

REPORT OF THE
STUDY TEAM ON
DIRECTORATE GENERAL OF
TECHNICAL DEVELOPMENT
(PART I)



MINISTRY OF INDUSTRY AND SUPPLY
DEPARTMENT OF SUPPLY AND
TECHNICAL DEVELOPMENT
NEW DELHI

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MINISTRY OF INDUSTRY & SUPPLY

**DEPARTMENT OF SUPPLY &
TECHNICAL DEVELOPMENT**

NEW DELHI

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CONTENTS

			PAGE
CHAPTER	I	Introductory	I
CHAPTER	II	Role, functions and organizational pattern of the Directorate General of Technical Development	4
CHAPTER	III	Guiding principles followed by the Study Team	7
CHAPTER	IV	Scope of import work	10
CHAPTER	V	Allocation of foreign exchange	11
CHAPTER	VI	Import of raw materials, components and spares by undertakings borne on the books of the Directorate General of Technical Development	26
CHAPTER	VII	Import of capital goods	45
CHAPTER	VIII	Indigenous clearance for imports effected by public sector and departmental undertakings	56
CHAPTER	IX	Import applications from universities, educational, scientific and medical institutions and municipalities	68
CHAPTER	X	Summary of conclusions and recommendations	69
APPENDIX	I	Name of associations/chambers of commerce/individuals/ officials from whom suggestions were invited	85
APPENDIX	II	Functions of the Directorate General of Technical Development	88
APPENDIX	III	Heads for ceilings of foreign exchange	90
APPENDIX	IV	Note on industry-wise allocation of foreign exchange	92
APPENDIX	V	Statement indicating the procedure followed in different directorates for the allocation of foreign exchange to industrial units	94
APPENDIX	VI	Case study report on applications from industrial undertakings borne on the books of the Directorate General of Technical Development for the import of raw materials, components and spare-parts	106
APPENDIX	VII	Revised form 'C' special form of application for the import of raw materials, components and spare-parts, for certain specified industries as well as other industrial units borne on the list of Directorate General of Technical Development	111
APPENDIX	VIII	Acknowledgment-cum-deficiency card	116
APPENDIX	IX	Form of the covering letter with which the recommendation will be sent by the Directorate General of Technical Development to the Chief Controller of Imports and Exports	117
APPENDIX	X	Case study report on applications from the industrial undertakings borne on the books of the Directorate General of Technical Development for the import of capital goods	119
APPENDIX	XI	Note on the modifications suggested to form 'E'—form of application for the import of capital goods and heavy electrical plants, together with the revised form	127
APPENDIX	XII	Case study report on indigenous clearance for the import by public sector and departmental undertakings etc.	133

Letter

H. C. MATHUR, M.P.
Chairman,
Study Team on the
Directorate General of
Technical Development.

New Delhi,
Dated the 11th June, 1965.

My dear Raghu Ramaiah,

In letter No. 21(8)/64/V dated the 12th August, 1964 the Government of India in the Ministry of Industry and Supply (Department of Supply and Technical Development) appointed a Study Team to examine the working of the Directorate General of Technical Development with a view to recommend measures for removing procedural bottlenecks and improving methods of work for eliminating corruption. As Chairman of the Team I am glad to submit herewith Part I of our Report covering aspects of the Directorate General's functioning in relation to import work. Our recommendations on industrial licensing, organisational problems of the Directorate General and other cognate matters will follow subsequently.

2. Because of the complexity of the work handled by the Directorate General and the fact that things have yet to settle down about the precise role which the organisation should perform our study was by no means an easy one. We have been clear in our minds that the organisation's role in respect of planning and development of industry generally should not be reduced in any way and that, in fact, the hands of the Director General should be strengthened to enable him to perform this role effectively. Another of our guiding principles has been that responsibility should be clearly demarcated, and whatever responsibility the Directorate General has to carry should be without qualifying provisions requiring prior consultation with one authority or the other. This, I believe, is also in line with what the Prime Minister has said in his latest note.

3. In this first Report, since import work occupied our attention mainly, questions relating to the allocation of foreign exchange have necessarily had to be gone into. We have kept in mind the serious difficulties which the country is going through in regard to foreign exchange. However, our guiding principle here has been that, while foreign exchange difficulties will continue in varying measure and will have their impact on the total availability in a given period, it will still be necessary to make arrangements for the equitable distribution and optimum utilisation of whatever foreign exchange is actually available. We do not consider, therefore, that short supply of foreign exchange by itself justifies multiple and cumbersome restrictions in regard to prior approval for operating foreign exchange allocations. Once allocations are made in the context of whatever foreign exchange is available, operating procedures in regard to them should be as simple as possible consistent with the need to avoid wasteful utilisation.

4. The Directorate General has a more intimate role to perform in regard to industrial units borne on its books than in regard to industries in the public sector or in the non-schedule or small scale sector. For the former, we have devised recommendations which we hope will not only make easier the DGTD's task of planning and developing the industries entrusted to his care but will also lead to greater convenience of the clientele of the department. For the latter, the Directorate General's task is essentially to give indigenous clearance. While we recognise the importance of this function, we consider it possible to contrive working arrangements that will retain the essence of strict check from the indigenous angle and at the same time reduce the flow of individual references to the Directorate General, thus effectively decentralising this work within safe limits.

5. The Study Team had perforce to go into policy questions in so far as they had an impact on procedure. In supra-procedural matters like giving greater freedom to the D.G.T.D. to operate within his foreign exchange allocation, extending the validity period of indigenous clearance, abolition of itemised restriction except in special cases and informing applicants of the recommendations made in their cases, we believe we are justified in making specific recommendations to the Government. To regulate but not to cramp, to plan but not to obstruct, to help without favour and to reject without prejudice is what should be the ethos of industrial regulation and development.

6. I have always believed in reposing the fullest trust in officers and to let them earn it. In this strain we have not smothered exercise of discretion but have tried to facilitate it by enunciating broad principles and guide-lines on matters like distribution of foreign exchange, indigenous clearance, chronological handling of cases, etc. By providing for keeping the clientele of the department fully informed, by laying down time-tables of work, through procedures for *ex-post facto* scrutiny etc. we have tried to build in deterrents against delay and abuse of discretion.

7. We are passing through challenging times when our industries have to stretch to their maximum potential for national and economical survival. The Directorate General of Technical Development has to play crucial role. Any improvement in its working will have a far-reaching effect on industry as a whole. If our Report can contribute anything in this direction, we shall not have toiled in vain.

8. Our task has been greatly lightened by the helpful co-operation of two successive DGTDs, namely, Shri S. S. Kumar and Shri P. C. Kapoor. We are also indebted to Shri S. S. Puri, Member-Secretary for his indefatigable labour and meticulous precision in work and to all the officers of the Department of Technical Development and of the Directorate General who helped us in our work in various ways, and particularly in placing their valuable experience at our disposal.

Yours sincerely,
Sd/ (H. C. MATHUR).

Shri K. Raghu Ramaiah,
Minister of Supply & Technical Development,
Ministry of Industry & Supply,
Udyog Bhavan,
New Delhi.

CHAPTER I

INTRODUCTORY

Study Team and its terms of reference

The Study Team was appointed on the 12th of August, 1964 by the Government of India in the Ministry of Industry and Supply, Department of Supply and Technical Development, in pursuance of the recommendations made by the Santhanam Committee to look into the functioning of the organisation of the Directorate General of Technical Development. The terms of reference of the Study Team are as follows:—

“The Team will examine the organisation, structure, methods of work and procedures of the Directorate General of Technical Development, 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 improvement so that opportunities for corruption are eliminated.”

