts, typing, despatch, etc. All work regarding formulation of policy and its interpretation should be dealt with in one section and other policy matters in the other section. There should be an officer-oriented system of dealing with work in these two sections. Noting on the files should start at the level of an assistant controller who should be assisted by a full-time stenotypist. Assistant controllers should be given powers to dispose of simple cases at their level. The intermediary level of 'controller' should be done away with. The set-up and staffing of these sections should be as recommended. (Para 7)

75. If any departmental instructions are to follow a public notice, such instructions should be drafted and issued simultaneously with the public notice. (Para 7)

76. Instead of circulating the draft minutes of the ITC Classification Committee, the classification of items as agreed upon in the meeting should be read out at the end of the meeting and verbal confirmation obtained from the members present. (Para 7)

77. The files other than those pertaining to the Red Book should be opened in a manner prescribed in the Manual of Office Procudre. For ITC classification work, separate files should be opened for particular commodities or group of commodities. (Para 7)

##### (ii) *Investigation and Vigilance Division*

78. This division should be called the 'Enforcement & Vigilance' division. It should be reconstituted on an officer-oriented pattern with a common servicing section as recommended for the Import Policy Division. The set-up and staffing of the sections should be as recommended. (Para 10)

##### (iii) *Appeals division*

79. The Appeals division should also be reconstituted on an officer-oriented pattern with a common servicing section. The set-up and staffing of the sections should be as recommended. (Para 12)

##### (iv) *Export policy and export promotion division*

80. This division should also be reconstituted on an officer-oriented pattern with a common servicing section. The set-up and staffing of the sections should be as recommended. (Para 13)

(v) *Licensing division (other than C.G.)*

(a) *sections dealing with DGTD units.*

81. The structure of the licensing sections should broadly continue to be on the existing pattern of staffing. (Para 17)

82. A better way of delegating powers to licensing officers would be to go by the nature of case than by the value involved. (Para 19)

83. The level of a controller in this division should be done away with. In lieu of three posts of controllers in the division, there should be an additional deputy chief controller. (Paras 20-21)

84. There should be a periodical and regular test check by deputy chief controllers of cases finally dealt with by assistant controllers. (Para 22)

85. The procedure for handling of applications for licences should be such as to ensure quick, prompt and accurate disposal. Acknowledgment-cum-deficiency letter should issue only if there are deficiencies in an application. The sections should use check sheets and standard letters to avoid noting and drafting. There should be an assembly-line processing of applications. Post licensing items of work should be segregated from other work and assigned to one clerk in each section. (Para 23)

86. The staffing of the licensing sections should be as recommended. (Para 23)

87. A form of application should be introduced for revalidation of licences as suggested. (Para 23)

(b) *Other licensing sections.*

88. These sections should have the same structure and methods of handling as recommended for the sections dealing with D.G.T.D. units. (Para 24)

89. The level of the controller should be dispensed with but the number of deputy chief controllers for such sections should be fixed on the basis of one deputy chief controller for two sections. (Para 24)

(vi) *C. G. Division*

90. Preliminary examination of cases should be handled by the C. G. cell upto the placing of the case before the committee. The C. G. cell should be adequately strengthened to cope with the job. (Para 26)

91. The level of the controller should be done away with and in lieu of three controllers, the number of deputy chief controllers should be increased from one to three. (Para 27)

92. As a provisional arrangement and on *ad-hoc* basis, three additional posts of assistant controllers should be created in the headquarters office to give relief to any assistant controller with whom work accumulates. These posts should continue till the results of the work study are known. (Para 28)

(vii) *Administration division*

93. The posts of controllers even in this division should be done away with and the number of deputy chief controllers should be raised from one to two. In case the volume of work justifies, a third deputy chief controller should also be sanctioned. (Para 30)



94. House keeping sections should follow the procedures for dealing with cases as given in the "Hand Book of Simplified House Keeping Jobs". (Para 31)

95. Work should be distributed in the sections in such a way that one section deals with gazetted establishment of the headquarters office and regional offices, another with non-gazetted establishment of the headquarters and the third with non-gazetted establishment of the regional offices. (Para 32)

(viii) *Statistical Division*

96. All work pertaining to diary, despatch and typing should be completely centralised within the division. (Para 37)

### SECTION II

#### REGISTRATION OF RECEIPTS & ISSUES IN THE HEADQUARTERS OFFICE

(i) *Receipt of Communication*

97. The procedure for registration of receipts should be such as to avoid duplication of work, unnecessary movement of papers between the Central R & I and operative sections and reduction of time lag between the receipt of the paper in the office and its transmission to the operative section. The detailed procedure to be followed should be as recommended. (Para 43)

98. A public notice should issue advising the trade to indicate in their communications full particulars of their case. If complete details are not given, the communication should be kept back by the Central R & I who should write to the sender in a prescribed standardised form asking him to give more details within a fixed time. (Para 44)

99. The CCI & E should, in consultation with the DGTD, evolve a procedure for the latter organisation sending applications and other communications direct to the licensing sections concerned instead of sending them through the Central R & I. (Para 45)

(ii) *Despatch of Communications*

100. The out-going dak should be registered by the despatch wing in a single register which should provide columns for entering the name of the section, the despatch number, the number of postal journals in the case of registered dak, the amount of stamps used, etc. (Para 46)

101. Pan-type weighing scale in the Central despatch wing should be replaced by a dial-type balance. (Para 47)

(iii) *Staffing Pattern of the R & I Section*

102. The receipt wing of the Central R & I should be shifted from second floor to the basement near the main entrance. To provide the desired degree of security and to prevent unauthorised entry, a sufficiently high counter may be provided throughout the length of the room in which the wing is located. (Para 48)

103. The R & I should continue to be under the charge of an assistant controller. The strength of the staff in this section should be as recommended. (Para 49)

### SECTION III

#### MANAGEMENT OF RECORDS

104. A special squad should be formed for identifying old records and destroying them whenever that is justified. The staff for this squad would

come out of the surplus likely to be thrown up as a result of other recommendations. (Para 54).

105. CCI & E should undertake a complete review of the existing retention schedule to ensure that the periods prescribed are the minimum essential. In so far as house keeping sections are concerned, the transfer of records to the record room and their destruction should be regulated by the Manual of Office Procedure. (Para 55)

106. In order to ensure systematic preservation and disposal, the procedure for retention and destruction of various types of records should be as recommended. (Para 56)

#### SECTION IV RE-ORGANISATION OF REGIONAL OFFICES

##### (i) *Policy, Appeals and Investigation Sections*

107. There should be one section in the port office to deal with all matters of policy including interpretation and clarification of policy and handling of references on these matters from within the office or from outside authorities. The section should be organised on an 'officer-oriented' pattern. The set-up and staffing of the section should be as recommended. (Para 62)

108. As in the case of headquarters, the name of the section dealing with cases of contravention of import and export control regulations should be "Enforcement" section. The section should be re-organised on an officer-oriented pattern as recommended. (Para 63)

109. The appeal section should also be re-organised on an officer-oriented pattern as recommended. (Para 64)

110. The re-organised policy enforcement and appeal sections should be placed under the charge of a deputy chief controller who should also have under him statistical section and the section dealing with IVC numbers and maintenance and circulation of black-lists and TQR circulars. (Para 65)

##### (ii) *Licensing Sections*

111. The licensing sections should be grouped into distinct divisions each dealing with applications for a specified type of licensing. In each division, the work relating to registration of dak, opening and maintenance of files, initial scrutiny of applications, preparation of acknowledgment-cum-deficiency letters, typing and despatch should be centralised and segregated from the work of scrutiny of applications on merits and their final disposal. Under this arrangement, the applications should be processed according to the drill as recommended. (Paras 66-67)

112. The index cards in the case of established importers should be opened and maintained in the licensing sections concerned and not in a central unit. Particulars of documents need not be entered on the index card. Entries regarding description of goods should be filled only once at the top of the card and not every time a licence is issued. If the quota is transferred to another party, the name of the new party should be given in the old card also. (Para 69)

113. There should be no controllers in the port office in the reorganised set-up. In lieu of controllers, a few more deputy chief controllers should be provided. (Para 70)

114. A separate section should be opened to deal with the work of post-verification of the genuineness of documents produced by parties. (Para 71)

(iii) *Central Registry, House Keeping Sections and Statistical Sections*

115. The improvements suggested in the working of the Central R & I section at the headquarters should also apply to the central registry at the port. (Para 72)

116. For non-licensing sections all despatch work should be pooled together at one place and there should be no section-wise despatch. (Para 73)

117. While the central registry may continue to show important letters to the head of office at dak stage, it should not be necessary for the dak to be entered in a separate register before submission. (Para 74)

118. For the purpose of registration, the dak at the port office should be divided into two categories only, i.e., applications for licences and the rest. (Para 75)

119. The special 'counter' to be set-up at licensing offices for receiving and dealing with applications for revalidation and amendments should also handle shipping bills. The counter should be placed under the charge of public relations officer. The shipping bills received at the counter should be passed on direct to the sections concerned and not through the central registry. (Para 76)

120. The central registry should be under the charge of an assistant controller who should function under deputy chief controller (administration). (Para 77)

121. Recommendations in regard to house keeping sections and record management for the headquarters office should, with such modifications as are necessary, apply to port offices also. (Para 78)

122. A new statistical section should be set-up at the port office to handle the work of collecting statistics. The staffing of the section should be as recommended. (Para 79)

#### WORK MEASUREMENT

123. Work loads should be measured through a study by the S.I.U. after the new licensing procedures have been in operation for a period of at least 6 months. On the basis of such work measurement, the strength of staff at various levels should be refixed at that time. (Para 83)

#### CHAPTER TEN

#### PERSONNEL ADMINISTRATION

124. A regular central service to be known as the "Indian trade service", should be constituted to provide for the needs of the import and export trade control organisation. At a subsequent stage, the question of extending the scope of the service to other agencies like the Export Promotion Directorate in the Ministry of Commerce, trade representations abroad and GATT and other commercial sections in the Ministry of Commerce may be examined. (Paras 3-4)

125. The proposed service should encadre all gazetted posts in the import and export trade control organisation save those specifically excluded from its purview. It should have three basic grades of which grades

I and II (controller and deputy controller) should be in class I and grade III (assistant controller) in class II. The pattern of the proposed service should be comparable in a general way to that of the Customs service in so far as scales of pay and other conditions are concerned. The fixation of cadre strength and mode of recruitment should be as recommended. (Paras 5-6)

126. While fixing the cadre strength of the proposed service, the following points may be kept in view :—

- (a) There should be internal balance in the cadre so as to provide against undue stagnation at any level and for adequate promotion prospects.
- (b) A deputation reserve should be provided for diversifying the experience of cadre members in other organisations. (Para 7)

127. 50 per cent of the posts of CSS officers at the headquarters should be transferred to the regional offices bringing an equal number of corresponding posts from the regional offices to the headquarters office in order to maintain regular exchange of experience between the ports and the head office. In order to provide an incentive to CSS officers to work at the ports, only such CSS officers should be considered at the appropriate stage for deputation to higher posts in the organisation as have worked at the ports for some time. (Para 10)

128. The policy governing the posting of CSS officers to the CCI & E's organisation should be reviewed to ensure that officers who have worked in this organisation continuously for over three years should be transferred away. (Para 11)

129. The work of ordering confirmations should be speeded up. For this purpose, working seniority lists should be finalised after considering representations, if any, received within the fixed period. Such seniority lists should not cease to be operative simply because of representations received after the due date. The position about temporary and permanent posts should be reviewed promptly on the expiry of each year and this work as well as of ordering confirmations against any new posts declared permanent as a result of the review should be completed before the next review becomes due. (Para 12)

130. Outstanding workers in the organisation should be rewarded by advance increments (without cumulative effect) upto two increments in each case. A person who earns advance increments once should be re-eligible to the grant of such increments again after two years provided he continues to be outstanding. Advance increments should also be given to employees who help the department in detecting malpractices on the part of the trade. Group incentives in the form of a rolling cup and merit certificates to the best licensing sections should also be introduced. (Para 13)

131. Clerks in the licensing sections and engaged on typing licences should be given a special allowance. (Para 14)

132. A scheme of specialised training in import and export control rules, customs regulations and foreign exchange regulations should be drawn up on the basis as recommended. (Para 15)

133. The head of department should be given powers to fill vacant posts of typists upto a period of one year on temporary basis provided suitable hands are not readily available with the Ministry of Home Affairs. (Para 16)

## CHAPTER ELEVEN

### ORGANISATION AND METHODS

134. The preliminary function of the O & M section should be to attend to the review and standardisation of forms, the evolution of work norms and assessment of staff needs, the simplification and rationalisation of office procedures and such other problems as may be specifically remitted to it by the head of the organisation. The task of identification of problems obviously belongs to those who administer, though O & M section could assist in preliminary surveys in any required sector. The O & M section should rid itself of functions other than those mentioned above such as supervision of procedures, chasing of badly delayed cases, compilation of statistics regarding speed and disposal of work and arranging meetings of port officers. (Paras 2-3).