2. The Study Team was constituted as under:—

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

The following were also appointed members of the Study Team at later dates:—

- *6. Shri S. S. Kumar, (Ex-DGTD) Chairman and Managing Director, National Projects Construction Corporation.—Member.
- **7. Shri P. C. Kapoor, Director-General Technical Development.—Member.

* Shri S. S. Kumar relinquished the charge of the post of Director General of Technical Development on 18th December, 1964 but kindly agreed to continue his membership of the Study Team.

** Shri P. C. Kapoor took over as Director General of Technical Development on 12th February, 1965.

8. Shri S. S. Puri, Deputy Secretary, Department of Supply & Technical Development.—Member-Secretary.
9. Shri S. P. Mukherji, Deputy Secretary, Department of Administrative Reforms, Ministry of Home Affairs—Member.

3. The first meeting of the Study Team was held on the 28th of August, 1964. At this meeting, in deference to the wishes of the other members, Shri H. C. Mathur kindly agreed to act as Chairman of the Study Team.

Working of the Study Team

4. We decided that, whereas procedural bottlenecks and organizational weaknesses may have to be gone into in detail, it should be within the scope of our enquiry to go into policy questions also in so far as they have a distinct bearing on the procedures and practices obtaining in the organization. We examined a list of problem areas and procedural issues, prepared after discussions with the officers of the Directorate General of Technical Development and decided to appoint three Working Groups viz., (a) on policy and procedures; (b) on organization, structure and personnel; and (c) on simplification of forms, proformae and returns, so as to examine those issues in greater detail. In order, however, to expedite the submission of the Report and also realising the importance of the issues involved, the Study Team took over the functions of the first Working Group in February, 1965. We also launched upon a programme of case studies on (i) import licences; (ii) capital goods licensing; (iii) industrial licensing; (iv) industrial registration; (v) Development Councils; (vi) indigenous clearance; (vii) allocation of scarce raw materials; and (viii) progress returns, and in the process got examined intensively 725 files selected on the basis of random and purposive sampling.

5. A large number of officials, representatives of manufacturers and organizations and chambers of commerce and other knowledgeable individuals were addressed to send their suggestions for effecting improvement in the working of the organization. Their suggestions were considered in detail by us. The list of individuals, organizations, etc. whose suggestions were invited is available at Appendix I.

6. Another Study Team in which most of the members of this Study Team have been included are concurrently looking into the working of the organization of the Chief Controller of Imports & Exports. We have thus had the benefit of discussions held by the other Study Team which submitted Part I of its report on the 8th of March, 1965. Attempts have been made to ensure that as far as possible the recommendations of the two Study Teams are not only compatible with each other but also can be dovetailed into each other with the least dislocation. As a matter of fact these two Study Teams were at

one stage considering the feasibility of submitting a common report in so far as import licensing was concerned, but for administrative convenience and facility of implementation as also to enable this Report to cover problem areas not discussed in the other Study Team, it was ultimately decided to have two separate reports.

7. It would be appreciated from what follows that it could not have been possible for the Study Team to finalise the report within the scheduled time of three months. As a subsequent chapter will indicate, the Directorate General of Technical Development's organisation in its sweep of functions and coverage as also the variegated character of the technical services rendered to multifarious organisations, was found to be so complicated that it was felt that any recommendation made after examination of only a limited aspect in one sector might generate imbalances and inconsistencies in the other sectors thus defeating the very purpose which the recommendation was purported to serve. We, therefore, had to examine specific problems within the general setting and also the general setting in the context of the particular problems. We associated with our deliberations the departmental officers and considered with them a number of working papers on various aspects of Directorate General of Technical Development's work. Officers of other Departments were also liberally consulted in so far as their functions affected Directorate General of Technical Development's work. Ever since the inception of the Directorate General of Technical Development's organisation the present study may be said to be the first attempt towards a comprehensive and integrated study of all aspects of the Directorate General of Technical Development's organisation. The study covered the whole field of the Directorate General of Technical Development's relationship with the private and public sectors, different Ministries and Departments of the Government of India, as also the technical, economic, administrative, procedural and public relations aspects of the servicing done by the organisation. Even a reasonable attempt at such a vast coverage would entail full time engagement of a considerable number of high level officers for several months. The fact that, except for four junior analysts, all others were involved in the above venture while simultaneously attending to their usual full-time duties and pre-occupations cannot be overlooked. We have so far held 31 meetings and the various Working Groups have held 44 meetings, and are now in a position to submit Part I of our recommendations to cover all aspects of import work done in the Directorate General of Technical Development's organization. We expect to submit in due course the second and concluding part of our Report which will include *inter alia* recommendations on industrial licensing and registration, simplification of forms and organisational, structural and personnel problems of the Directorate General of Technical Development's organisation.

CHAPTER II

ROLE, FUNCTIONS AND ORGANISATIONAL PATTERN OF THE DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT

Background

With an annual maintenance budget of about Rs. 42 lakhs and handling each year more than seven lakh receipts pertaining to industrial development, the Directorate General of Technical Development forms, within the Government, the largest technical organisation connected intimately with the promotion of industrial growth. Barring twenty Section Officers and six other officers in the Co-ordination and Administration Directorates, the rest of the entire gazetted staff consists of engineers and technical officers numbering about 170.

2. The compulsions of the post-war need of consolidation in the industrial field led to the establishment of the Development Wing as a part of the Director General of Industries and Supplies under the Department of Industry and Supply. In the context of the Industrial Policy Resolution of 1948 and the advent of a planned economy and with the passing of the Industries (Development and Regulation) Act, 1951, the Development Wing became an 'Attached Office' under the then Ministry of Commerce and Industry in 1951 as the main where-withal of the Government for securing a well-balanced and properly coordinated pattern of industrial economy in the private and public sectors. The spurt in industrial development during the first two Plan periods resulted in a phenomenal increase in volume and diversity of responsibilities of the Development Wing. On the declaration of the Emergency in November 1962, the organisation was transferred to the late Ministry of Economic and Defence Co-ordination with the added responsibility of mobilising production for defence purposes. This also resulted, for the first time, in the appointment of a Director General of Technical Development for co-ordinating and controlling the Engineering and Chemical Wings, each of which had been under a separate Senior Industrial Adviser from 1958 onwards.

Functions

3. The functions of the Directorate General of Technical Development have been listed in Appendix II. Broadly, they are as follows:—

- (a) *Technical Adviser to the Government of India on all industrial matters:*—This includes recommendations on industrial licensing, fixation of targets of and priorities in production, advice on foreign collaborations and in the formulation of export-import policies.
- (b) *Technical consultant to public sector undertakings and autonomous and statutory organisations like*

Tariff Commission, Industrial Finance Corporation, National Industrial Development Corporation, etc.

- (c) *Consultant to the industrial units in the private sector* on matters regarding choice of industry, investment, foreign collaboration, substitutes for imported raw materials and other scarce items, and quality control.
- (d) *Planning and Development* of all industries except a few like iron and steel, textiles, jute, sugar and vanaspati. The functions in this regard comprise the following:—
 - (i) Processing of import applications for raw materials, spares, components, capital goods, etc. which are routed through the organisation.
 - (ii) Allocation of foreign exchange.
 - (iii) Ensuring achievement of production targets and phased programmes of indigenous content.
 - (iv) Assistance in the matter of securing transport and power facilities.
- (e) *General executive powers:*
 - (i) allocation of scarce raw materials like cement, pig iron, etc.
 - (ii) issue of licences for import of machine tools.
- (f) *Collection, consolidation and dissemination* of technical and industrial data.
- (g) *Export Promotion.*
- (h) *Participation in technical and scientific meetings and conferences.*

New dimensions of DGTD's functions

4. With the declaration of the Emergency, it was visualised that the Directorate General of Technical Development should place greater emphasis on the functions of planning and development of the civil sector of industries in liaison with Defence Science Organization, Atomic Energy Commission and the perspective Planning Division of the Planning Commission. It was also thought that there might be advantages in asking the Directorate General of Technical Development to intensify the planning, inspections and project evaluation work.

5. At one stage a proposal was considered that in matters of licensing, import of capital goods, technical collaboration by the Ministries of the Government of India in the public sector as also the private sector, the Directorate General of Technical Development's advice should cover the *entire* field of industrial development. This would have necessitated the creation of directorates in the fields of petroleum products, coal, fuel efficiency, industrial effluents, iron and steel, textile machinery, energy resources and electronics. The need for corodination of research for industrial development and laying down a programme for substitution of imported materials by indigenus products was also emphasised.

6. We have noted the views and suggestions mentioned above and will give our recommendations on this aspect in Part II of our Report.

Organisation of the Directorate General of Technical Development.

7. The Directorate General is broadly divided into two wings namely, Engineering and Chemical, each under a Deputy Director General. A Senior Industrial Adviser functioning directly under the Director General Technical Development looks after the automobile and allied industries. In the two main wings, each of the Deputy Director General's groups is divided into a number of Industrial Advisers' Divisions, there being 11 such Divisions under the two Deputy Director Generals. The Industrial Advisers' and the Senior Industrial Advisers' Divisions are sub-divided into 53 Directorates each consisting of one to three Development Officers and a number of Assistant Development Officers. The Development Officers occupy a key position in the Directorate General of Technical Development's organisation. The Directorates are serviced by sectional staff but the demarcation of sections is not strictly on a Directorate-wise basis. In some cases a Section Officer works not only under more than one Development Officer but also under more than one Industrial Adviser. A Section Officer sometimes has to look after 30 to 40 clerks.

8. Each Development Officer is placed in charge of a group of industries, each industry comprising a number of manufacturing units. The Development Officer is responsible for the planning, development and consultation on all matters concerning his group of industries. There are at present 75 Development Officers. It is, however, not possible for a Development Officer to function in isolation, because the industry or the units he is concerned with cannot function in isolation from the rest of the industrial sector. For providing and facilitating the infra-structure as also the social overheads under which a unit can be established or can flourish, the Development Officer has to consult other agencies within and outside the Directorate General of Technical Development's organisation. Since the capital and maintenance requirements of one unit may be met from the end-product of another unit in a different Directorate, inter-Directorate consultations cannot be avoided. Facilitating such consultation with the least possible waste of time has been one of the trickiest problems posed before us.

9. Such a big organisation like the Directorate General of Technical Development has to be serviced by an Administration Division for house-keeping duties and also a Co-ordination Division for processing, consolidation, co-ordination and formulation of decisions affecting more than one Industrial Adviser's group. These Divisions which are under two Deputy Directors of Under Secretary's rank function directly under the Director General of Technical Development. These two Divisions constitute the purely non-technical sector in the Directorate General of Technical Development's organisation.

CHAPTER III

GUIDING PRINCIPLES FOLLOWED BY THE STUDY TEAM

Special features of Directorate General of Technical Development's Organisation

We could identify the following features peculiar to the Directorate General of Technical Development's Organisation as distinguished from other 'attached' offices of the Government of India:—

- (i) Except during 1954-58, ever since its inception till the end of 1962 the Organisation had no single officer at its head who could give unified direction and control to its working. This bequeathed a number of problems of co-ordination and control and resulted in different working procedures and principles being followed by different Directorates.
- (ii) Though basically intended to be a technical organisation, the officers of the Directorate General of Technical Development have had to deal with a considerable load of non-technical work.
- (iii) Besides acting as a consultant, the organisation acts as a regulator and distributor of foreign exchange, raw-materials, etc. The latter functions involve a measure of imposing discipline, supervision and inspection.
- (iv) Even though the Directorate General of Technical Development are concerned with the development of individual industrial units in the large and medium scale sectors throughout the country, it does not have any field agencies located at regional centres. This limitation accruing from the compulsion of discharge of "line" functions with the help of only "staff" organisation leaves the choice between frequent tours of the technical officers from the headquarters on the one hand and a large measure of dependence on the material furnished by the interested parties themselves on the other.

Objectives and principles in view of the Study Team

2. From the functions of the Directorate General of Technical Development set out in the preceding chapter, it will be seen that this organization has a very important role to play in the development of indigenous production either by the establishment of new industries or by helping in the growth and expansion of the existing industries. Also, in pursuance of that role, the Directorate General of Technical Development have to discharge an important function vis-a-vis the large-scale and medium-scale undertakings in the private sector in

the matter of equitable and prompt distribution of foreign exchange amongst those undertakings. We have, therefore, examined the procedures and practices obtaining in the organization with a view to determine whether they adequately assist the organization in playing its role and in discharging its functions effectively. In carrying out this examination and arriving at various recommendations, we have kept the following questions and guide-lines in view:—

- (a) Whether it is feasible to separate the executive functions from the development role of the Directorate General of Technical Development, and, if so, how best the discharge of the two types of functions can be organised;
- (b) In what manner can the Directorate General of Technical Development's Organisation be facilitated to take greater initiative in doing industrial surveys, planning and development, and project evaluation work;
- (c) Whether there is any need for strengthening the planning and co-ordination work of the Directorate General of Technical Development, particularly in the context of the large industrial development programmes included in the successive Five Year Plans;
- (d) To what extent and how best can the technical officers be relieved of non-technical work;
- (e) To what extent and in what manner can delegation be given effect to in order to achieve the benefits of speed with efficiency;
- (f) What facilities and opportunities should be provided to the technical officers to keep their technical knowledge as well as field experience up-to-date;
- (g) What procedures and policies may be evolved so as to reduce the need for the industry to come up frequently to the organisation for clearance or sanction during the currency of each licensing period, thereby also minimising the element of uncertainty which is likely to hamstring the planning of industrial units considerably;
- (h) Considering that the Directorate General of Technical Development's Organisation has to be more clientele-oriented, in what manner can their decisions and such of their recommendations as have the finality of an order or sanction be communicated to the parties at the earliest stage providing thereby timely and suitable avenues for representations;
- (i) What functions can be discharged through the institution of a public relations officer unit effectively and with advantage;
- (j) What system may be evolved to ensure that the justification for the exercise of discretion in any particular manner gets duly brought on record for future reference;

- (k) How best a system of ex-post-facto scrutiny of files may be instituted to act as a sound mechanism for the detection of mistakes and irregularities and for guidance of the officers concerned;
- (l) Whether, considering the technical nature of work involved, the organisation cannot usefully switch over to an officer-oriented pattern under which a common servicing section attached to each Industrial Adviser's Division will put up papers without delay to the officers who will record their views through the assistance of a stenographer;
- (m) Whether the existing filing system cannot be modified with modern techniques and aids so as to facilitate the functioning of technical officers with as little of non-technical support as possible;
- (n) To what extent and in what manner can the periodical returns and forms be simplified in content and reduced in number;
- (o) How best the frictional time in moving all papers can be reduced to the unavoidable minimum;

3. It may be stated that in the examination of various complex situations, we did not adopt any doctrinaire attitude in regard to the queries or guide-lines listed above. These were the broad indices with the help of which problem areas and issues were analysed. We brought the various suggestions received from different quarters under intense scrutiny through frank and repeated discussions with the officers who are intimately connected with those matters. We tried to associate the officers of the Department with our deliberations to the maximum extent possible, so that our thinking should be practical and our recommendations capable of quick implementation. We feel greatly beholden for all the assistance that we have received from the departmental officers. We feel sure that with the co-operation of the Director General of Technical Development and his officers, the recommendations made in this report will help the Department to render even more useful service than before in the development of industry, and that the beneficial effects will be felt to a marked extent by the clientele of the Department.