135. O & M section in the headquarters office should consist of two junior analysts, two research assistants and two investigators under the charge of a senior administration analyst. (Para 4)

136. The regional offices need not have their own O & M cells. They should have their problems studied through the headquarters O & M staff. (Para 5)

## CHAPTER TWELVE

### MISCELLANEOUS MATTERS

#### SECTION I

#### WORK RELATIONSHIP BETWEEN THE CCI&E AND THE MINISTRY OF COMMERCE

137. Since the chief controller is associated with the drawing up of trade plans for imports from rupee payment area, delegation to the maximum extent possible should be made to him for action to be taken by him in the course of implementation of the plans. He should be required to refer only those cases to the Ministry of Commerce on which the Ministry's approval is considered necessary at a fairly high level. (Para 1)

138. The CCI&E should not be required to refer any administrative or financial matter to the ministry which lies within the competence of a head of department. (Para 1)

139. The area of delegations to the Chief Controller in administrative and financial matters should be widened taking the delegations recently made by the Ministry of Works and Housing to the Chief Engineer CPWD as a guide. (Para 1)

140. The single-file system should be introduced in regard to administrative matters to the maximum extent possible again taking the pattern evolved recently for the Chief Engineer C.P.W.D. as a guide. (Para 1)

## SECTION II

### FORMULATION OF IMPORT POLICY

141. Technical authorities and administrative ministries should send specific recommendations invariably in the prescribed form. For each commodity a separate copy of the form should be completed. Even in respect of items for which no change in policy is sought to be made, technical authorities and administrative ministries should give their advice in the prescribed form. (Para 8)

142. The existing form of recommendation sheet should be replaced by a new one as suggested. (Para 9)

143. The CCI & E should take responsibility for furnishing information on each recommendation sheet which it can easily give. The technical authorities should complete other details of a particular form, send one copy to the CCI & E and retain the other with them. The outcome of the examination of the recommendation should be recorded on the form itself to serve as a handy reference. (Para 9)

144. Suggestions on import policy should also be invited from the Development Councils in the D.G.T.D. and taken into consideration. (Para 10)

145. Periodical meetings with representatives of the Department of Revenue, collectors of Customs and port officers should be held twice every year, once at the time of formulation of policy and again after the new policy has been announced. (Para 11)

## SECTION III

### INVESTIGATION AND VIGILANCE

146. The Iron and Steel Controller should be authorised to take penal action against the parties under the Imports (Control) Order and the Exports (Control) Order in regard to the items licensable by him. (Para 17)

147. Heads of major port offices should be given powers to dispose of at their level cases requiring action under the Imports (Control) Order and the Exports (Control) Order without referring such cases to the headquarters. (Para 18)

148. The CCI & E, should call upon the sponsoring authorities to set up investigation cells and maintain separate registers in which all the complaints should be entered and results of enquiry recorded. The enquiries should be made by the staff (at a responsible level) by inspecting the premises of actual users concerned and normally no correspondence should be made with parties for examination of complaints. (Para 19)

## SECTION IV

### EX-POST FACTO SCRUTINY OF FILES

149. In addition to other checks in force, a scheme should be evolved for deputy and joint chief controllers undertaking a regular *ex-post facto* scrutiny of 10 per cent of cases decided by assistant controllers. The scrutiny should be on quarterly basis and reports submitted to the senior officers regularly. A *proforma* may be devised by the CCI&E for this purpose. (Para 20)

SECTION V  
TEA, JUTE AND COAL INDUSTRIES

150. Sponsoring authorities should obtain package indigenous clearance from the D.G.T.D. and individual applications should not be referred to the D.G.T.D. for obtaining such clearance. Package clearance should be considered valid for one year and obtained in the beginning of each licensing period. (*Para 21*)

151. The work of issuing licences to these industries for import from rupee payment countries should be transferred from the headquarters to the office of the JCCI&E at Calcutta. (*Para 21*)

152. In the case of tea industry, the work of issuing licences for insecticides, weedicides, etc. should be transferred from the headquarters to Calcutta. (*Para 21*)

SECTION VI  
JOINT COMMITTEE AT HEADQUARTERS

153. Any matters which cannot be settled by the existing port committees should be taken up in the existing I.T.C. Classification Committee at the headquarters consisting of representatives of the CCI&E, the D.G.T.D. and the Department of Revenue. (*Para 22*)

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N. K. Mukarji.

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S. P. Mukerji.

NEW DELHI,  
December 22, 1965.

## **APPENDICES**



## APPENDIX—I

### IMPORT LICENSING OF CAPITAL GOODS—ANALYSIS OF CASE STUDIES MADE AT THE HEADQUARTERS OFFICE OF THE CHIEF CONTROLLER OF IMPORTS AND EXPORTS

1. *Scope of the Scheme for Licensing of Capital Goods.*—Capital Goods licensing covers such items of plant and machinery as are required for new installations, or for replacement or expansion of the existing projects (including their subsidiaries), provided the aggregate value of any single unit sought to be imported is Rs. 1 lakh or more. This value limitation, however, does not apply to (a) imports needed for replacement of the existing machinery or modernisation of, or additions to, a project for which original licence has already been issued under the CG scheme, and (b) all cotton textile machinery and plant and certain specified components thereof.

2. *Licensing Authorities.*—With the exception of (a) cotton textiles and hosiery-knitting machinery and spares, and (b) jute and hemp machinery and spares, and plant and machinery connected with coal mining and tea industry, for which the Joint Chief Controllers at Bombay and Calcutta, respectively, are the licensing authorities, work relating to capital goods licensing is centralised at the headquarters office.

2.1. Cases relating to CG licensing of the textile and hosiery-knitting units have already been studied as a part of the licensing work done by the Bombay port office in the Non-SSI sector and the results of their analysis also included in the relevant report. This analysis relates to C.G. licensing done at the headquarters office only.

3. *Submission and Processing of CG Applications.*—While import licences for capital goods must necessarily be issued by the appropriate licensing authorities as per preceding paragraph, certain categories of applications have to be routed through certain designated authorities. For this purpose C.G. applications may be divided into the following four categories :—

- (i) applications for import of capital goods required for setting up additional capacity in respect of 'Key' industries.
- (ii) applications from 'Non-Key' industries :—
  - (a) involving imports the value of which exceeds Rs. 2 lakhs in case foreign exchange is to be met from free resources, Rs. 5 lakhs if the project is to be financed from U.S. Aid Fund, and Rs. 20 lakhs if the imports are to be made from the Rupee Payment Areas.
  - (b) involving imports the value of which does not exceed the above limits.
- (iii) applications for import of capital goods under foreign collaboration schemes in adjustment of collaborators' capital participation not exceeding 50% in the equity share which do not require release of foreign exchange.

3.1. Applications belonging to category (i) are to be addressed to the Co-ordination and Licensing Progress Section in the Ministry of Industry and Supply, who scrutinise the same and pass them to the various concerned authorities.

3.2. Applications of category (ii) (a) are to be sent to the DGTD who are expected to examine them from indigenous as well as essentially angle and to send their comments to the administrative ministries concerned, e.g. the Ministry of Industry & Supply, the Ministry of Petroleum and Chemicals, the Ministry of Steel and Mines. The administrative ministry then prepares a brief for the C.G. Committee and sends it to the F.E. section in the Ministry of Industry & Supply for placing the matter before the main C.G. Committee. After the cases have been considered and decided by the C.G. Committee, the applications, together with the committee's recommendations, are sent by the F.E. section of the Ministry of Industry & Supply to the C.C.I.&E. for further necessary action, i.e., issue of licences or rejection letter.

3.3. Applications of category (ii) (b) are required to be sent direct to the C.C.I.&E.'s Office where they are examined and, if found complete in all respects, briefs are prepared for consideration by the C.G. *ad-hoc* Committee.

3.4. Applications of category (iii) are to be sent direct to the C.C.I.&E. but are not required to be cleared either by the main C.G. Committee or the C.G. *ad-hoc* Committee. The collaboration terms, however, have to be approved by the administrative ministry concerned, in consultation with the Ministry of Finance and copies of the approval letters are generally sent to the C.C.I.&E.'s Office.

4. *Organisational Arrangements for Processing C.G. Applications*—In the headquarters office of the C.C.I.&E., there is a separate division known as 'C.G. Division' for processing C.G. cases. This division comprises five sections, each headed by a section officer or assistant controller. The division is headed by a deputy chief controller who is assisted by three controllers.

4.1. Of the five sections in the CG division one, designated as the 'CG Cell', performs functions essentially of a co-ordinating nature and acts as secretariat to CG *ad-hoc* Committee. This section does not issue any licences but receives and registers all the CG applications, opens files, undertakes initial scrutiny, issues stock letters calling upon applicants to supply deficiencies, where necessary, prepares briefs for the CG *ad-hoc* Committee, and finally sends applications along with the Committee's recommendations to the licensing sections concerned. The CG Cell also maintains statistics relating to CG cases dealt with in the C.C.I.&E.'s Organisation.

4.2. Of the remaining four sections, one deals with H.E.P. and public sector cases. The work among the other three sections is distributed on an industry-wise basis.

5. *Sampling*—As CG licensing is a rather long drawn-out affair, often taking months together for finalisation, and as licensees often come up with requests for amendments or revalidation long after the issue of the licences, it was felt that it might not be possible to study all the ramifications of CG licensing from cases pertaining to the licensing year April 1963 to March 1964, which was the basic period adopted for other case-studies. Sampling had, therefore, to be done from cases relating to an earlier licensing year, viz. 1962-63.

5.1. As there is a separate drill prescribed for processing applications emanating from public sector projects and H.E.P., these applications have been excluded from the scope of this study. Similarly applications from

T.I.S.C.O. and I.I.S.C.O., for which there is a separate bulk foreign exchange ceiling allocated by the Department of Iron & Steel, have also been excluded.

5.2. The total number of CG applications received during 1962-63 (excluding applications concerning public sector projects, H.E.P., T.I.S.C.O. and I.I.S.C.O. which are being excluded from the purview of this study as explained in the preceding paragraph) was 3857. As the study of CG cases was found to be more time-consuming, it was decided to study only 150 cases, i.e. approximately 4% of the total number of cases. The technique of sampling followed was both random and stratified.

6. *Categorisation of Cases Studied*—Out of 150 applications studied, 97 were from scheduled units, 47 from non-scheduled units, 5 from S.T.C., 2 from public utility concerns and one from a Government institution.

6.1. Of the 150 applications studies, 30 were placed before the main CG Committee and 100 before the CG *ad-hoc* Committee. The remaining 20 cases did not require consideration by either of the two committees for the following reasons :—

- (a) 13 applications related to foreign collaboration schemes in which the foreign Collaborator's share in the equity capital did not exceed 50%. The value of the imports sought in those cases was to be adjusted against the foreign collaborator's capital participation.
- (b) 5 applications were not recommended by the sponsoring authorities (D.G.T.D. and the Ministry of Industry & Supply).
- (c) 2 applications were deficient in certain essential respects and the applicants failed to supply the deficiencies even after these had been specifically brought to their notice.

7. *Receipt and Initial Processing of Applications*—Contrary to the prescribed procedure, 4 out of 30 applications requiring consideration by the main CG Committee were received direct in the office of the C.C.I.&E. 3 of these had to be sent to the D.G.T.D. and the remaining one to the Ministry of Industry and Supply for necessary action. The C.C.I.&E.'s office took on an average 27 days in passing these papers to the organisations concerned for necessary action.

7.1. The fact that three of the mis-sent application emanated from scheduled units and one from STC suggests that the instructions about the authorities to whom CG applications should be sent are not clear even to the more enlightened among the applicants. To ensure that such applications are sent to the right quarters it is suggested that a suitable foot-note, specifying the different categories of applications which may be sent to the D.G.T.D., the C.C.I.&E., or the Ministry of Industry and Supply, may be inserted in the prescribed application form. This will save an average of 27 days at present taken in re-directing the applications to the organisations concerned.

7.2. Of the 100 applications requiring consideration by the CG *ad-hoc* Committee, 38 were received direct in the C.C.I.&E.'s office and 17 through D.G.T.D. The remaining 15 applications were received through other authorities, e.g. D.C.(S.S.I.), the C.P.W.D., the Sugar and Vanaspathi Directorate, the Ministry of Industry and Supply, and the Ministry of Transport and Communications.

7.3. Of the 38 applications which were received direct in the C.C.I.&E.'s office; 10 related to scheduled units and 28 to non-scheduled units. Of the 47 cases received through DGTD, 41 pertained to scheduled units and 6 to non-scheduled units.

7.4. The average time taken by the DGTD in sending these applications to the C.C.I.&E. along with their comments on indigenous (and in the case of scheduled units, also essentiality) angle was 88.5 days. The time taken by the DGTD appears to very much on the high side. It was not, however, possible to study from the C.C.I.&E.'s records the precise reasons for the long time taken in DGTD. This aspect may have been examined as a part of the case-studies in the DGTD.

7.5. Of the 38 applications which were received direct in the C.C.I.&E.'s Office, 24 were referred to the DGTD for their comments from the indigenous angle etc. The average time-lag between the date of receipt of applications in the C.C.I.&E.'s office and the date of making reference to the DGTD for their comments was 30.5 days. The average time taken by the DGTD in furnishing their comments works out to 36 days.

7.6. It will be seen that most of the applications requiring consideration by CG *ad-hoc* Committee were referred to the DGTD for their comments from the indigenous angle etc. The present system under which applications were first received in the C.C.I.&E.'s organisation and then referred to the DGTD entails avoidable movement of papers and consequent loss of time which can be saved if all CG applications irrespective of their value, are routed through the DGTD. The DGTD should then remit these applications, together with their comments :—

- (a) to the administrative ministries concerned if required to be considered by the main CG Committee;
- (b) to the D.C.(SSI) if applications relate to SSI units; and
- (c) to the CCI&E in other cases falling within the purview of the CG *ad-hoc* Committee.

Besides saving time, the procedure suggested above will avoid possible confusion in the minds of applicants about the authorities to whom the applications should be sent.

8. *Acknowledgement of Applications*—Case-studies showed that almost all the applications were acknowledged by the C.G. Cell. Since most of these applications come through DGTD after a considerable lapse of time, there does not appear to be any point in the CCI&E acknowledging their receipt at that late stage. The responsibility for issuing acknowledgement to applications should appropriately rest with the organisation which first receives the applications.

9. *Deficient Applications*—Out of 150 applications studied 123 were found to be complete in all respects. The remaining 27 were found to be deficient in one or more respects, the main deficiency being absence or inadequacy of the treasury chalang (14 cases), non-indication of valid IVC number (21 cases), non-submission of essentiality certificates (4 cases), non-indication of specific country of import (3 cases).

9.1. Possible reasons for the above deficiencies and the measures that may be taken to minimise them have already been discussed in the earlier case-study report.

9.2. In 6 out of 27 deficient cases, deficiencies were not called for at the initial scrutiny stage either because they were not recommended by the sponsoring authorities or the deficiencies were of minor nature and were necessary only for completing office records and could be called for after the issue of the licences.

9.3. In 15 of the remaining 21 deficient cases the deficiencies were located and deficiency letters issued by the CG Cell. In the other 6 cases, the deficiencies were noticed and called for by the licensing sections concerned. This serves to show that the initial scrutiny of the applications currently being undertaken in the CG Cell is incomplete and in-effective, thereby necessitating second scrutiny by the licensing sections concerned. This leads to avoidable duplication of work and consequent delays. It is suggested that responsibility for initial scrutiny of applications should be wholly and squarely put on the CG Cell.

9.4. It is also suggested that the CG Cell should not pass on deficient applications to the licensing sections concerned till all the deficiencies have been furnished by the parties and the recommendation of the CG *ad-hoc* Committee obtained. Since under the present system, briefs for the committee have to be prepared by the CG Cell, the proposed procedure will avoid unnecessary movement of papers from the CG Cell to operative sections after the issue of deficiency letter and then from the licensing section concerned to the CG Cell on receipt of the deficient information/documents.

9.5. Average time-lag between the date of receipt of the applications in the CCI&E's organisation and the date of bringing deficiencies to the notice of the applicants was 31 days. This obviously is on the high side. 7 days would appear to be a reasonable time-limit for the purpose.

9.6. As suggested in earlier reports, there should be a combined acknowledgement-cum-deficiency letter which should normally issue within one week of the receipt of the application. If applications are to be initially received in the DGTD as proposed, the acknowledgement-cum-deficiency letter also should be issued by that organisation. However, there is no objection to the CG Cell in the CCI&E's organisation applying a second check to see if any information or document is still missing and if so to call for it. As suggested earlier, the operative licensing sections should not concern themselves with the scrutiny of the application on the point of view of completeness unless certain additional information is to be called for from the parties pursuant to the directions of the CG Committee.