CHAPTER IV

SCOPE OF IMPORT WORK

The import work handled in the Directorate General of Technical Development consists of the examination of import applications received not only from the industrial undertakings borne on their own books but also from public-sector projects, State Electricity Boards, Government Departments, small scale units and other institutions like, universities, educational, scientific and medical institutions and municipalities.

2. In the case of industrial undertakings borne on their books, the Directorate General of Technical Development have to perform a three-fold function:—

- (i) They have to allocate the necessary foreign exchange to these units for the import of raw-materials, components and spare-parts.
- (ii) They have to examine the essentiality of the items proposed to be imported by these units.
- (iii) They have also to examine these applications from the point of view of indigenous availability.

3. In the case of import applications from other organisations the Directorate General of Technical Development have only to examine them from the point of view of indigenous availability.

CHAPTER V

ALLOCATION OF FOREIGN EXCHANGE

The procedures for the allocation of foreign exchange are closely linked up with the procedures for import licensing, and an examination of the latter would be incomplete without looking at the former. The linking up of the foreign exchange with the issue of an import licence for the capital goods is done when an application is considered in the appropriate Capital Goods Committee. In this chapter, the procedures governing foreign exchange allocation for raw-materials, spares and components are discussed, with particular reference to the linking up of the process of allocation with the process of import licensing. The focus of the discussion is on the requirements of the D.G.T.D. borne units, but our studies have carried us into realms beyond this, and, wherever appropriate, we have ventured to make recommendations even though the D.G.T.D. borne units were not directly concerned.

2. Import licensing is the end-stage of a process which covers a number of important stages. The eventual recommendation of the Directorate General of Technical Development on a particular import application is based, qualitatively, on an essentiality-cum-indigenous angle scrutiny, and, quantitatively, on the foreign exchange available and the priority allotted to the industry concerned. For all this, the Directorate General of Technical Development have to ensure that the performance and the requirement of each unit on their list are correctly assessed. They have then to see that the available foreign exchange is allocated in a manner which conforms with the policy about inter-industry priorities. While, allocating foreign exchange from different sources to a particular unit, the Directorate General of Technical Development have to see to the matching problem, so that what is permitted to be imported leads to optimum production and does not produce imbalances in inventories. Some kind of balance has also to be ensured between two different industries where the product of one is the raw material or component for the other. In all this process, the deployment of foreign exchange is of crucial importance, and is inextricably linked with functions of development of industry.

3. Recognising the important role played by procedures for allocating foreign exchange, we have examined the whole process of allocation, starting from the allocation made to the Directorate General of Technical Development as a whole down to unit-wise allocation. There are three broad stages. The first involves the fixing of the quantum of allocation for the Directorate General of Technical Development as a whole; the second concerns the apportionment of that allocation to different industries; and the third concerns unitwise allocation within a particular industry. These three stages are discussed separately below.

Stage I. Allocation to the Directorate General of Technical Development as a whole.

4. *Existing position*:—In the beginning of each calendar year, and again in the middle of it, the Economic Adviser attached to the Ministry of Industry & Supply collects demand figures from the Directorate General of Technical Development and others relating to their requirements of foreign exchange for commercial imports for two succeeding half years separately. On the basis of these demand figures, the Department of Economic Affairs make a consolidated allocation to the Industry Ministry for all commercial imports (other than for ships, iron and steel, petroleum, oil and lubricants, tourist promotion, newsprint and private sector steel industry). The task of distributing this to various heads is then taken up by the Economic Adviser on the basis of past performance and other relevant considerations obtaining at the time. He prepares a tentative distribution list against each demand which is then discussed at an inter-departmental meeting taken by the Secretary (Industry). The meeting is attended by representatives of the Ministries of Finance, Commerce, Petroleum and Chemicals, Mines & Metals, the Planning Commission, Directorate General of Technical Development and Chief Controller of Imports & Exports. In this meeting the allocations are finalised, the emphasis being to off-load the demand for free foreign exchange to non-free resources to the maximum extent possible. It is at this meeting that the Directorate General of Technical Development receives his allocation of foreign exchange.

5. The heads under which foreign exchange ceilings are allocated in this meeting are listed in Appendix III, which for ready reference also indicates the main consumers, the importers and the authorities who operate each ceiling. It will be seen that the Directorate General of Technical Development get foreign exchange through this process in two ways:—

- (a) There is first the bulk allocation made to them against item 26. This forms by far the biggest source of foreign exchange for the Directorate General of Technical Development. It comes to them divided into two portions, one for the Chemical Division and the other for the Engineering Division, but this division is not binding and adjustments can be made by the Director General of Technical Development. In practice the extent of such adjustments has, however, been limited.
- (b) There is then the commodity-wise allocation made to the D.G.T.D. borne units against items like sulphur, caustic soda etc. Here the Economic Adviser performs a two-fold task; he allocates a certain amount of foreign exchange to a particular commodity and also sub allocates it further to the D.G.T.D. borne units and other claimants like Small Scale Industries. The total of the share of the D.G.T.D.

borne units in these commodity-wise allocations forms the second part of the foreign exchange made available.

6. Iron and steel imports are not covered by the above process and the requirements of the D.G.T.D. borne units for such items are met through a different procedure altogether. Allocations under this procedure are channelised through the Ministry of Steel, which takes in demand figures from the Directorate General of Technical Development and other sectors of industry before making their allocations. What the Directorate General of Technical Development get in term of foreign exchange from this source becomes a third block of foreign exchange available to them. In the procedure governing this allocation, the Ministry of Steel get a bulk allocation direct from the Department of Economic Affairs, and the Economic Adviser to the Ministry of Industry does not come into the picture at any stage.

7. The position of non-ferrous metals requires special mention. Although this item figures in the list at appendix III, the role of the Economic Adviser is confined only to fixing the quantum of allocation for non-ferrous metals as a whole. The sub division of the allocation between requirements of the D.G.T.D. borne units and others is settled by the Department of Mines & Metals. The position of non-ferrous metals is thus half way between that of the commodities wholly handled by the Economic Adviser and that of steel in which he does not come into the picture at all.

8. *Analysis of the existing position:*—The first point to note is that steel allocations are governed by a procedure which can lead to lack of co-ordination with allocations for other needs. Although steel allocations are based on demand figures furnished by the Directorate General of Technical Development and the same is the case for allocations made for other needs through the Economic Adviser, Department of Industry, in the event of cuts on either side due to short supply of foreign exchange an unbalanced situation can and does arise. In that event, steel allocations often turn out to be less than the requirement for optimum matching; but the opposite situation can also arise. Since allocations for steel are “pegged”, when more foreign exchange is required for steel it is difficult to find that out of the normal allocations of the Directorate General of Technical Development although sometimes it is possible to do so in a limited way through an informal arrangement with the Department of Iron & Steel. In any case flexibility is not available at all in the other direction; that is to say it is not possible for the Directorate General of Technical Development to utilise any part of the steel allocation for needs other than steel. This position raises two issues for consideration:—

- (a) In order to make for better matching and co-ordination as between the total quantum of steel allocation and the allocation for other needs, would

there not be advantage in transferring the responsibility for making steel allocations to the private sector industry from the Department of Iron & Steel to the Department of Industry (i.e. the Economic Adviser)?

- (b) In order to give the maximum possible flexibility to the Directorate General of Technical Development while making unit-wise allocations, would there not be advantage in doing away with the concept of a "pegged" allocation in regard to steel?

9. Regarding (a) we have not been able to go deeply into the history and background of the steel allocation procedure being substantially different from the allocation procedure for other needs. However, we have had detailed discussions with representatives of the Department of Iron & Steel and of the Iron & Steel Controller, as also with the Economic Adviser attached to the Department of Industry. It seems to us that, whatever may have been the justification for the original decision for channelising steel allocations to private sector industry through the Department of Iron & Steel, there is not much to say in favour of continuing the system and a great deal to urge for changing it by transferring the functions performed by that Department to the Economic Adviser attached to the Department of Industry. In favour of the system the main point is that, if control over steel imports is in the hands of the very department that looks after the development of the indigenous industry, matching and co-ordination as between imports and indigenous production is facilitated. In practice, however, it is understood that co-ordination is attempted in a broad way only by drawing up a list of iron and steel items that may be imported. Perhaps the overall supply position is such that going into any more detail is not considered necessary. The extent of co-ordination that is in fact being attempted at present does not seem to be linked with executive control over the various stages of import work, from handling foreign exchange allocations to actual licensing, and could perhaps continue to be achieved even with these executive responsibilities transferred elsewhere. If allocation functions are transferred to the Economic Adviser, a more important kind of matching and co-ordination would become possible, i.e. between the needs of the private sector industry for imported iron and steel and those for other imported raw materials/components. Apart from the advantage of quantitative balancing as between different needs, there would also be the advantage that allocations would flow out from one place at one time, and this advantage would get reflected at subsequent stages of the import licensing procedure also. At present, on the timing angle alone, there is enough disparity between procedures on the iron and steel side and those in regard to other commodities to justify basic re-thinking. In the current year, for instance, we understand that steel licensing for DGTD borne units has not taken place until the date of signing of this report, although licensing for other raw materials and components has been largely attended to. There is thus

not only a problem of balancing allocations for various requirements but also a problem of co-ordinating time-tables and procedures generally, both of which could be better attended to with the transfer of functions to the Economic Adviser. We recommend, therefore, that the functions at present performed by the Department of Iron & Steel in respect of steel allocations for private sector industry, both at the stage of obtaining demands and at the stage of receiving allocations against them from the Department of Economic Affairs and distributing them, should be transferred to the Economic Adviser. Recommendation.

10. Regarding (b), the gain from transferring the responsibility for steel allocation to the Economic Adviser would be limited if the present rigid barrier between the allocation for steel and other allocations were to continue. Our discussions with officers of the Directorate General of Technical Development's organisation have convinced us that there would be considerable advantage in doing away with this barrier, because in that event complete flexibility would be available at the time of making unit-wise allocations. We, therefore, recommend that the allocation for the requirements of imported steel for private sector industry should be added to the consolidated allocation which the Department of Economic Affairs make for commercial imports, and that the requirements of the D.G.T.D. borne units should then be catered for by this addition being suitably reflected in the bulk allocation made to the Directorate General of Technical Development against items 26 of Appendix III. In this way, the position in regard to steel requirements of such units would be brought at par with the requirements for all other raw materials and components, except those which continue to be specifically mentioned in the list of allocation heads. Recommendation.

11. The second point to note in the existing position relates to non-ferrous metal. As already observed, the procedure governing allocation of non-ferrous metals is half-way between that for commodities wholly handled by the Economic Adviser and that of steel in which he does not figure at all. The considerations which have led us to recommend amalgamation of the steel allocation with the normal bulk allocation made to the Directorate General of Technical Development apply with greater force to the allocation for non-ferrous metals. For one thing, we are advised that the matching problem in respect of the requirements of DGTD borne industries is even more important for non-ferrous metals than for steel. Also, unlike iron and steel, there is hardly any indigenous production of non-ferrous metals with which any kind of co-ordination needs to be done. We understand that until fairly recently non-ferrous allocations were squarely in the hands of the Economic Adviser and that the transfer of functions in regard to sub-allocation to the Department of Mines & Metals is a new development. We find no particular reason in support of this development and considerable justification for reverting to the previous position. Accordingly we recommend that functions at present being performed in regard to sub-allocation of the non-ferrous allotment by the Department of Mines & Metals should Recommendation.

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be transferred to the Economic Adviser. We also recommend that as in the case of the steel allocation, the allocation to the D.G.T.D. borne units for their requirements of non-ferrous metals should be amalgamated with the bulk allocation made to Directorate General of Technical Development against item 26 of Appendix III.

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12. The third point which merits attention is the apparent incongruity in the existing system under which allocations are made both commodity-wise and industry-wise. So far as the D.G.T.D. borne units are concerned, for instance, their requirements for commodities specifically mentioned in the list of allocation heads come in the shape of commodity-wise earmarked amounts of foreign exchange. In this way requirements for these commodities get special attention as compared with requirements for commodities not specifically mentioned and, therefore, needing to be met from Directorate General of Technical Development's bulk allocation. It seems that, in most cases, the special treatment accorded to a particular commodity in this way is the result of historical reasons, and there is perhaps no strong justification for continuing to treat these commodities in any different way from other raw material and components covered by the Directorate General of Technical Development's bulk allocation. While it is true that the Directorate General of Technical Development's share in the allocation for these commodities is under fairly effective control of the Directorate General of Technical Development themselves, thus ensuring an element of flexibility, the very fact that allocations are given to them in a commodity-wise fashion might on occasion lead to rigidity and therefore difficulty in bringing about balance with other allocations. In this respect, the argument against a commodity-wise allocation system here is more or less the same as that against special systems for steel and non-ferrous metals. We, therefore, recommend that wherever possible commodity-wise allocations may be done away with so far as the DGTD borne units are concerned and that the Directorate General of Technical Development's share in the allocation for such commodities should be amalgamated with their bulk allocation against item 26 of Appendix III. Our discussions with the Economic Adviser and officers of the Directorate General of Technical Development's organisation indicate that this could be done without much difficulty in the case of copra and palm oil, sulphur, caustic soda, machine tools etc. even though some of them are canalised items. For these commodities, therefore, our recommendation could perhaps be adopted straightaway. The possibility of extending it to the remaining commodities, particularly where the question of amalgamation would have to be considered in the context of amalgamating it with the allocation of a sponsoring authority other than the Directorate General of Technical Development, may be examined by Government later.