10. *Additional Information*—It was only in 8 cases that the applicants had been asked to supply additional information on certain points not mentioned in the application form, e.g. option for import from U.S.A. under D.L.F., letter from I.F.C. sanctioning foreign exchange, affidavit of past licence. The additional information called for in the individual cases studied was considered necessary for their proper examination.

11. *Initial Scrutiny of Applications*—Case-studies showed an average time-lag of 12.5 days between the date of the receipt of applications in the CCI&E's organisation and its initial scrutiny (*i.e.* recording of the first note by the dealing person) in the CG Cell. Considering the fact that the nature of scrutiny involved is purely routine and mechanical and standard check-list is available, the process should not take more than a week.

12. *Mode of Financing Imports*—Case-studies show that in 42 out of 130 cases which were considered by the two committees, the source of financing imports initially recommended by them was different from that applied

for by the applicant. It was only in 4 out of these 42 cases that the committee subsequently recommended a change in the source of financing, including in one case, to the source originally applied for by the party. This by itself does not reveal any disturbing trend.

13. *Foreign Collaboration Cases*—20 cases in all involved foreign collaboration, whether financial or technical. These cases had been approved by the administrative ministries concerned and as per normal practice, copies of the approval letters are presumed to have been endorsed to the CCI&E's organisation. However, it was only in 11 cases that copies of the relevant approval letter were available on the CCI&E's office record. In the remaining 9 cases, the CCI&E's office had to call for a fresh copy of the approval letter from the ministries concerned.

13.1. Case-studies showed an average time-lag of 61 days between the date of receipt of the import application in the CCI&E's organisation and the date of obtaining fresh copy of the letter of approval of collaboration terms from the administrative ministry concerned. This is obviously on the high side.

13.2. The fact that copies of the approval letters of collaboration terms are very often received in the CCI&E's organisation long before the receipt of import application from the parties, linking of these approval letters on the relevant applications at subsequent stage becomes difficult. This difficulty is further aggravated by the fact that in many cases the applicants do not even quote the number and date of the approval letter.

13.3. The following suggestions are made to facilitate linking of approval letters of foreign collaboration schemes on the relevant applications for import of capital goods and to reduce delays in obtaining fresh copies, where absolutely necessary :—

- (a) copies of letters of approval to foreign collaboration terms received in CCI&E's organisation should be kept by the CG Cell in a separate suspense folder (and not distributed among the licensing sections concerned);
- (b) applicants may be required to indicate in the application the number and date of the letter of approval of foreign collaboration terms or to enclose a copy thereof. For this purpose, the application form may be amplified if necessary;
- (c) when applications for import of capital goods against foreign collaborator's share in equity capital are received, the CG Cell should look up this folder, take out copy of the relevant approval letter, and link it with the application. If, however, copy of approval letter is not available in the folder a fresh copy may be called for by the CG Cell at the initial scrutiny stage itself.

14. *Time Taken in Processing Applications Falling Within the Purview of the Main CG Committee*—It was only in 8 out of 30 cases, that indication was available on the CCI&E's files about the time taken by the DGTD in furnishing their comments to the administrative ministry concerned. Average on this account works out to 73.5 days.

14.1. Based on limited evidence (available only in 9 out of 30 cases), the average time-lag between the date of issue of comments by the DGTD and the date of circulation of the brief to the committee comes to 48 days.

14.2. The average time-lag (based again on limited evidence available in 9 cases) between the date of circulation of the summary and date of the meeting of the committee was 23 days.

14.3. The average time-lag between the date of the meeting and the date of communication of the decision to the party (based on evidence available in 20 cases) was 44 days.

14.4. The average time-lag between the date of communication of the decision to the party and the receipt of their relevant papers in the CCI&E's office (based on information available on 16 cases) works out to 16 days. The time-lag between the date of the meeting of the committee and the date of receipt of the papers in CCI&E's organisation for further action comes to 60 days.

14.5. The average time-lag between the date of receipt of the application in the CCI&E's organisation and that of its final disposal (based on the data available in 27 completed cases) works out to 201 days as follows :—

*A—Time Taken (Days) by the C.C.I.&E.'s Organisation*

	Actual average	Notional average
1. R. & I. Section . . . . .	3.7	3.7
2. C.G. Cell . . . . .	16.8	16.8
3. Dealing assistant in licensing section . . . . .	38.3	38.3
4. Assistant Controller . . . . .	5.4	5.4
5. Controller . . . . .	4.4 (17 cases)	2.6
6. Dy/Jt. Chief Controller . . . . .	1.5 (4 cases)	..
7. Typing & Despatch . . . . .	7	7.0
		73.8

*B—Time Taken by-Outside Organisations and Applicants*

1. D.G.T.D. . . . .	33.3 (10 cases)	12.4
2. Ministry of I. & S. . . . .	110 (14 cases)	57.0
3. Other authorities (like the Ministries of Petroleum & Chemicals and steel & Mines).		
4. Applicants . . . . .	88.1 (in 16 cases)	52.2
		127.2

14.6. It will be seen from the above analysis that of the total of 201 days taken in the final disposal of the CG cases, 75 days were taken by the DGTD, the Ministry of I.&S. and other Government authorities in offering their comments or advice and 52.2 days by the applicants themselves in furnishing deficiencies or certain additional information. The correct time taken by CCI&E's organisation works out to 73.8 days. This is obviously very much on the high side.

14.7. The DGTD was consulted chiefly on indigenous availability and essentiality of the goods sought to be imported; the Ministry of I.&S. for clarification on one or more aspects covering foreign collaboration terms, deferred payment terms; endorsement of export-earning conditions on licences, imports under DLF-157, Industrial licence and recommendations of the

main CG Committee. Authorities, like Ministry of Steel and Mines were approached for similar clarifications.

15. *Time Taken in Processing Applications Falling within the Purview of the CG Ad-hoc Committee*—The average time-lag between the date of receipt of applications in the CCI&E organisation and that of its final disposal (based on complete data available in 97 cases) works out to 177 days as detailed below :—

*A—Time Taken (Days) by the CCI&E. Organisation*

	Actual	Notional
1. R. & I. Section . . . . .	4.5	4.5
2. C.G. Cell . . . . .	36.5	36.5
3. C.G. Committee . . . . .	15.6	15.6
4. Dealing assistant . . . . .	26.0	26.0
5. Assistant Controller . . . . .	5.7	5.7
6. Controller . . . . .	7.4 (33 cases)	2.5
7. Dy./Jt. Chief Controller . . . . .	3.6 (5 cases)	..
8. Typing & Despatch . . . . .	10	10
		100.8

*B—Time Taken by Outside Organisations and Applicants*

1. D.G.T.D. . . . .	47.9 (33 cases)	16.3
2. Ministry of I. & S. . . . .	50.5 (23 cases)	17.1
3. D.C. SSI. . . . .	26.5 (2 cases)	0.5
4. Other authorities . . . . .	34.1 (27 cases)	9.5
5. Applicants . . . . .	77.9 (41 cases)	32.8
		76.2

15.1. From the above analysis, it will be observed that on an average 76 out of 177 days taken in the final disposal of cases were taken by outside organisations and the applicants. The average time taken by the CCI&E's organisation thus works out to 100.8 days. Of this 15.6 days were taken by the CG *ad-hoc* Committee in considering and deciding the applications.

15.2. The CG Cell took on an average 36.5 days as against 16.8 days in the case of C.G. applications falling within purview of the main CG Committee. The higher time taken in processing applications falling within the purview of the CG *ad-hoc* Committee is obviously due to the fact that the CG Cell not only scrutinise such applications but also prepared briefs for the CG Ad hoc Committee. Even so, the time taken is on the high side. A fortnight would appear to be a reasonable limit for this purpose.

15.3. The DGTD, who took on an average of 47.9 days had to be consulted about indigenous availability, essentiality of goods/raw material sought to be imported, or approached for further advice or clarifications pursuant to committee's directions.

15.4. Ministry of I.&S., which took on an average of 50.5 days, had to be approached for advice or clarification about (a) issue of condition letters relating to DLF (b) advice regarding imports under EXIM Loan (c) enhancement of value (d) precise items to be imported.



16. *Time Taken in Processing Import Applications Concerning Foreign Collaboration Cases*—Of 150 CG cases studied 13 cases pertained to foreign collaboration. One of these was not pursued by the party after it had been asked to furnish certain information. The average time lag between the date of receipt of these applications in the CCI&E's organisation and their final disposal (based on the data available in 12 cases) works out to 87.6 days. The break-up of this time-lag is as under :—

*A—Time Taken (Days) in CCI&E's Organisation*

1. R. & I. Section . . . . .	2.5	2.5
2. C.G. Cell . . . . .	14.9	14.9
3. Dealing assistant . . . . .	17.8	17.8
4. Assistant Controller . . . . .	3.1	3.1
5. Controller . . . . .	2.2 (5 cases)	0.9
6. Dy./Jt. Chief Controller . . . . .	1 (1 case)	0.1
7. Typing & Despatch . . . . .	7.6	7.6
		46.9

*B—Time taken by Outside authorities.*

1. D.G.T.D. . . . .	62.5 (2 cases)	10.4
2. Ministry of I. & S. . . . .	45.4 (5 cases)	18.9
3. Other authorities . . . . .	33 (1 case)	2.8
4. Applicants . . . . .	25.8 (4 cases)	8.6
		40.7

17. *Cases (other than Foreign Collaboration Cases) which were not Considered by Either Main CG Committee or CG Ad-hoc Committee*—There were 8 cases which were not placed before either of the two committees, either because they were rejected outright on the recommendation of the DGTD or the party having been asked to supply deficiencies did not pursue their cases. Of the 8 cases, 5 belonged to the former category and the average time taken by the office of the CCI&E in issuing the rejection letters works out to 33 days. In the remaining 3 cases in which the applicants did pursue their cases, the time taken by the CCI&E's organisation in dealing them works out to 16 days on an average.

18. *Rejection of Applications*—Out of 150 cases licences were granted in 88 and refused in 39 cases. Of the remaining 23 cases, 3 were withdrawn by the parties, 17 were not pursued by them, while 3 are still pending for want of clarification from the administrative ministry and DGTD.

18.1. The grounds of rejection of applications were as follows, and these were communicated to the applicants :—

(a) Low priority of manufacturing schemes . . . . .	13 cases
(b) Indigenous availability . . . . .	8 cases
(c) Non-acceptance by the parties of offer to import from Rupee payment area or from U.S.A. under DLF-157 . . . . .	5 cases
(d) Non-approval of manufacturing schemes . . . . .	3 cases
(e) Non-possession of Industrial licence . . . . .	3 cases
(f) Difficult raw material position . . . . .	2 cases
(g) Availability of machinery from N.S.I.C. on hire purchase basis . . . . .	2 cases
(h) Sufficiency of machinery already installed . . . . .	2 cases
(i) Non-maturity of the applicant unit . . . . .	1 case

19. *List of Goods Allowed to be Imported*—In 30 out of 88 cases in which licences were issued, list of goods allowed to be imported were issued *separately*. In 16 of these 30 cases, list of goods could not be despatched to the parties concerned along with the import licences since the required number of spare copies for the purpose were not available on CCI&E's files and extra copies had to be called for from the parties. In the remaining 14 cases, files had to be referred back to DGTD for the following reasons :—

- (a) DGTD's comments on the items listed were found incomplete—6 cases.
- (b) the party had requested in the meantime for certain amendments to the list of goods—8 cases.

19.1. The average time taken by the CCI&E's office in issuing the lists separately in the 16 cases wherein extra copies had to be called for from the parties works out to 25 days. The time taken is excessive in view of the very routine nature of work involved. This process should not normally take more than one week.

19.2. For the 14 cases involving back references to DGTD, that office took on an average 37 days in furnishing their additional comments and the CCI&E's office took another 49.5 days in issuing the lists to the parties concerned. The time taken by the CCI&E's office in issuing the list of goods duly cleared by the DGTD, viz. 49.5 days, is very much on the high side. There is no reason why such lists cannot be issued within one week.

19.3. As an import licence without list of goods cannot be operated upon effectively, it is suggested that licences should be issued without list of goods. To ensure this, all concerned should be instructed to send adequate number of copies of such list to the CCI&E.

20. *Decision-Making Levels*—The licensing powers exercisable by officers of different grades in CG cases are indicated below :—

Grade of Officers	Maximum value upto which licences can be issued
Assistant Controller . . . . .	Rs. 5 lakhs
Controller . . . . .	Rs. 20 lakhs
Dy. Chief Controller . . . . .	Rs. 1 crore
Jt. Chief Controller . . . . .	Rs. above 1 crore

20.1. 84 out of 150 cases were disposed of at the assistant controller's level, 55 at controller's level, 7 at deputy chief's level and the remaining 4 at Joint chief's level. Except in one case, the actual decision-making level conformed to that prescribed under the existing instructions. Even in this solitary case, there were certain special features justifying reference to higher authorities for orders.

20.2. In view of the fact that CG licences are issued on the recommendations of the committee, there is little scope for exercise of arbitrary discretion in the matter by the licensing authorities. However, two cases were noticed which presented rather inexplicable features. In one of these cases, list of goods certified by the office of the CCI&E for imports was against the

specific advice of DC(SS1) who had suggested the names of indigenous manufacturers for meeting the party's requirements. In the other case, the applicant had submitted 11 applications which were complete in all respects and were also recommended by the Iron & Steel Controller, Calcutta and the DGTD. It was decided in the middle of 1962 to ask the party to submit one consolidated application covering all the 11 applications but this decision has not been communicated to the party.

21. *Representations and Appeals*—Of the 14 cases in which the original decision was represented against by the parties, original orders were reversed in 6 cases. In the remaining 8 cases, original decision was upheld. Since action to revise the original decision was taken with the approval of the CG Ad hoc Committee, there can be no question of exercise of arbitrary discretion in the matter by the licensing officers.

21.1. The average time taken in deciding the representations and communicating the decision to the party works out to 145 days. Break up of this period is given below. It will be obvious therefrom that the time taken is very much on the high side.

Category	Average time taken in deciding representation	Implementing decision
Original decision reversed (i.e. Representation accepted).	184 days (out of this 79 days on an average were taken by outside authorities such as DGTD, the administrative ministry etc. and remaining 105 days in CCI&E's Office).	20 days
Original decision upheld (i.e. Representation rejected).	107 days. (Out of this, 72 days on an average were taken by outside authorities and remaining 35 days in CCI&E's office).	11 days

22. *Amendments*—In all 78 requests were received for amendments to licences in 38 cases. The amendments sought related to :—

- (a) Change in description of goods or inclusion of new items . . . . . 49 cases
- (b) Deletion of conditions in the endorsement of the licences . . . . . 8 cases
- (c) Change in the country of import . . . . . 5 cases
- (d) Change in foreign supplier's name in the licence . . . . . 3 cases
- (e) Change in the mode of financing imports . . . . . 8 cases
- (f) Change in the name of licensee . . . . . 5 cases

22.1. 69 of the above amendments were necessitated by fresh requests from the parties and 9 by mistakes on the part of the licensing office.