13. An apprehension was expressed that, while an amalgamation of commodity-wise ceilings with the Directorate General of Technical Development's bulk allocation would be

of considerable advantage from the angle of rational deployment of the available resources, the quantum of the total allocation made to the Directorate General of Technical Development may be adversely affected. There seems to be a feeling that, from a purely tactical point of view, the D.G.T.D. borne units stand a better chance of getting an adequate share in the total pool of available foreign exchange if their demand is presented not in one place but scattered over several heads. We find it difficult to believe that a presentational point like this could affect basic decisions in regard to allocation of foreign exchange. But since such an apprehension has been expressed, we should like to recommend that special care may be taken to see that the amalgamation of ceilings proposed by us does not in any way lead to a reduction in what the Directorate General of Technical Development may have received by way of a total allocation under the previous system.

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14. The essential corollary to the amalgamation of allocations for steel, non-ferrous metals and other commodities with Directorate General of Technical Development's bulk allocation would be that the requirements of the D.G.T.D. borne units would have to be assessed in a consolidated manner covering their needs for all raw materials, components and spare coming within the ambit of the Directorate General of Technical Development's bulk allocation. On the basis of this consolidated assessment, the allocation of foreign exchange to individual units would also have to be done in a consolidated manner. From this position we are led to the view that the consequential licensing for imports should also be done in a consolidated way. In other words, we recommend that import licensing for the steel requirements of the D.G.T.D. borne units should be transferred from the Iron & Steel Controller to the Chief Controller of Imports & Exports, and should preferably be done from the headquarters. Thus there should be a single consolidated licence to be issued from the headquarters of the Chief Controller of Imports & Exports for the total needs of a particular unit for raw materials, components and spare except in the case of canalised items.

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15. Since the scope of our work is confined to the working of the Directorate General of Technical Development's organisation, we have limited the scope of recommendations made in the foregoing paragraphs to the needs of the D.G.T.D. borne units. However, it is clear that some of our recommendations have an impact on sectors of industry other than the D.G.T.D. borne units. For instance, our recommendation in favour of giving to the Economic Adviser a position in respect of steel and nonferrous metals at par with his position in regard to other commodities applies as much to sectors of industry other than the D.G.T.D. borne units as it does to the latter. Similarly, where we recommend amalgamation of commodity-wise allocations with the bulk allocation of Directorate General of Technical Development we would also recommend that similar treatment may be given to other sponsoring authorities whose needs are looked after by the Economic Adviser, at least to the extent possible.

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16. Our recommendation for unifying import licences for the D.G.T.D. borne units will need to be worked out in details; so will the effect on import licensing for other sectors of industry e.g., Small Scale Industries. We understand that these matters are being examined by our counter-part Steady Team which is going into the working of the Chief Controller of Imports & Exports organisation.

17. What these recommendations amount to is that the future pattern of allocations should be very much more industry-wise than commodity-wise. We have given some thought to the actual drill for arriving at allocation figures and have the following recommendations to make about that:--

- (i) Sponsoring authorities should be required to furnish their total demand for various categories of foreign exchange separately to the extent possible depending on the commodities that can be covered by each category of foreign exchange. These demands may continue to be obtained according to the time-table and procedure already in force.
- (ii) Sponsoring authorities should be required to screen their demands before forwarding them to the Economic Adviser and for this purpose guidelines may be set by the Economic Adviser which would ensure that as far as possible, the demands are milled through a uniform pattern of screening.
- (iii) After an allocation has been received from the Department of Economic Affairs against these demands, the Economic Adviser (Department of Industry) should make tentative allocation against various heads of allocation, setting out each allocation against each demand somewhat on the lines of the proforma at Appendix III. This should be intimated to the different sponsoring authorities in advance of the inter-Ministerial meeting taken by the Secretary, Department of Industry, for finalising the allocations.
- (iv) The meeting taken by the Secretary (Industry) should be attended by all relevant interests, and should make a point of going into relative priorities, apart from other points like reducing the pressure on free foreign exchange resources.

Some of these points are already in force, but we have spelt them out for the sake of putting our ideas down in a logical manner.

18. While going into the whole question of the system of foreign exchange allocations in the commercial sector, we have observed that there is a rigid barrier between the commercial allocation as a whole and allocations for other specific purposes like import of fertilizers, public sector needs etc. In some cases, this rigid barrier can produce undesirable situations. For instance, it could happen that the indigenous fertilizer industry could step up its production considerably with a

little extra foreign exchange, thereby saving much more foreign exchange in the balance. In such an event, it should be possible to consider diversion of some of the foreign exchange meant for import of fertilizers from the allocation of the Ministry of Food & Agriculture to the Ministry of Industry. Under the present system, it seems that this kind of thing cannot ordinarily be done. We recommend that procedures of co-ordination should be developed by the Department of Economic Affairs to introduce an element of flexibility in the present pattern of Ministry-wise allocation so as to deal with situations of the kind discussed. Recommendation.

STAGE II. INDUSTRY-WISE ALLOCATION

19. *Existing position*:—At present the Directorate General of Technical Development receive their allocation of foreign exchange in four distinct ways. There is first their bulk allocation against item 26 of appendix III, this accounts for a large part of the total foreign exchange available to them. There is then their share in the commodity-wise allocation for items like caustic soda, sulphur etc. There is also their share of non-ferrous metals allocation. Finally, there is the allocation given to them by the Department of Iron & Steel for steel imports. On receipt of these various allocations the Directorate General of Technical Development carry out an exercise of apportionment of foreign exchange ceilings to the various industries looked after by the organisation. The manner in which this exercise is carried out and the considerations that are borne in mind are set out in the note at appendix IV. This has been given to us by the Department.

20. *Analysis of the existing position*:—The first point to notice is that authority for making the final allocation between the various industries does not rest with the Director General Technical Development himself. In the case of the chemical industries, the final apportionment of the ceiling is made by the Deputy Director General with the prior approval of the Director General and the Secretary (Supply & Technical Development). In the case of the engineering industries, the final apportionment is made by the Deputy Director General with the prior approval of the Director General and Secretaries of the concerned Ministries. It is understandable that in such an important matter as allocation of foreign exchange the Secretary responsible for the Directorate General of Technical Development as well as the Secretaries of the various administrative Ministries looking after individual sectors of industry should be keenly interested. However, it seems to us that the present arrangement is not conducive either to quick apportionment of industry-wise ceilings or to the best judgement being brought to bear in regard to inter-industry priorities. It must be difficult under the present system for the Directorate General Technical Development to take a quick decision on the question of industry-wise apportionment.

21. In this background, we recommend that once allocations have been made to the Directorate General of Technical Dev-

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lopment their further apportionment as between various industries should be left entirely to the Director General Technical Development himself. If a particular Ministry concerned with a group of industries wish to indicate *inter se* priorities as between the industries they are supposed to look after, that should be done in the form of a note of advice sent to the Director General of Technical Development before he makes the overall industry-wise apportionment so that he can take the views of the Ministry into account. But the final apportionment should not require the prior approval of the concerned Ministries. The Director General should in fact be the final apportioning authority.

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22. As observed already, the Directorate General of Technical Development's bulk allocation comes to them split into two portions meant for the chemical and engineering industries respectively. Although this sub-division is only an indication and is not meant to be binding on the Directorate General of Technical Development, we understand that in practice an element of rigidity exists in regard to the sub-allocated figures. It seems to us that the reason for such inflexibility, as persists, is the system of indicating Directorate General of Technical Development's bulk allocation in a split form between chemical and engineering industries. Since it is accepted on all sides that the Director General Technical Development has the fullest authority for deploying his allocation to the best advantage without being bound by the sub-allocations indicated to him, we see no advantage in continuing the present system. We recommend in short that the hands of the Director General of Technical Development should not be tied even remotely by indicating his allocation in two groups, and that his allocation should be given as one figure only.

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23. The entire process of considering individual applications for import licences can be taken up in earnest only after industry-wise apportionment of foreign exchange has been finalised. We recommend that the Directorate General of Technical Development's industry-wise apportionment should be completed within 15 days of their receiving the foreign exchange allocation at the meeting taken by the Secretary (Industry). We understand that even at present the industry-wise allocation is generally completed within a fortnight. We have separately gone into the question of working this stage into the overall time-table for the processing of import applications.

STAGE III. UNIT-WISE ALLOCATION

24. *Existing position*:—Unit-wise allocation involves the distribution of foreign exchange apportioned to a particular industry amongst the various units comprising that industry and borne on the Directorate General of Technical Development's books. In a sense this is the most important stage of the whole process of allocation of foreign exchange. At our request, the Directorate General of Technical Development placed at our disposal material indicating how unit-wise allocation was done in the different Directorates. This was probably the first

time that the existing procedures in the various Directorates were documented. Although the material is lengthy we have added it as an appendix to our report (Appendix V), because it reveals a state of affairs which provides the best justification for the recommendations that follow.

25. *Analysis of the existing position.*—What this material indicates is that there is some kind of a basis for unit-wise allocation in most of the Directorates. In some cases, as for paints and allied industries, it is a fairly clear cut one, whereas in some other cases there is a degree of impreciseness in the basis. A common criterion in all cases is the past production of units, but the methods of reckoning this vary considerably. For some industries the reckoning is done on a full year's production, for others on only six months' production, and for still others there is even a nine month span. Where a full year's production is relied upon, for some industries there is a fixed base year, selected out of the past, whereas for others it is the year immediately preceding the licensing year in question. In the latter event, for some industries the calendar year preceding is adopted and for others the financial year. From some of the Directorates material could not be obtained and we are not aware what considerations apply there.

26. In considering the problem of unit-wise allocations on the basis of the material provided to us, we were impressed by two considerations:—

- (a) The work of assessing the needs and priorities of units is such, and conditions vary from industry to industry so much, that it is not possible to think in terms of a precise formula to govern unit-wise allocation in all Directorates.
- (b) However, some kind of a basis does have to be adopted in practice while making unit-wise allocations, and there is no reason why the present diversity in the different patterns obtaining should not be eliminated as far as possible.

Proceeding on these lines we appointed a sub-committee to study the various existing procedures and to evolve, after taking account of the requirements of the various industries, a unified basis for adoption throughout the Directorate General of Technical Development's organization. The basis that was evolved was later discussed with all the Industrial Advisers, and its final shape is as set out at the end of this chapter. We recommend that the present varying patterns of unit-wise allocation in the different Directorates should be replaced by this basis.

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27. We also recommend that if, in future, any changes are made in the basis set out in paras 30 to 39 below, those changes should be made known to the industry.

28. We recognise that despite the adoption of a uniform basis in all Directorates the special needs of a particular industry may require the spelling out of one feature of the basis suggested or the other in some fashion. It is not our intention

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that this kind of spelling out to suit the special needs of particular industries should be ruled out. However, whenever that is done we recommend that the details of such an addition to the fundamental basis recommended should be put down in writing and should constitute an important policy document of the Directorate concerned.

29. An important feature of the unified basis suggested by us is the reliance placed on past production. For this to be taken effectively into account it is imperative that the system of monthly production returns being furnished by the D.G.T.D. borne units should be tightened up, so that all relevant information is available in an accurate form at the right time. We have made some recommendations about this in the chapter dealing with the import of raw materials, spares and components.

BASIS FOR ALLOCATION OF FOREIGN EXCHANGE TO INDUSTRIAL UNITS

30. Conditions vary from industry to industry. It is, therefore, not possible to devise a precise formula for the basis of allocation of foreign exchange to all industrial units which would adequately meet the requirements of all industries. What has been set out below is only a general and broad framework which could be used by the officials in the Directorate General of Technical Development subject to special requirements of any industry.

31. The industrial undertakings can be divided into the following categories:—

- (a) Undertakings which have reached production upto the licensed capacity.
- (b) undertakings which have still to reach production upto the licensed capacity.
- (c) New units which are going into production for the first time, or the existing units where substantial expansion of existing capacity or the manufacture of new articles has been licensed.

32. The entitlement of an industrial undertaking for the amount of foreign exchange should be worked out on the basis of an estimated production to be achieved during the licensing period concerned and the amount of imported raw materials and components required to achieve that estimated production subject to any special conditions which might have been laid down when the manufacturing programme of the undertaking was approved by Government.

33. The estimated production should be determined as follows:—

- (a) In the case of undertakings which have reached production upto the licensed capacity, the estimated production would be the actual production achieved during the last calendar year. If an undertaking has not been in production during any part of the

last calendar year on account of strikes, failure of power supply or such other valid reasons, necessary adjustment in the figure of the estimated production should be made on the basis of average production during the period in which the undertaking was actually in production.

Note:—Some undertakings receive an allocation of foreign exchange from other sources such as the Directorate General of Supplies & Disposals, the Ministry of Defence, Railways, CPWC, etc. against the orders placed by these authorities on those undertakings. Also, some undertakings are given an allocation of foreign exchange for the import of raw materials for meeting some special requirements but as these undertakings do not themselves possess the facilities for the processing of the raw material into semi-finished products which alone can be used by them, they hand over the raw materials to other undertakings for converting them into semi-finished products. In the case of undertakings which utilise non-ferrous metals as the raw materials, the production achieved by an undertaking on the basis of raw materials or foreign exchange made available from other Government or semi-Government sources or from other undertakings, should be excluded from its actual production.

- (b) In the case of undertakings which have not reached production upto the licensed capacity, schedule of production should be laid down. (Schedule of production means the quantity of products to be manufactured year-wise until the licensed capacity has been reached). For such a unit the estimated production would be the actual production, as adjusted in the manner indicated in (a) above, during the last calendar year, plus an additional quantity in accordance with the schedule of production.
- (c) An existing unit in respect of which substantial expansion of capacity has been sanctioned in respect of an existing article should be treated in the same way as a unit which has not reached production up to its licensed capacity.
- (d) An existing unit which has been licensed to manufacture a new article and which requires the import of new or additional quantities of raw materials and components should, in respect of these requirements, be treated in the same way as new unit going into production for the first time.
- (e) The new units which intend to go into production for the first time may apply only after they have opened a letter of credit for the import of major part of the equipment required by them.
- (f) In the case of industries in which the manufacture of an item is taken up only with reference to orders,

in determining the estimated production the programme of manufacture for the licensing period as given by an undertaking in its import application should be taken into account.

34. The amount of imported raw-materials and components required to achieve the estimated production should be worked out on the basis of the amount of raw-materials and components actually utilised by the undertakings for achieving the actual production during the last calendar year provided—

- (i) Where a unit has to follow any phased programme of manufacture in the matter of progressive reduction of imported raw-materials and components, the imported contents of the production of this undertaking should be assessed on the basis of the said phased programme. Any significant departure from the phased programme should be allowed only with the approval of the Industrial Adviser concerned.
- (ii) If any item of raw-materials/component which was hitherto being imported becomes available indigenously, that availability should also be taken into account.