22.2. 45 of the 78 amendment requests were received through DGTD and 33 direct. All the 45 cases received through DGTD were in respect of changes in the certified list of goods. Of the 33 requests which were received direct, the DGTD had to be consulted in 5 cases. Again, of these 5 cases, 4 related to changes in the list of goods and the time spent in CCI&E's office in passing on these 4 cases to DGTD could have been avoided had the parties sent their requests through DGTD. Since 45 requests out of the 49 amendment requests relating to the list of goods were received through DGTD, it can be presumed that the parties are somehow aware of the necessity for having such amendment requests routed through DGTD

although the Hand Book of Rules & Procedure does not contain any instructions on this point. Perhaps a specific clause requiring the parties to submit invariably all their requests relating to changes in the list of goods through DGTD may be incorporated in the Hand Book.

22.3. The average time taken by the licensing office in disposal of the requests for amendments was 23 days. As suggested in earlier reports, the CCI&E's organisation should not take more than 7 days in amending the licences after consulting the appropriate authorities, e.g. DGTD, and more than 2.3 days in cases where mistakes have to be corrected and no reference is to be made to an outside authority.

23. *Revalidation*—There were 36 requests for revalidation. The time taken by licensing office in dealing with such requests was 21 days on an average. This appears to be on the high side.

## APPENDIX II

### Analysis of case studies in respect of import applications (non-CG) from Public Sector Projects/Undertakings.

#### INTRODUCTION

The work relating to the grant of licences for requirements of public sector Projects and undertakings against free recourses excepting capital goods is centralised in one of the licensing sections at the headquarters office of the C.C.I.&E. The processing of the import applications under this category is comparatively simpler in as much as the applicants themselves get the necessary foreign exchange sanctions either from the Ministry of Finance or from the administrative ministry concerned and also clearance from the technical authority, with regard to indigenous angle. On receipt of applications, the licensing authorities have, therefore, simply to check whether the applicant has furnished the requisite treasury chalan or not. Also the question of furnishing I.V.C. number does not arise in this category of applicants.

*Basis of Sampling* :—Since the work is centralised in one section and the work process is simple, random sampling was adopted to select samples. Considering the simple work process involved a small size of the sample consisting of 50 cases was taken up for study. The total number of applications received during 1963-64 from this category of applicants was 5967.

*Original Applications* :—Of the 50 applications, 47 were found to be complete in all respects and the remaining 3 were found to be deficient. Of the 3 deficient applications, 2 lacked foreign exchange sanctions and the third clearance from indigenous angle. In the 2 cases where foreign exchange sanction was a deficiency, the applicants did, in fact, submit foreign exchange sanction but since the validity period of the sanction expired by the time the applications were made, the licensing office asked the applicants to submit fresh foreign exchange sanction. The licensing office took 14 days, on an average, in calling for such foreign exchange sanctions from the applicants. In the third case where clearance from indigenous angle was the deficiency, the licensing office referred the case to the administrative ministry and the technical authority for advice. This was done after a lapse of 7 days from the receipt of application. In the 2 cases where foreign exchange sanction was the deficiency, the applicants took 43 days, on an average, to furnish the same. In the third case where clearance from indigenous angle was the deficiency, the administrative ministry and the D.G.T.D. took 10 to 23 days respectively to give their advice.

*Acknowledgement* :—Of the 50 applications, 45 were acknowledged and 5 were not acknowledged. However, if the licences could be issued or deficiencies could be pointed out within a period of 7 days, it is not considered essential that the applications should be separately acknowledged. Considering the simple scrutiny involved in cases of this category, it should be possible for the licensing authorities to issue licences or to point out deficiencies within 7 days.

*Time Taken in Disposed* :—On receipt of the applications, the R & I section of the licensing office took on eday on an average to pass on the

applications to the concerned operative section. In the section, initial scrutiny of such applications took 6 days, on an average. In the case of complete applications, the licensing office took 14 days, on an average to issue licences to the parties. Of these 14 days, the R & I section accounted for one day; the dealing assistant accounted for 6.5 days, assistant controller one day and typing and despatch 5.3 days. In all the cases licences were granted and in no case a licence was refused. Considering the simple work process involved in scrutinising such applications, the time taken in final disposal seems to be excessive. As already stated, 7 days' time for final disposal of such applications should be considered sufficient.

*Level of Decision* :—Except one, all the cases were decided at assistant controller's level. Only one case was decided at deputy chief's level because that involved issue of a customs clearance permit for which neither the assistant controller nor the controller has any power. All the cases were found to have been decided at the prescribed appropriate level. In no case, the decision taken by the licensing authority was represented against by the party.

*Revalidation* :—Out of 50 licences issued, revalidation were sought for in 7 cases. The licensing office took 25.5 days on an average to decide such requests. All requests were decided at an appropriate level and in no case refusal was made.

*Amendments* :—Only in 4 cases the licensees turned up with requests for amendment. The amendment involved description of items in 3 cases and revision of lists in one case. None of these requests was necessiated because of any mistake on the part of the licensing authority at the time of issuing the licences. They were all fresh requests from the applicants. Of the 4 requests, 3 were acceded to and one was rejected. In carrying out such amendments, the licensing office took 20 days on an average. In one case the technical authority was consulted who took 21 days to give their advice. In the case where rejection was made, the reasons for rejection were communicated to the party and were found to be justified. The technical authority did not agree to the amendment being made.

### APPENDIX III

#### FORM OF APPLICATION TO BE USED BY PUBLIC SECTOR PROJECTS AND UNDERTAKINGS, FOR IMPORT OF (i) MAINTENANCE AND OPERATIONAL ITEMS OF SPARES AND STORES & (ii) RAW MATERIALS, COMPONENTS AND MAJOR ASSEMBLIES.

1. (i) Name of the applicant.  
(iii) Postal address of the applicant.  
(iii) Telegraphic address of the applicant.  
(iv) Address and location of factory.
2. *Particulars Regarding Industrial Unit :*
  - (i) Name of the Industry and the purpose for which the goods applied for are required;
  - (ii) Description of goods manufactured
3. Treasury Receipt No. and date (Treasury Receipt to be attached).
4. Licensing period.
5. Particulars of goods to be imported (to be detailed in a separate list to be attached).
6. Where shipment is to be effected from a country different from the country in which the goods originated, full statement of reasons for the same should be given.
7. Is a letter of authority desired, if so, Name of the firm in whose favour it is desired (necessary documentary evidence should be furnished).
8. *General Information to be Furnished :*
  - (i) Nature of the concern;
  - (ii) The Customs House where the import licence, if granted, will be registered.
9. Full details of the enclosures attached with the application :

#### DECLARATION :

- (1) I/We hereby declare that the goods for the import of which the application has been made are not meant for use in the manufacture of new articles for which a licence has not been obtained under Industries (Development and Regulations) Act, 1951.
- (2) I/We hereby declare that if this licence is granted the goods will be utilised only for consumption as raw materials or accessories in our factory and that no portion thereof will be sold to or permitted to be used by any other party.
- (3) I/We hereby declare that the above statements are true and correct to the best of my/our knowledge and belief. I/We fully understand that any licence granted to me/us on the basis of the statement furnished is liable to cancellation, in addition to any other penalty that the Government may impose having

regard to the circumstances of the case if it is found that any of the statements or facts therein are incorrect or false.

Signature \_\_\_\_\_

Name in Block

letters : \_\_\_\_\_

Date : \_\_\_\_\_

Designation : \_\_\_\_\_

**Note :** In the case of applications for maintenance and operational items of spares and stores, a certificate should be appended by the applicant at the end of the application form covering the following points :—

- (a) that the items sought to be imported are either not available indigenously or available in specific delivery period not suitable to project authority; and
- (b) that they are not banned or if banned, suitable clearance from the D.G.T.D. has been obtained.

(Floating of enquiries in trade journals in time and non-receipt of acceptable offers will be a sufficient ground for certifying indigenous non-availability by the project authorities.)



## APPENDIX IV

### EXPORT LICENSING—REPORT OF CASE STUDIES UNDERTAKEN IN BOMBAY PORT OFFICE

#### I-INTRODUCTION

1.1. Under the export trade control, control over exports is exercised only in respect of a limited range of commodities which are indicated in Schedule I to the Export (Control) Order 1962. The main object of exercising control over exports is to check large-scale exports of relatively scarce commodities and raw materials at the cost of the country's domestic economy and also to prevent export of minerals & raw materials of strategic importance.

1.2. Like imports, control over export is exercised through the system of licensing. The different items covered by the export control are subjected to varying degrees of control. Thus there are (1) commodities which are not normally allowed to be exported (*i.e.* allowed only under special circumstances), (ii) commodities which are allowed to be exported *on merits*, (iii) commodities export of which is allowed mostly through established shippers *on quota* basis (iv) commodities export of which is allowed *freely* within a specified ceiling (v) commodities which are on O.G.L.

1.3. Licensing of exports is done both by the head quarters and by the regional licensing offices. The former is concerned with a few commodities only. Other export applications are decided by the regional licensing authorities.

#### *Purpose, Scope and Method of Study*

2.1. The object of the study was to see if there was any scope for streamlining procedures prescribed and followed with a view to increase clientele satisfaction.

2.2. Since most of the export licensing is done in the regional offices, the Study Team directed that this aspect of the work be studied in the office of the Joint Chief Controller of Imports & Exports, Bombay, which is the largest port office.

2.3. The export licensing work in the Bombay Office is done in four sections. Two of these deal with the export of cotton and textiles and two others with the export of the remaining commodities. A statement showing the broad distribution of work among these four sections is given in the Annexure.

2.4. A preliminary survey of the above four sections showed that *formal* export licences were being issued only in case of export of cotton textiles to U.K./U.S.A. In all other cases the exporters have to present the shipping bills and other documents to the licensing office for necessary endorsement which serves as the basis for permitting exports by the Customs authorities.

2.5. In respect of commodities subject to quota licensing, *quota slips* are issued to individual exporters normally valid for a year. The *quota certificates* in respect of cotton textiles are issued to established exporters

by the Cotton Textile Export Promotion Council and those in respect of other items by the licensing offices themselves.

2.6. The case studies made covered not only study of applications for export but in the case of quota licensing, applications for the establishment of such quotas by the Bombay port office.

2.7. During the year 1964 the four export licensing sections dealt with approximately 35,000 applications (including shipping bills). For the purpose of the case studies 115 cases concerning different types of licences and issue of quota certificates were examined.

2.8. Apart from case-studies, the registration and reporting systems followed by these four sections were also studied.

## II RESULTS OF THE STUDY

### *Issue of Quota Slips*

3.1. The study showed that during the last 2 years export of the following commodities was made on quota basis, the quota being fixed as a specified percentage of the best year's exports during the basic period :—

- (i) Bananas—in relations to export to Persian Gulf destinations only.
- (ii) Raw Goat Skin.
- (iii) Nux Vomica seeds.

The export of peacock feathers was allowed on a *pro rata* basis, the quota granted to any party bearing the same proportion to the quota applied for by him as the total ceiling to be released bears to the total quantity applied for by all the parties.

3.2. The export policy for any licensing period is formulated in the headquarters' office and communicated to regional licensing authorities. The general practice is to ask the regional offices to issue suitable trade notices for the information of the trade. The point that arises here is whether the headquarters office itself cannot issue appropriate public notice and arrange for its publication not only in the Gazette but also in the leading Trade Journals. Alternatively, the draft of such notices may be prepared by the headquarters office and sent to regional offices to ensure uniformity of presentation and to save the time and effort at present spent in individual offices in drafting such notices.

3.3. In certain cases *e.g.* banana, peacock feathers, the headquarters office had directed the regional offices to put up an informatory note on the Office notice board and to make known the position to those who make 'verbal' or written enquiries. This system did not ensure the desired publicity to all those interested in the export of the particular commodity.

3.4. The failure on the part of the licensing authorities to intimate the export policy to *all* the interested parties resulted in belated enquiries, some of which were addressed to the headquarters office. The headquarters office advised the parties to contact the regional licensing authorities. To give the intending exporters, a fair and equal chance to participate in the programme, the last date for submission of applications had to be extended twice so as to allow them at least one month to file the applications. As a result of this, quota slips for export, which were originally scheduled to issue in the first week of November could be issued only by the end of the 2nd week of December. Since the export market for this commodity for the

Christmas commences in October/November, the exporters of the Bombay region could not avail themselves of the Bombay region could not avail themselves of the export opportunities offered by the Christmas season and were thus placed at a disadvantage as compared to their counterparts' in the other regions where quota slips appear to have been issued in good time (as made out in a reminder from one of the applicants).

3.5. While it may not be possible in all cases to issue trade notices, particularly, in case of items in short supply, the disadvantages referred to in the preceding para can be minimised by adopting the following course of action :—

- (a) to restrict the export only to established exporters in which case either a suitable trade notice to that effect can be issued; or
- (b) to maintain item-wise lists of parties making written enquiries prior to the settlement of the policy and, after the formulation of the policy to send them copies of the informatory note, put on the notice board. Where, however, parties make oral enquiries, they should be advised to enquire again, after a specified date by which time the policy would have become known. If oral enquiries are made at the Enquiry Counter after the announcement of the policy, the relevant informatory note should be handed over to the party instead of explaining the position orally.
- (c) to adopt common last date for receipt of applications for export of commodities licensed capacity for which is determined on *pro-rata* basis.

3.6. Case-studies of files relating to issue of quota slips showed that :

- (a) there was no delay in the issue of such slips, the average time taken being two days;
- (b) there was no instance in which party had to be called upon to produce further information;
- (c) there was no appeal or representation against the decision of the licensing authorities;
- (d) applications for issue of quota slips on the basis of the prescribed percentage of the last year exports, during the basic period (*e.g.* raw goat skin) were decided at assistant controller's level and those on the *pro-rata* basis (*e.g.* peacock feathers) at joint Chief's level. It can safely be inferred from the above facts that the relevant policies are clear to, and well understood by all concerned and that there is no scope whatsoever for exercise of arbitrary discretion.

#### *Validity of Quota Slips*

4.1. The quota slips for the export of commodities other than peacock feathers, are valid during the entire licensing year and exports can be made in instalments through-out that year. The validity period of the quota slips for the export of peacock feathers, however, is only three months which can be extended by three months at a time during the licensing year. The second and subsequent revalidations, however, are normally done with the concurrence of the headquarters office. For the year 1964-65, however,

the headquarters office had issued general instructions authorising the port offices to grant necessary extensions. This facilitated matters as no reference on this account had to be made to the headquarters office.

4.2. Of the 15 parties who had applied for the export of peacock feathers, 9 did not submit complete applications by the prescribed last date. The available ceiling had, therefore to be distributed among the six applicants on a pro-rata basis. Four out of the six parties, who were given quota slips, asked for revalidation—one once, two twice and one thrice. For all these cases, the revalidation asked for was granted and the cases were disposed of at assistant controller's level. In view of the fact that the new stock-taking in foreign markets is not started till the spring-time, except at a ridiculously low price, the fixing of the validity period at three months not only acts rather harshly on the exporters but also creates more work for the licensing offices. This can be avoided by enhancing the validity period to full licensing year without involving any undue risk.

### *Unutilised Quotas*

5.1. The study showed that the incidence of unutilised quota was rather high in the case of one of the four items viz. raw goat skin. Of the total number of about forty-five exporters who were granted quotas for this commodity, two did not utilise the quotas at all while in eight more cases, the deficiency in the exports actually made during the year varied between 12½% to 97%. In most of the remaining cases also there was some deficiency. In other words, it was only in a few cases that the quotas granted were fully utilised. To enable quota holders to make good this deficiency they were permitted to utilise the unutilised portion of the quotas during the first 5 months of the following licensing year for which they also got separate quotas. Even, then, eight quota holders had not utilised 10-50% of their quotas and two more over 50%. All this would seem to call for liberalisation of the export policy in respect of this and similar items.

### *Need for issuing formal licences*

6. As stated earlier it is only in the case of export of textiles to U.K./U.S.A., that formal export licences are issued. The issue of formal licences here, however, does not dispense with the need for presenting individual shipping bills and other documents for examination and endorsement by the licensing authorities on the eve of actual shipments. The need for issuing separate export licence in addition to the quota slips is not very clear. The fact that in this case the quota slips are issued by the Cotton Textiles Export Promotion Council should not normally make any difference, since what the Customs authorities are really concerned with is the clearance by the licensing authorities in respect of each shipment and not with the quota slips which are meant essentially for the licensing authorities to watch the actual export against the quantity licensed under the quota. It is, therefore, suggested that, as in the case of other items licensed on quota basis, endorsement on individual shipping bills should be regarded as adequate authorisation for exports and no formal licence need be issued.

### *Export-licensing of Items on 'Merit-List'*

7.1. According to the existing procedure, licences for export of items on 'merit list' can be issued only on a specific recommendation of the headquarters office which in turn has to consult the administrative ministries and technical authorities concerned.

7.2. In 2 out of the 20 cases studied, applications were received through the headquarters office along with its comments. The remaining 18 applications were, however, addressed to and received in the Bombay port office. Of these 18 applications, 16 were referred to the headquarters office for advice. The remaining two applications were disposed of by the port office itself in accordance with the general instructions issued by the headquarters office for advice. The remaining two applications were disposed of by the port office itself in accordance with the general instructions issued by the headquarters office.

7.3. The average time taken in the disposal of the applications was 27 days of which 22 days were taken by the headquarters office in giving its recommendations. The remaining 5 days were taken by the Bombay port office, 3 days in referring the application to the headquarters office for advice and 2 days in advising the party of the decision in the matter.

7.4. Since all the applications have in any case to be referred to the headquarters office for advice and since the percentage of cases that can, by the very principle underlying the system of merit-licensing, be disposed of by the port office under any general dispensation orders (of the type referred to in the last sentence of para 7.2. above) be very small, it is for consideration whether the intending exporters may not be required to submit their applications through the C.C.I.&E. thereby saving the transit time amounting to an average of 3 days.

#### *Export of Items not Normally Allowed*

8.1. According to the instructions in force, all applications for export items "not normally allowed" have to be addressed to and decided by the headquarters office.

8.2. Of the ten cases studied under this category, 6 related to export of vanaspati for which the C.C.I.&E. after consultation with the Ministry of Commerce, had authorised the Vanaspati Manufacturers' Association to sponsor the applications for export to specified countries within specified ceilings. The applications were sponsored by the association which also indicated the export quota in each case and all that the port office did was either to endorse the shipping bills, (where they had been presented) to enable the customs authorities to pass the shipment or (where shipping bills had not been presented), to advise the parties to present the shipping bills. There was no avoidable delay on the part of the licensing office, the average time taken being two days only.

8.3. Three more cases related to the export of thorium salt on the advice of the C.C.I.&E. and the Atomic Energy Department.

8.4. The remaining case related to the export of a lion cub as a gift. Here the case was decided in the port office at joint chief's level and *ex post facto* approval of the C.C.I.&E. obtained.

#### *Endorsement of Shipping Bills*

9.1. All exports of controlled commodities are allowed by the Customs authorities only on the strength of endorsement on the relevant shipping bills

by the licensing authorities. This also applies to export of cotton textiles for which formal licences are issued.

9.2. Nearly hundred shipping bills passed by the licensing office were studied. These shipping bills were received at the Central Registry counter and the parties presenting them were given tokens. Almost all the shipping bills were passed and returned to the parties across the counter on the same day. The necessary endorsement in all the cases was made over the signature of an assistant controller.

9.3. The study revealed a somewhat elaborate registration of shipping bills and too detailed a record of the exports made from time to time. The reporting system was unnecessarily elaborate and time consuming. Precise recommendations for overcoming these defects are being included in the report on re-organisation of the Port Office.

### III SUMMARY OF RECOMMENDATIONS

(1) The validity period of quota slips for export of peacock feathers should be extended to full licensing year instead of 3 months.

(2) Export policy in respect of raw goat skin and other similar items, where incidence of unutilised quota was high should be liberalised.

(3) No formal licence need be issued for export of textiles to U.K./U.S.A. As in the case of other items, licensed on quota basis, endorsement on individual shipping bills should be regarded as adequate authorisation for export.

(4) Intending exporters for items on the 'merit list' may be required to submit their applications through the C.C.I.& E.

### ANNEXURE TO APPENDIX IV

Statement showing distribution of work among the four export licensing sections in the Bombay Port Office.

#### EXPORT GENERAL I

Fixation of quota and issue of quota slips for Bananas, Raw Goat Skin, Peacock Feathers and Nux Vomica Seeds., endorsement on shipping bills for both quota and licensed freely items (e.g. onion, footwear, pulses) and maintenance of account regarding quota utilisation. Licensing of items on 'merit list' and items 'not normally allowed including passing of shipping bills and keeping watch on quota utilisation. Passing or shipping bills in respect of licence free items e.g. onion, potatoes.

#### EXPORT GENERAL II

Registration, of film contracts and passing of shipping bills for freely licensable items, e.g. aircraft parts (within the ceiling provided by the Department of Civil Aviation), motor vehicle parts, exposed cinema films. Export under pre-ban commitments.

***U.K./U.S.A. LICENSING***

Issue of export licences against quota allotted by the Cotton Textiles Export Promotion Council and passing of shipping bills against those licences. Passing of shipping bills in respect of licence free cotton items.

**COTTON TEXTILES SECTION**

Registration of sales for export of Bengal Desi Cotton and passing of shipping bills. Passing of shipping bills in respect of certain 'licence free' item (*e.g.* Bleeding Madras Cloth and garments, Etawah bed spread).

## APPENDIX V

### ANALYSIS OF CASE-STUDIES OF EXPORT PROMOTION LICENSING CONDUCTED IN THE OFFICE OF THE JOINT CHIEF CONTROLLER OF IMPORTS AND EXPORTS, BOMBAY AND IN THE OFFICES OF TWO EXPORT PROMOTION COUNCILS AT BOMBAY

1. *Size of Sample and Method of Sampling* : During the year April 1963 to March, nearly 32,885 applications were received in the Bombay Port office for the grant of licences under the various export promotions Schemes. These were dealt with in five different sections.

1.1. Applications for import licences under E. P. schemes can be broadly classified into two groups, namely :—

- (i) Those required to be submitted through and sponsored by export promotion councils, commodity boards, and other authorities like the Textile Commissioner and the Jute Commissioner; and
- (ii) Other applications, *i.e.* those required to be sent *direct* to licensing offices. Applications from exporters of items listed in Part II of Appendix 23 to the Red Book, known as "Port Items", belong to this category.

1.2. Preliminary sample of nearly 600 cases was drawn on a purely random basis by selecting every 35th case from each of the five sections. The files included in the preliminary sample were classified according to the above two categories and, within each category, according to the scheme and the States involved to facilitate the drawal of the final sample in such a way that it should be representative not only of the different E.P. schemes but also of the participant States. In this process the size of the sample was reduced from 600 to 408.

1.3. Applications mentioned in (i) of para 1.1 above are first processed in the office of the appropriate sponsoring authority. It was, therefore, considered desirable to study the processing done in the office of two such bodies. The Export Promotion Council on Engineering and the Export Promotion Council on Basic Chemicals, which happened to be located in Bombay, were selected for this purpose. A sample of 50 cases was drawn from each of these two organisations on a random basis.

1.4. This note represents the result of the analysis of a total of 508 cases-studies—480 pertaining to the Bombay Port Office and 100 concerning two Export Promotion Councils mentioned above.

2. *Proformae for Case-Studies* : The results of the case-studies made in the Bombay Port Office and in the two Export Promotion Councils, were recorded on separate proformae devised for the purpose. Copies of these proformae are enclosed (Annexure I).

3. *Classification of Applications According to Sources* : Of the 408 applications studied, 315 were found to have emanated from manufacturer-exporters and 93 from merchant-exporters. The proportion of applications of merchant-exporters to those from manufacturer-exporters was found to



be higher (26%) in the case of port items than that (23%) in other cases. This is due to the fact that the port items comprise mostly of items of export which can be handled only by merchants.

4. *Incomplete applications* : 75 of the 408 applications studied were found to be deficient in certain respects. The common deficiencies noticed were (a) entitlement certificate (25 cases), (b) registration number (13 cases), (c) treasury receipt (11 cases), (d) bank certificate (11 cases), (e) invoices (9 cases), and (f) bill of lading (7 cases). None of these deficiencies can be attributed to any defect in the existing prescribed form.

4.1. The fact that 43 out of 75 incomplete applications were sponsored by the appropriate sponsoring authorities without even satisfying themselves about the presence of certain basic documents like bank certificate, invoices, bill of lading and registration number, suggests that the scrutiny of the applications in these organisations is not as complete and careful as it should be.

5. *Entitlement Certificate* : While all applications for issue of import licences under the various export promotion Schemes have to be addressed to the licensing authorities, such of them as do not relate to port items have to be routed through the appropriate sponsoring authorities who are expected to examine the applications from the eligibility angle and to furnish suitable entitlement certificate to the appropriate licensing authority. In 25 out of the 408 cases studied, however, such applications or their advance copies had been received direct in the licensing office. Further processing of these applications had necessarily to pend till the issue of entitlement certificate by the appropriate sponsoring authority.

5.1. Although the sponsoring authorities are expected to verify the value of exports claimed by the applicants before working out and certifying the precise import entitlement under the relevant export promotion schemes, the study showed that it was only in 98 out of 368 cases in which licences were issued, that a positive certificate to that effect had been furnished by the sponsoring authorities. In quite a few cases, the absence of such a certificate resulted in the licensing office duplicating the process of checking the export documents afresh.

5.2. So far as the two Export Promotion Councils are concerned, the study showed that the entitlement certificates furnished by them were almost invariably supported by the certificate to the effect that the value of the exports had been checked. The relevant files, however, did not throw any light on the basis of such a certificate. The discussion with the authorities concerned, however, revealed that the value of exports was checked with reference to the bank certificates and other export documents and that, generally no attempts were made to verify the genuineness of the documents furnished from the source.

5.3. While the responsibility of the licensing authority for scrutinising the applications, checking the export documents, and working out the precise entitlement is clear and complete in respect of port items, there would appear to be certain degree of duplication in the case of processing of other applications. Thus, for instance, if the scrutiny of applications from the eligibility angle and the examination of export documents for working out the precise entitlement are the legitimate functions of the sponsoring authority, it is not clear why the licensing office should bother itself about these aspects. The sponsoring authorities having been invested with certain

responsibility in the matter, should be depended upon to perform their part of the job adequately to avoid duplication of effort and consequent waste of time. The licensing authority should, after satisfying itself that the entitlement certificate furnished by the sponsoring authority is complete and in order, and that the party has furnished treasury receipt for the appropriate amount and indicated correct IVC Number, and that the applicant has not been black-listed, proceed to issue the licences. If any deficiencies having a bearing on the entitlement certificate are noticed in the application, the application should be immediately returned to the sponsoring authority pointing out the deficiencies. In such cases, the licensing office should not make reference to the applicants or attempt to do any part of the job legitimately expected of the sponsoring authority.

5.4. Since many of the sponsoring authorities are essentially non-official bodies and since the E.P. schemes are comparatively of a present origin, a view may be held that the licensing authorities cannot, at least for some time to come, afford to absolve themselves completely of the responsibility for the correctness of the licences issued. Even if this be held valid, the purpose can be better served by the licensing office exercising a percentage check.

5.5. The study showed that the E.P. Council on Basic Chemicals took on an average of 39 days to dispose of applications and to furnish the requisite entitlement certificate to the licensing office. The corresponding average time taken by the E.P. Council on Engineering was 64 days. The shorter time taken by the E.P. Council on Basic Chemicals was mainly due to the special procedure adopted by it of clearing the applications at periodical joint meetings with officer of the licensing office. This procedure could with advantage be followed by other sponsoring authorities also.

5.6. Considering the work processes involved, it should not be difficult for the sponsoring authorities to dispose of the applications within three weeks of their receipt. It is suggested that a suitable time limit, in any case not exceeding one month, may be prescribed for the E.P. Councils to issue entitlement certificate.

6. *Treasury receipts* : The incidence of non-submission of treasury receipts in E.P. licensing is very much less than that in A.U. cases, the respective percentages being 2.5 and 30. The low percentage in the case of E.P. licensing can be ascribed to the fact that import entitlement under the various E.P. schemes can be easily worked out by the applicants themselves fairly accurately and there being little likelihood of the value of the licence being substantially lower than that of the entitlement, no advantage can be gained by the party by deliberately delaying payment as in A.U. cases.

7. *Time-Barred Applications* : Import facilities under the export promotion schemes can be availed of on monthly, quarterly, half yearly, or annual basis according to the convenience of the applicants. However, such a choice, once made, cannot be altered. While there is no single last such date prescribed, the applicants have to submit their applications within one month of the closure of the period which they have chosen for submission of their applications. In 4 out of 408 applications studied applicants had failed to submit their applications within the prescribed period of one month. In all these cases the delay involved was condoned.

7.1. Of the 100 applications studied in the two export promotion councils, 73 applicants had chosen to avail themselves of the import facilities on quarterly basis, 15 on monthly basis, 5 on half yearly basis and 1 on annual basis. The remaining 6 applications were for issue of advance licences.

7.2. Adoption of the monthly basis for claiming import benefits leads to avoidable increase in the number of applications and consequent additional work all round. It is, therefore, suggested that the minimum period for which the beneficiaries under the E.P. schemes can claim import benefits should be 3 months. If the sample selected is really representative—as it should be this would reduce the number of applications by 25%.

8. *Pre-shipment Inspection with a View to Check Invoiced Values* : Of the 408 cases studied, pre-shipment inspections were found to have been done in 98 textile cases. The revealed over-invoicing in 65 cases and under invoicing in 23 cases according to the basis adopted. The following table shows the extent of variations discovered in these 98 cases.

	Upto 10%	Over 10% but upto 25%	Over 25% but upto 50%	Over 50% but upto 100%	Over 100%
Over-invoicing . . . . .	42	9	3	7	4
Under invoicing . . . . .	17	3	1	1	1

9. *Reference to Outside Organisations* : In none of the 408 cases studied a reference was made to outside organisations like D.G.T.D. or headquarters office. This suggests that the export promotion licensing policy and instructions are clear and well instituted and the drill prescribed for the processing applications simple and well-set.

10. *Grant or Rejection of Licences* : Of the 408 cases studied, licences were issued in 397 cases and rejected in 11 cases. The reasons for rejection of the 11 cases were (a) non-submission of essential documents (4 cases), (b) exports having been effected prior to registration (3 cases), (c) non-production of entitlement certificate from the appropriate sponsoring authority (2 cases), (d) non-registration for a particular E.P. scheme with appropriate sponsoring authority (2 cases).

10.1. The study shows that the rejections of applications were justified in all cases and that there was little scope for exercise of an arbitrary discretion. The reasons for rejection were communicated to the parties in all cases.

11. *Time taken in the disposal of applications by the licensing office* : The average time taken by the licensing office in locating deficiencies and bringing them to the notice of the parties concerned was 11 days of which 2-3 days were taken in issuing stock letter. This means that initial scrutiny took on an average 7-8 days. Viewed in the context of the time limit of 7 days for final disposal of applications in sponsored cases and of 10 days in unsponsored cases, the actual time taken is excessive.

11.1. The average time taken in the final disposal of the applications after they were found complete in all respects was 19 days in case of unsponsored applications and 14.5 days for sponsored applications. Of these

averages of 19 and 14.5 days, 14 and 10 days respectively were taken by dealing assistants. Although the average of 14 or 10 days includes the time taken in registration and linking of papers, the precise extent of which could not be assessed through case-study, the time taken by assistants cannot be justified.

11.2. If as suggested in para 5.4 above, the licensing office is not to bother about the checking of the export documents or working out the precise entitlement (except by way of test check) it should not be difficult for it to conform to the prescribed time limits.

11.3. The case studies show that hardly 25% applications were disposed of within the prescribed time limits. There was nothing unusually difficult or time-consuming about the remaining 75% cases which could not be so disposed of, to justify an extension of the prescribed time-limits. The delay in a situation like this may be due to one or more of the following reasons; (a) inadequate staff; (b) avoidable hold-up in the movement of papers; and (c) immobility of staff and inequitable distribution of work. In the absence of detailed work study, it is difficult to determine the extent to which these factors operate in the work relating to E.P. licensing. However, there is little doubt that frequent accumulation of work caused by absence of staff and lack of arrangements for posting substitutes in their places is one of the reasons.

11.4. Each of the licensing section in the Bombay port office generally had a complement of 3 L.D.Cs. One of them was employed chiefly on linking of fresh receipts on the relevant files and putting up papers, complete in all respects, to the licensing assistants for further necessary action. The second clerk was employed on typing and the third on diary and despatch. The impression gathered during informal discussions with some of the assistant controllers was that, in view of somewhat special skill and experience required in the efficient performance of the first two jobs, it was found difficult to shift the clerks from one duty to another, if that become necessary to meet the exigencies of work, e.g. absence of the linking clerk or unusual heavy rush of typing work. To the extent to which this is true we have no doubt that it is so—immobility of staff at clerical level can be treated as one of the factors contributing to delay in the disposal of cases. This can be avoided by; (a) ensuring that every fresh L.D.C. recruited for the licensing office knows typewriting at a reasonable speed, (b) imparting training in typewriting to such of the existing L.D.Cs. as do not know typewriting, and (c) frequently rotating L.D.Cs. on different duties to avoid over-specialisation on the one hand and no-familiarisation on the other.

12. *Decision Taking Levels* : A copy of the departmental instructions laying down the powers of different grades of officers in the matter of licensing under the E.P. schemes is attached (Annexure II). It will be seen that these instructions do not distinguish between sponsored and unsponsored cases. Since the latter category of cases involves relatively great degree of scrutiny and discretion on the part of the licensing officers than the former category, it is only reasonable to expect greater degree of delegation to the licensing officers in the case of applications of the second category.

12.1. 376 out of 408 (i.e. over 93%) cases were disposed of at the assistant controller's level, 10 at controller's level, 9 at deputy chief's level

and 13 at joint chief's. The disposal of the bulk of the cases by the assistant controller is due to the fact that the value of the import involved was within the prescribed monetary limit of two lakh in each case. The drill prescribed for processing the applications received from sponsoring authorities is so simple and well set that there can be little scope for exercise of arbitrary discretion in such cases. The case studies do not indicate any need for curtailing the powers at present delegated to the various licensing authorities. If anything, there is a case for enhancing the powers already delegated to him and other licensing officers in the case of sponsored applications.

12.2. In 20 cases decision were taken at level higher than the prescribed level. In almost all these cases there was some justification for obtaining guidance or orders of the higher authority.

13. *Amendments and Revalidations* : In 29 out of 397 cases in which licences were issued, requests for amendments were received. The amendments sought related to change in description of the items (15 cases), inclusion of additional items (18 cases), change of value (4 cases), anti-dating (1 case), and amendment of endorsement (1 case). 20 of these amendments were necessiated by fresh requests from the parties and 8 by mistakes committed in the licensing office at the licence issuing stage. The remaining amendment viz. of anti-dating, was made to meet the Customs objection.

13.1. The number of mistakes made in the licensing office shows that the preparation of licences does not receive the care it deserves. This is so inspite of the fact that the preparation and the issue of licences takes on an average 3 days and the licences are checked by the licensing assistant before signature by the appropriate authority.

13.2. The average time taken in disposing of the requests for amendments was nearly 10 days. This can and should be reduced to 7 days.

13.3. In 4 cases requests were received for revalidating licences. All these requests were granted. The average time taken in disposing of revalidation requests was 11.5 days. This too is excessive and should be reduced to 7 days.

14. *Appeals* : It was only in 4 out of the 408 cases studied, that appeals were preferred. In 3 of these cases, the original order was modified. The incidence of revision of the original decisions in E.P. licensing is very much lower than that in A.U. cases, the respective percentages being 0.7 and 4.5.

15. *Cross-Checking by E.P. Councils* : Of the 100 cases studied in the two E. P. councils, 94 had been recommended to the licensing authority for issue of import licence. It was, however, only in 52 of these cases that the licence forwarding letters were found on the relevant files. In the absence of any such linking in the remaining 42 cases, it can be presumed that in about 45% cases, the E.P. councils had failed to apply the the requisite cross-check.

16. A comparative statement showing the analysis of case studies according to the two categories of applications, viz., sponsored and unsponsored, is at Annexure III. The points revealed by this comparative statement have already been taken into account in the above analysis.

**ANNEXURE I TO APPENDIX V**

**E. P. LICENSING**

<b>File No.</b>	<b>Name of the Scheme</b>	<b>Name of the Sponsoring authority</b>	<b>Date of commencement of the case</b> _____
			<b>Date of final disposal of the case</b> _____

Particulars of Receipt		Contribution		Time taken (days)	Reference to outside organisations/ units/individuals			Date of reply	Time lag between dates shown in cols. 10 & 13	Remarks				
Date of receipt in R&I Section	From received Licensing Section	Nature	Performer		Nature	Need/Justification	time taken in typing and despatch				Date of issue	To whom made	Purpose	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

ABSTRACT (E.P.)

1. (a) Original application complete/incomplete.  
(b) Specify (i) deficiencies and (ii) Columns left blank.
2. Whether application acknowledged ?
3. Time-lag between date of receipt of application and date of asking applicant to supply deficiencies.
4. Whether deficiencies called for in one lot or in piece-meal ?
5. (a) State the documents, if any, called for other than those prescribed and justification for the same:—  
(b) If not justified, total time lost on this account.
6. Time-lag between date of completed application and communication of final decision.
7. Break-up of time mentioned in 6 above into time taken by :—
  - (i) R. & I. Section.
  - (ii) Licensing Section :
    - (a) Dealing person.
    - (b) Assistant Controller.
    - (c) Controller.
    - (d) Deputy Chief Controller.<sup>1,2</sup>
    - (e) Joint Chief Controller.
    - (f) Typing and Despatch.
  - (iii) Other sections of the office.
  - (iv) Sponsoring authorities.
  - (v) Technical authorities (DGTD, D.C. (SSI) (etc.).
  - (vi) Headquarters Office.
  - (vii) Ministry of Commerce.
  - (viii) Other authorities (to be specified).
8. If licence granted the value, rejected the reason; communicated.
9. (a) Level at which decision taken.  
(b) Whether above level conforms to that prescribed under the existing rules and instructions.  
(c) If not, justification, if any, for the departure.
10. (a) Number of levels through which case passed (A.C. & above).  
(b) Number of levels above A.C. which differed from action suggested by lower levels.
11. Whether appealed against, if so :
  - (a) Date of first appeal.

*Document*

*Justification*

- (b) Date of disposal of first appeal.
  - (c) Date of second appeal.
  - (d) Date of disposal of Second appeal.
  - (e) Whether original order upheld or reversed :
    - (i) In first appeal.
    - (ii) In second appeal.
  - (f) If reversed, time taken in implementing the revised order :
    - (i) In first appeal.
    - (ii) In second appeal.
12. (a) Whether revalidation sought ?
- (b) If so, time taken in disposal.
  - (c) If rejected whether reason communicated and were justified.
  - (d) If decided at appropriate level.
13. (a) Whether amendment sought ?
- (b) Nature of amendment.
  - (c) Reasons for seeking amendment, i.e.
    - (i) mistake on the part of licensing authority.
    - (ii) fresh request from the licensee.
    - (iii) Customs objection (with reasons and justification).
  - (d) Time taken in disposal :
    - (i) by applicant.
    - (ii) by licensing authority.
    - (iii) by technical authority/Headquarters or Ministry of Commerce.
  - (e) If rejected, whether reasons communicated and were justified.
  - (f) If decided at appropriate level.
14. (a) Whether any enquiry received from Customs authorities.
- (b) Nature of enquiry.
  - (c) Time taken in sending reply :
    - (i) by applicant.
    - (ii) by licensing authority.
    - (iii) by technical authority/Headquarters or Ministry of Commerce.
15. Whether genuineness of documents of exports verified.
- (a) before issue of licence.
  - (b) after issue of licence.
  - (c) time taken in verification.
16. (a) Whether the sponsoring authority certified that the value of exports had been checked.
- (b) If so, whether the sponsoring authority reported any under/over invoicing.



- (c) Whether the licensing authority noticed any under/over invoicing.
- (d) Whether the Customs reported any under/over invoicing.
- (e) Whether pre-shipment inspection was made :
  - (i) If so, whether it revealed any under/over invoicing. The percentage of difference may also be indicated.

### EXPORT PROMOTION COUNCILS

- | Name of the Council—<br>File No.  | Application on monthly/quarterly/six monthly/yearly<br>basis. | Period of Exports |
|---|---|-------------------|
| Merchant Exporter/Manufacturer  |   |                   |
| 1. (a) Application complete/incomplete.   |   |                   |
| (b) Documents not furnished.  |   |                   |
| 2. Date of :—   |   |                   |
| (a) Receipt of application in council.  |   |                   |
| (b) Asking the party to supply deficiencies.  |   |                   |
| (c) Asking the party to furnish any other information/documents,<br>if any (nature to be indicated).    |   |                   |
| (d) Completion of application.  |   |                   |
| (e) Communication of the recommendation to the licensing au-<br>thority.                                |   |                   |
| 3. Time-lag between :—  |   |                   |
| (i) 2(a) and 2(b).  |   |                   |
| (ii) 2(a) and 2(c).   |   |                   |
| (iii) 2(b) and 2(d).  |   |                   |
| (iv) 2(c) and 2(d).   |   |                   |
| (v) 2(a)/2(d) and 2(e).   |   |                   |
| 4. (a) Whether any reference was made to any authority before<br>making the recommendation for licence. |   |                   |
| (b) If so :   |   |                   |
| (i) Name of the authority.  |   |                   |
| (ii) Purpose of reference.  |   |                   |
| (iii) Time taken in getting the reply.  |   |                   |
| 5. (a) Whether recommended or refused.  |   |                   |
| (b) Reasons in case of refusal.   |   |                   |
| (c) Whether communicated.   |   |                   |
| (d) Decision taking level.  |   |                   |
| 6. (a) Whether the genuineness of documents of exports verified.  |   |                   |
| (b) If so, the time taken in verification.  |   |                   |
| 7. (a) Whether the value of exports was checked up.   |   |                   |
| (b) If so, whether any under/over invoicing noticed (also indicate<br>the extent of variation).         |   |                   |
| 8. (a) Whether any reference on the case was subsequently received<br>from the licensing authority.     |   |                   |
| (b) If so, the nature of reference.   |   |                   |
| (c) Time-taken in sending a reply thereto.  |   |                   |

9. (a) Value of Exports.  
(b) Value of entitlement.  
(c) In case of any reduction in the entitlement, reasons.  
(d) Whether communicated.
10. Whether the benefit of exports was taken by the exporter himself or by any other person by way of transfer.
11. In the case of application for advance licences :—  
(i) Whether the case was referred to technical adviser/panel.  
(ii) Date on which such reference was made.  
(iii) Date on which the advice of the technical adviser was available.  
(iv) If the case was referred to sub-committee of the Council, date.  
(v) Date on which the sub-committee's decision was available.
12. (a) Whether any amendment in the recommendation made subsequently.  
(b) If so, reasons therefor.
13. Whether the intimation about the issue of the licence is available on file.

## ANNEXURE II TO APPENDIX V

## DELEGATION OF POWERS FOR ISSUE OF LICENCES UNDER EXPORT PROMOTION SCHEMES

## Export Promotion Licences

(a) Licences for items included in Annexure III of Appendix 23 to the Red Book issued in terms of the policy laid down in the said Appendix and licences issued in terms of the provisions contained in the special schemes mentioned in Annexure II of Appendix 23.

Designation	अधिकारी	Maximum value limit
1. Assistant Controller/Section Officer	. . . . .	upto Rs. 2 lakhs.
2. Controller	. . . . .	upto Rs. 10 lakhs.
3. Dy. Chief Controller of Imports and Exports	. . . . .	upto Rs. 20 lakhs.
4. Jt. Chief Controller of Imports and Exports	. . . . .	without limit.

(b) Issue of advance licences on loan basis.

Designation	Maximum value limit
1. Assistant Controller/Section Officer	Nil.
2. Controller	upto Rs. 50,000/-.
3. Dy. Chief Controller of Imports and Exports	upto Rs. 2,50,000/-.
4. Jt. Chief Controller of Imports and Exports	upto Rs. 10,00,000/-.

The licensing on loan basis should, however, be done with care and the value of the licences granted initially should be comparatively smaller.

## ANNEXURE III TO APPENDIX V

COMPARATIVE ANALYSIS OF SPONSORED AND UN-SPONSORED  
CASES UNDER EXPORT PROMOTION SCHEME

Type of information	Sponsored applica- tions	Unspen- sored ap- plications	Total
1	2	3	4
1. No. of cases studied	375	33	408
2. Manufacturer Exporter	306	9	315
3. Merchant Exporter	69	24	93
4. Application complete	307	7	314
5. Application incomplete	68	7	75
6. Deficiencies :—			
(a) Treasury Receipt	10	1	11
(b) Income Tax Verification	4	..	4
(c) Entitlement Certificate	25	..	25
(d) Bank Certificate	11	..	11
(e) Invoice	9	..	9
(f) Registration No.	9	4	13
(g) Bill of lading	7	..	7
(h) Contract	2	..	2
(i) Postal Receipts	..	2	2
(j) Bond	..	1	1
7. (a) Deficiencies called in one lot	63	7	70
(b) Deficiencies called piece-meal	5	..	5
8. Average time lag in calling for deficiencies	11	11	11
9. Average time lag for final disposal	14.5	19	15
10. Break up :—			
(a) Dealing Assistant	10	14	10.5
(b) Typing & Despatch	2	3	2
11. Licence :			
(a) Granted	368	29	397
(b) Rejected	7	4	11
12. Levels of division :			
(a) Assistant Controller	348	28	376
(b) Controller	8	2	10
(c) Dy. Chief Controller	8	1	9
(d) Jt. Chief Controller	11	2	13
13. Levels appropriate	357	31	388
14. Levels in-appropriate	18	2	20
15. Appeal			
(a) Upheld	..	1	1
(b) Reversed	1	2	3
16. Time taken for disposal	34	83	117
17. Revalidation			
(a) Granted	1	3	4
(b) Rejected	..	..	..
(c) Time taken	15	10	25

	1	2	3	4
18. <i>Amendments.</i>				
(a) Change of description . . . . .		15	..	15
(b) Additional item . . . . .		8	..	8
(c) Value . . . . .		4	..	4
(d) Date . . . . .		..	1	1
(e) Endorsement . . . . .		21	..	21
19. Mistake of L.A. . . . .		8	..	8
20. Fresh request . . . . .		20	..	20
21. Customs objection . . . . .		..	1	..
22. Time . . . . .		9	28	9.9
23. Levels appropriate . . . . .		28	1	29
24. Sponsoring authority certified value of exports . . . . .		98	..	98
25. Pre-shipment Inspection . . . . .		98	..	98

APPENDIX VI

LAYOUT OF THE PRO'S COMPLEX OUTSIDE THE SECURITY ZONE

PR.O.	A.P.R.O.	Enquiry Officer	Enquiry Counter				Visitors Rooms	
			Information counter	Interview slip counter	Revalid & amendment	forms for sale		Notice Board
			Bulletin	Public telephone				

APPENDIX VII

FORM OF APPLICATION FOR REVALIDATION OF LICENCES

PART A

- (1) Name and full address of the licensee.
- (2) Licence No, date & value.
- (3) Description of goods.
- (4) Value for which goods have been shipped during the initial period of validity including period of revalidation already availed of, if any.
- (5) Value for which irrevocable commitment has been made during the initial period of validity including period of revalidation already availed of, if any. (Supporting documentary evidence should be furnished).
- (6) Whether first or second or subsequent request for revalidation (in the case of second or subsequent requests, the period of revalidation availed of earlier should be indicated).
- (7) Reasons for seeking revalidation (supporting documents to be furnished).
- (8) List of enclosures.

.....  
(Signature with full name)

Place.....  
Date.....

Designation  
Relationship  
Full address  
.....  
.....

---

PART B

Recommendations of the sponsoring authority

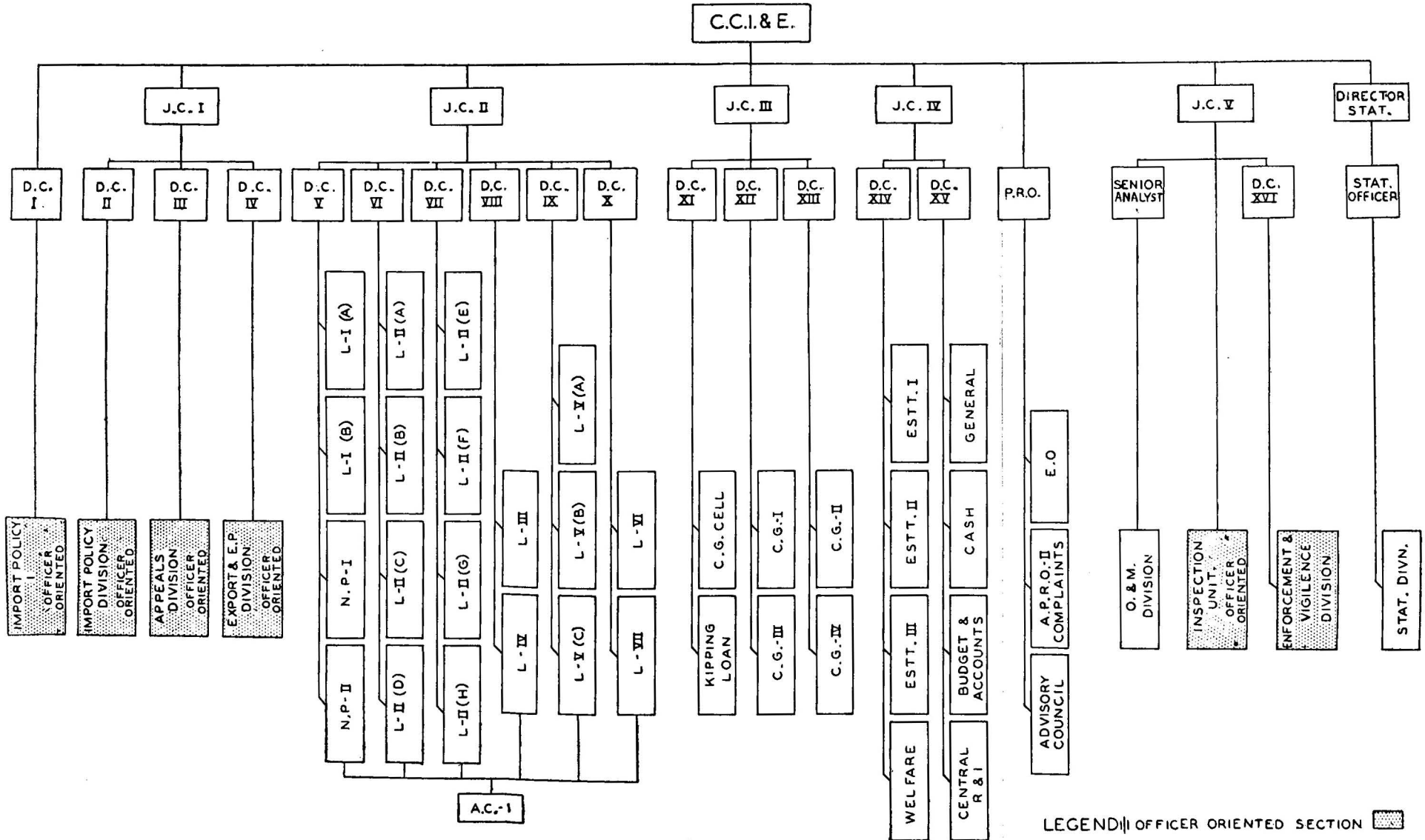
PART C

Action in the licensing office.



APPENDIX IX

Organisational Chart of the Proposed Structure of the Chief Controller of Imports & Exports (Hqrs. Office)





## APPENDIX X

### ILLUSTRATIVE STATEMENT SHOWING EXISTING AND PROPOSED PERIODS FOR RETENTION OF CERTAIN CATEGORIES OF RECORDS AND REASONS FOR REVISION

S. No.	Description of records	Period of preservation		Reasons for proposed period of preservation.
		Existing	Proposed	
1	2	3-A	3-B	4
1.	Folders containing Public Notices, Office Orders, Press Notes & Office Memoranda.	3 years.	1 Year	The original records leading to the issue of these orders etc. would be available with the sections concerned where these files would be retained for periods appropriate to their importance.
2.	Files containing rejected applications for licences.	5 years	1 Year	In case of rejected Applications as the first appeal has to be preferred within 30 days of the issue of the order appealed against and the second appeal within 45 days of the decision on the first appeal, the proposed retention period of 1 year would be adequate.
3.	Files containing general enquiries.	5 years	1 year	As the replies given would normally be based on the relevant policy files, which would be kept for appropriate periods, it does not appear necessary to retain these files, for a period exceeding 1 year. If, however, decisions or clarifications given on individual files constitute important precedents, relevant extracts should be kept on appropriate policy files, which would be retained for appropriate periods.
4.	Files regarding rejection of application for quota certificates.	3 years	1 year	Same as against S. No. 2 above.
5.	Folders containing Black/Suspension lists (Circulars and Alphabetical Registers).	3 years	1 year	Detailed information in this regard would be available on the files of the concerned sections issuing the lists which would be retained for appropriate periods. The operative sections should maintain only the consolidated list for the time being current with necessary amendments.

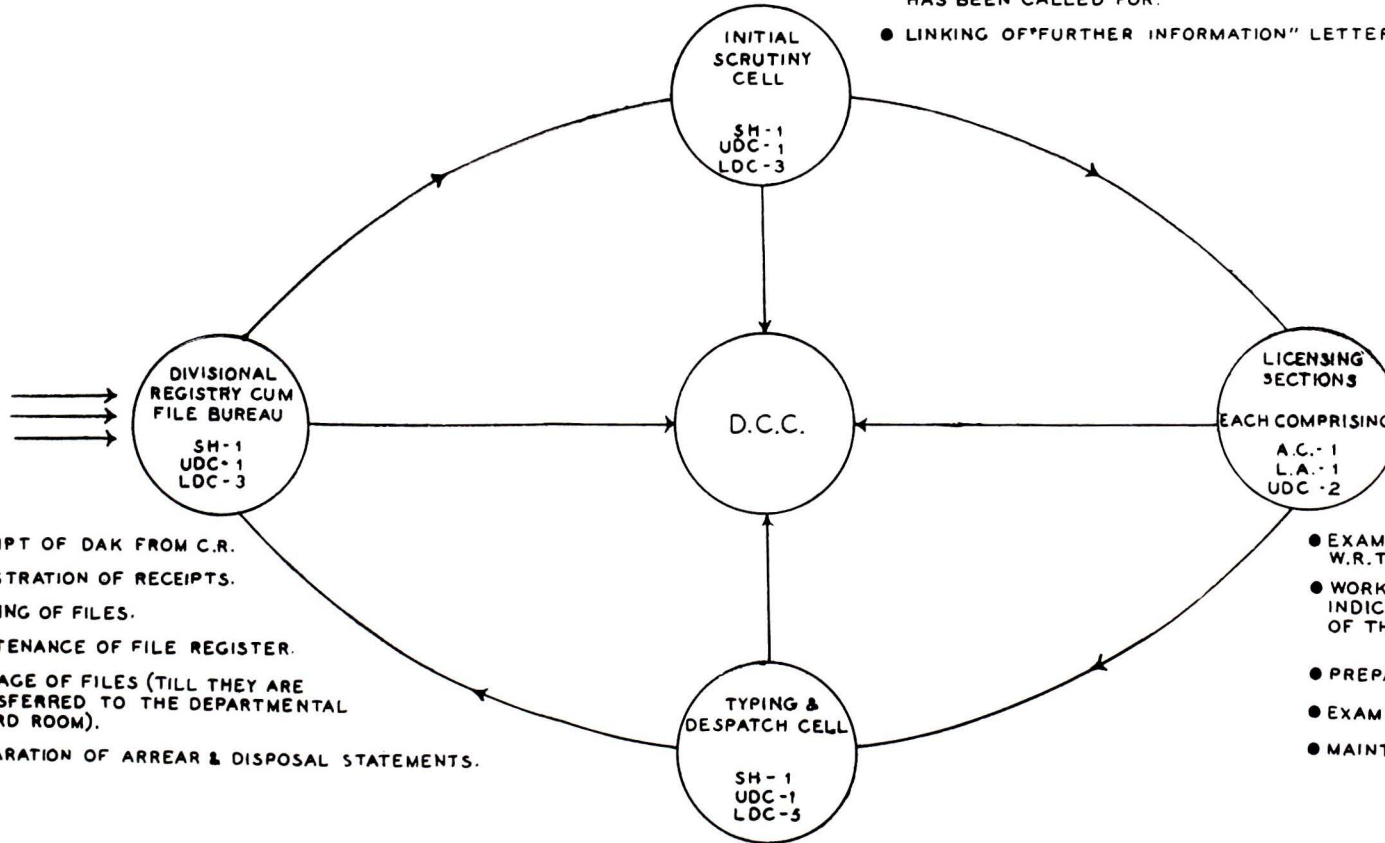
1	2	3-A	3-B	4
6.	Weekly statement of licences issued.	3 years	1 year	As the particulars of licences are published in the Weekly Bulletin, it does not appear necessary to retain the individual statements for more than a year.
7.	Files containing the lists of statistical copies of licences.	15 years	5 years	As this information is compiled and published (by the Statistical Division) the proposed retention period of five years would be adequate.
8.	<i>Section Diary</i> (a) R&I Diary sheets (b) Diary for direct receipts.	8 years	3 years	According to the Record Retention Schedule prescribed by the O&M Division, Section Diary is to be preserved for a period of 3 years only. There does not seem to be any special reason for its being retained in the CCI&E's Organisation for a longer period.
9.	File-cum-Movement Register.	8 years	(a) 10 years for file register. (b) 1 year for file movement register.	As laid down in the Manual of Office Procedure, the file register and the movement register should be maintained separately. In that case, the file register, which will only be a small volume containing a list of files, would be retained for 10 years; the file movement register would be destroyed after one year, if necessary after transferring to the new register latest movement of files still remaining current.
10.	Despatch Register.	6 years	5 years	According to the Record Retention Schedule circulated by the O&M Division, the period of retention for despatch register is 5 years.
11.	Peon Books	3 years	1 year	Peon Books are required to be kept for a period of one year only as per Record Retention Schedule prescribed by the O&M Division.
12.	Files containing applications for licences issued.	5 years	5 years	From the vigilance angle, we consider that the period of retention should remain unchanged.

- 
- |  |           |           |  |
|--|-----------|-----------|--|
| 13. Files leading to the issue of quota certificates and transfer of quota rights. | Permanent | Permanent | Since quota certificates issued in relation to past imports of established importers or in consequence of the transfer of quota from one established importer to another are of permanent nature, the files pertaining to such cases should also continue to be retained on permanent basis so that in the event of any alleged malpractice detected at any subsequent date or any change in the ITC classification, it should be possible to deal with the cases. |
| 14. Files of the Investigation and Vigilance Division.                             | Permanent | 3 years   | The files should be retained for a period of three years from the date of final judgement of the court in cases where prosecution is launched, from the date of expiry of the period of punishment in cases where departmental action is taken, and from the date of the closure of the case in cases where the parties are let off for want of proper evidence against them.  |
| 15. Attendance Registers   | 10 years  | 5 years   | The period of retention of Attendance Register should be the same as that for files pertaining to licences issued on grounds of vigilance.   |

APPENDIX XI

Chart Showing the Proposed Organisation of the E. I. Division at Bombay Port Office

- MAINTENANCE OF BLACK LISTS, SUSPECT LISTS, IVC LISTS.
- ROUTINE SCRUTINY OF APPLICATIONS W.R.T. CERTAIN SPECIFIED ITEMS ONLY OF CHECK SHEETS.
- PREPARATION OF STOCK DEFICIENCY LETTERS, WHERE NECESSARY.
- CUSTODY OF SUSPENSE FILES IN WHICH FURTHER INFORMATION HAS BEEN CALLED FOR.
- LINKING OF "FURTHER INFORMATION" LETTERS TO THE RELEVANT FILES



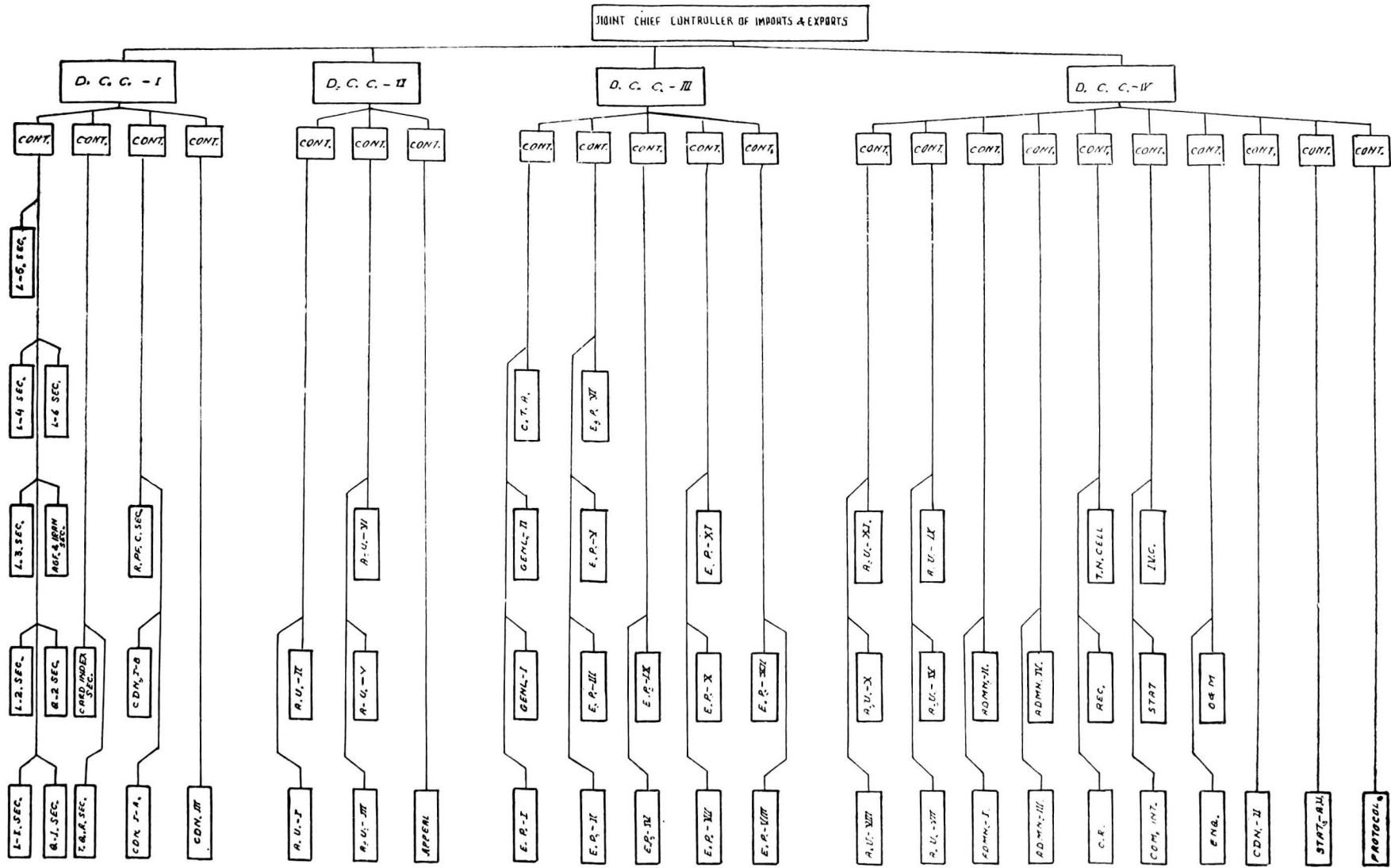
- RECEIPT OF DAK FROM C.R.
- REGISTRATION OF RECEIPTS.
- OPENING OF FILES.
- MAINTENANCE OF FILE REGISTER.
- STORAGE OF FILES (TILL THEY ARE TRANSFERRED TO THE DEPARTMENTAL RECORD ROOM).
- PREPARATION OF ARREAR & DISPOSAL STATEMENTS.

- EXAMINATION OF APPLICATIONS ON MERITS W.R.T. REMAINING POINTS OF CHECK LIST
- WORKING OUT OF PRECISE ENTITLEMENT & INDICATING IT ON THE APPROPRIATE PART OF THE CHECK SHEET.
- PREPARATION OF DRAFT LICENCE/REJECTION LETTER.
- EXAMINATION & SIGNATURE OF FAIR TYPED COPIES.
- MAINTENANCE OF INDEX CARDS.

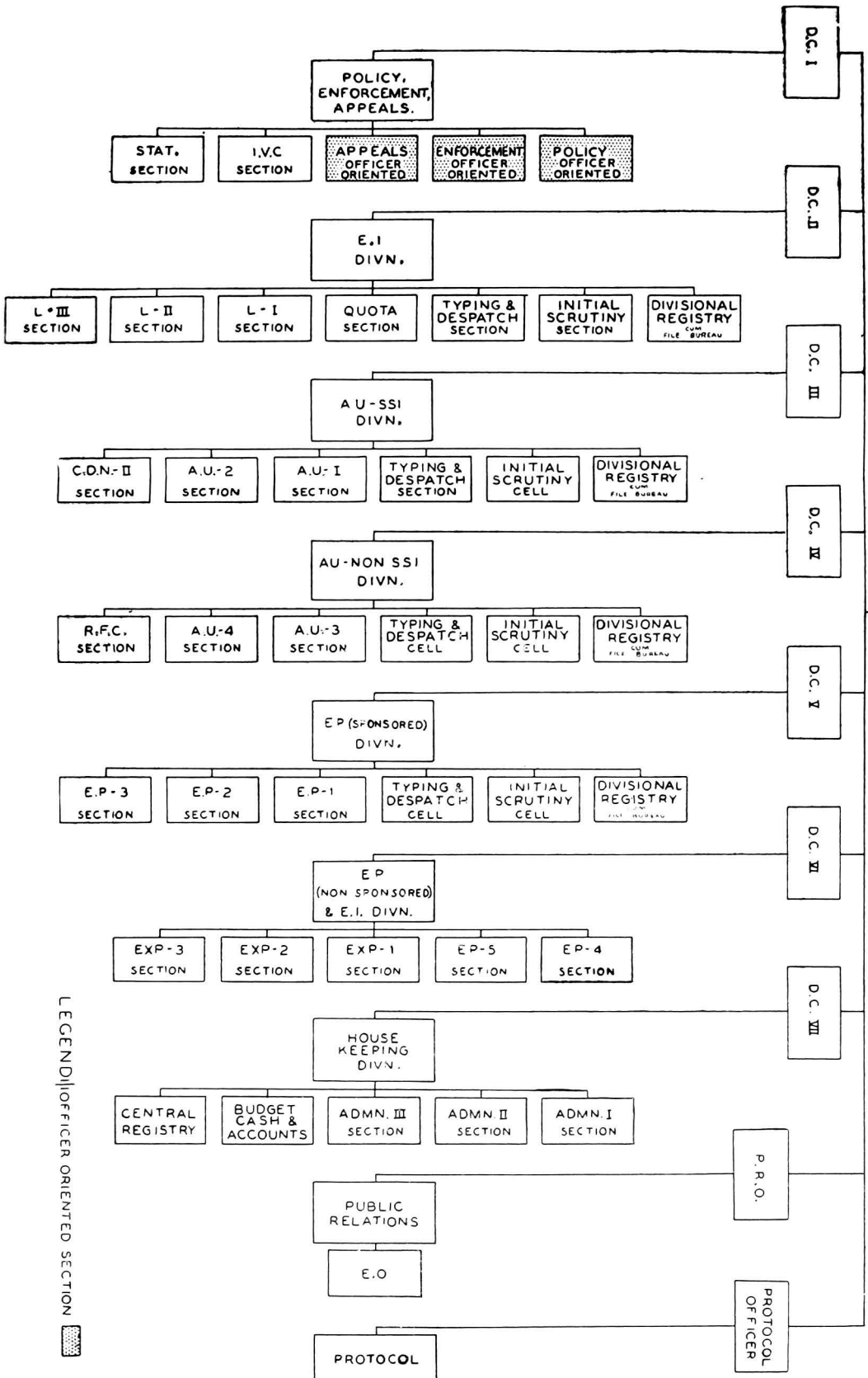
- TYPING
- DESPATCH
- KEEPING ACCOUNT OF LICENCE FORMS

APPENDIX XII

Existing Organisation Chart of the Office of the Joint Chief Controller of Imports & Exports, Bombay



PROPOSED ORGANISATION CHART OF THE BOMBAY PORT OFFICE



LEGEND || OFFICER ORIENTED SECTION

**APPENDIX XIV**

**STATEMENT SHOWING THE NUMBER OF SANCTIONED POSTS IN THE IMPORT AND EXPORT TRADE CONTROL ORGANIZATION AS ON 27-10-65**

Office	No. of JCCI & Es. Rs. 1100-1800	No. of DCCI & Es. Rs. 900-1250	No. of Controllers (Non-CSS Rs. 740-900 and CSS 400-900 +Rs. 75)	No. of Asstt. Controllers/ Section Officers (CSS Rs. 400-900 Non-CSS Rs. 400-800)	No. of Non-Gazetted Staff excluding Class-IV	Class IV	Grand Total
1	2	3	4	5	6	7	8
1. Headquarters	6 (excadre)	11 (including 2- ex-cadre)	19 (including 4- ex-cadre)	58	574	145	813
2. J. C. C. I & E., Bombay	1	4	17	43	394	102	561
3. J.C.C.I. & E. Calcutta	1	3	11	28	343	86	472
4. J.C.C.I. & E., Madras	1	2	7	20	148	58	236
5. J.C.C.I. & E., Goa	1	..	2	4	31	13	51
6. J.C.C.I. & E., (CLA), New Delhi	1	..	5	17	142	32	197
7. D.C.C.I. & E., Ernakulam	..	1	..	3	18	7	29
8. D.C.C.I. & E., Kanpur	..	1	..	4	23	9	37
9. Controller, Rajkot	..	..	1	1	14	5	21
10. Controller, Bangalore	..	..	1	1	15	6	23
11. Controller, Vishakhapatnam	..	..	1	..	9	4	14
12. Controller, Amritsar	..	..	1	1	17	6	25
13. Controller, Srinagar	..	..	1	..	7	4	12
14. Controller, Pondicherry	..	..	1	2	17	8	28
15. Assistant Controller, Shillong	..	..	..	1	8	2	11
16. Assistant Controller, New Kandla	..	..	..	1	3	1	5
	11(A)	22(B)	67(c)	184(D)	1763(E)	488	2535(F)

(A) (All Non-CSS posts) 50% to be filled by deputation.

(B) CSS (Hqs.)—9  
Non-CSS.—13

(C) CSS (Hqs.)—15  
Non-CSS—52

(D) CSS (Hqs.)—58  
Non-CSS—126

(E) CSS (Hqs.)—574  
and Statistical posts  
Non-CSS—1189

(F) the post of CC and 6 posts of Indian Statistical service and Indian Economic Service are in addition to this figure.

## APPENDIX XV

### RECOMMENDATION SHEET FOR IMPORT POLICY FOR THE PERIOD . . . . . (Existing)

1. Part & S. No. of I.T.C. Schedule.
2. Description of item.
3. Import Policy for the previous period.
4. Import Duty.
5. Estimated annual domestic demand.
6. Indigenous rated capacity per annum.
7. *Actual indigenous Production.*  
(for the last few years).
8. *Actual imports.*  
(for the last few licensing years).  
Value :  
Quantity :
9. *Trend of prices if available.*

---

c.i.f. price of im- ported product.	Land cost with duty of imported product	Wholesale market price of imported product	Wholesale market price of compara- ble indigenous product
--	---	--	--

---

10. Net ceiling (after re-appropriations) allocated for the scheduled industry concerned for the last period.
11. Ceiling required for the new period.  
(a) for raw materials.  
(b) for spares.  
(c) Total :—
12. Justification for any increase in foreign exchange proposed as per statement below.
13. Recommendation for import policy for . . . . . (New Period).

Signature of the Recommending authority.



## APPENDIX XVI

### RECOMMENDATION SHEET FOR IMPORT POLICY FOR THE PERIOD.....(PROPOSED)

1. Part & S. No. of I.T.C. Schedule.
2. Description of item.
3. Import policy for the previous period :
  - (a) E. Is.
  - (b) A.Us.
  - (c) Others.
4. Import Duty :

Year I	Year II	Year III	
Quantity Value (Rs.)	Quantity Value (Rs.)	Quantity Value (Rs.)	
5. Actual imports for preceding 3 years.			
6. Actual indigenous production for preceding 3 years.			
Total			
7. Estimated annual domestic demand : <ol style="list-style-type: none"> <li>(a) For the period under recommendation.</li> <li>(b) for the previous period.</li> </ol>			
8. Indigenous rated capacity per annum.			
9. <i>Trend of prices, if available.</i>			
c.i.f. price of im- ported product	Landed cost with duty of imported product	Wholesale market price of imported product	Wholesale market price of compara- ble indigenous product
10. Recommendation for import policy for the new period and basis therefor.	Signature and designation of the Re- commending Authority		

**For use in the CCI/E's Office for recording results of the Examination of the recommendation.**

C. D. 1268. II

4,000

*Price : Inland Rs. 2.30 Paise—Foreign 5sh 5d. or 83 cents.*

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