35. If it is considered that the production of an industry as a whole is insufficient and needs to be increased, then the additional production required over and above the estimated production as calculated in accordance with the procedure set out in para 33 should be apportioned amongst various industrial undertakings engaged in that industry and this additional target of production should be included in the estimated production of each undertaking. In allocating this additional production, various relevant considerations, such as capacity, efficiency of production, industrial and economic considerations, etc. should be taken into account.

36. After the entitlement of an undertaking in an industry has been worked out in accordance with the procedure set out above, deductions should be made from that entitlement on account of the value of stocks, expected arrivals and unutilised licences held, all taken together, on the 1st April in excess of its 12 months' requirements so as to arrive at the undertaking's net entitlement. For industries, such as machine-building, rubber etc., for which, in view of the special considerations, stocks are required to be maintained for longer or shorter period, the Director General may lay down special limits for those industries.

37. After the net entitlements of all the undertakings in an industry have been worked out, a master-chart should be prepared for each industry in which the following information should be given:—

- (i) Serial No.
- (ii) Name of the undertaking.
- (iii) Net entitlement as worked out for the current licensing period.

- (iv) Allocation of foreign exchange for the current licensing period.

38. When the amount of foreign exchange in an industry becomes known, that amount should be apportioned amongst the industrial units in that industry in proportion to their net entitlements as calculated above subject to the availability of foreign exchange from the appropriate sources.

Note: (i) The procedure indicated above is on the basis that licensing of raw materials, components and spare parts would be on an annual basis. In case, the policy is for half yearly licensing, the above procedure will have to be slightly modified.

- (ii) The principle of processing the import applications for raw materials and components for a block ceiling of foreign exchange (after the total entitlement has been worked out) with such quantitative or value stipulations as might be necessary in the case of specific items has been separately recommended.

39. *Spare*s.—It has not been possible to devise any uniform basis for the allocation of foreign exchange to a unit for the import of spares. The requirements for spares will vary from unit to unit depending upon the number of machines, their age, the country from which they were imported, etc. It will, therefore, have to be left to the Development Officer concerned to determine, on an *ad-hoc* basis, the requirements of a unit for spares on the basis of his past experience.

CHAPTER VI

Import of Raw Materials, Components and Spares by Undertakings borne on the books of the Directorate General of Technical Development.

This chapter deals with processing of import applications received from the undertakings borne on the books of the Directorate General of Technical Development for the import of raw materials, components and spare parts.

Existing Procedure

2. Under the existing procedure all import applications, although addressed to the Chief Controller Exports & Imports, are routed through the Directorate General of Technical Development. The applications are received in the Receipt & Issue Section which sends them to the Co-ordination Directorate, and, from there, they go to the sponsoring Directorate, i.e., the Directorate which is concerned with the development of the industry to which the application belongs. At present the last date for submission of applications is the 31st May with a grace period of 15 days. The foreign exchange allocation for the first half year is received about the end of June. No action is taken on most of the applications until the foreign exchange is allocated. The sponsoring Directorate clears the items from the essentiality angle (i.e. whether they are necessary) and in some cases from the indigenous angle (i.e. whether they are not available in India) also. But such items which form the end product of industries looked after by some other Directorates, are usually got cleared by reference to other Directorates. Sometimes more than one Directorate have to be consulted, whereafter the sponsoring Directorate clears the case and prepares three copies of the recommendations which are sent to the Co-ordination Directorate. The latter sends one copy to the Chief Controller of Imports & Exports with the security seal, retains one copy itself and returns one copy to the sponsoring Directorate.

Case Studies:

3. (i) The procedure outlined above for the processing of applications for the import of raw-materials, components and spares was subjected to an intensive examination through a study of 154 cases files selected at random. The case study report is placed at Appendix VI.

(ii) The case study has revealed the following:—

- (a) The Co-ordination Directorate took on an average 14 days in the transmission of papers.
- (b) It was only in 36 cases out of 154 cases that the sponsoring Directorate had to obtain indigenous

clearance from other Directorates concerned. The average time taken per Directorate was 15.2 days.

- (c) In many cases, the import of certain items was initially refused on the ground of indigenous availability but, later on, on receipt of representations to the effect that items disallowed were not available indigenously, the import of these items had to be allowed.
- (d) In 12 per cent of the cases, the undertakings had to be asked to furnish clarification. They took, on the average 42 days to send their replies.
- (e) The average time taken in the disposal of the applications from the date of their receipt in the Directorate General of Technical Development to the dates of their final disposal works out to 104 days. Of these, 24 days were lost in waiting for the receipt of the foreign exchange on which the organization had no control. The actual time utilised in the disposal of the applications was, therefore, 80 days. Nearly 50 per cent of this time was taken at the office level.

Application—its forms and number.

4. The application form has been examined. We have found it necessary to make certain modifications in the form, and a revised form is enclosed at Appendix VII. Recommendation.

5. We are given to understand that an industrial unit submits a number of applications for raw materials during the same licensing period on different occasions. This practice not only creates unnecessary work in the Directorate General of Technical Development's organisation but also poses difficulties and confusion in assessing the total requirement of a particular unit. It has been observed that in some cases the number of import applications has been as high as 20. It also appears that at present a separate allocation of foreign exchange is made for spares for which purpose an undertaking has to submit a separate application. There is no particular advantage in calling for a separate application for spares. It is, therefore, recommended that an industrial undertaking should, for each industry handled by it, be required to submit only one application covering its requirements of raw materials, components and *also spare parts*. The necessary provision for spares has also been made in revised form mentioned in para 4 above. After the system of code numbers, dealt with in para 10 below has been introduced, there should be only one such application for one code number. Recommendation.

6. The case study of files in the Office of the Chief Controller of Imports & Exports has revealed that there is a large number of cases where even after the receipt of import applications, units approached the Directorate General of Technical Development for changes in the nomenclature of the items for import or for addition of new items to the list furnished earlier. This leads to an avoidable increase in the work of the

Directorate General of Technical Development as well as the Chief Controller of Imports & Exports. It is, therefore, recommended that it should be impressed on all industrial undertakings that applications for import should be made after very careful consideration and requests for changes or additions avoided.

Recommendation.

7. At present, applications are called for in triplicate, out of which two copies are sent to Chief Controller of Imports & Exports organisation. Since the latter requires only one copy, it is recommended that in future applications should be invited in duplicate only.

Recommendation.

Last date of submission of applications and condonation of delay.

8. Since all applications are routed through the Directorate General of Technical Development the last date prescribed should be the date for submission to the Directorate General of Technical Development. It should be for the Directorate General of Technical Development to condone delay in individual cases; the Chief Controller of Imports & Exports's organisation should presume such condonation on an application which is otherwise recommended by the Directorate General of Technical Development's organisation. The Directorate General of Technical Development, however, should devise an internal check-list to ensure that the fact of delay is not overlooked by the officers authorised to condone the delay. Such condonation should normally be allowed at Industrial Adviser's level.

Recommendation.

List of items to be attached with the application.

9. It has been noticed that in quite a few cases delays have been caused because the list of items approved for import had not reached the Office of the Chief Controller of Imports & Exports along with the Directorate General of Technical Development's recommendations. It is, therefore, necessary to ensure that every industrial unit applying for the import of raw materials, spares and components submits with its application, which will be in duplicate, a list, in triplicate, of items showing quantities proposed to be imported. One copy of the list showing the items recommended for import and the items deleted if any, duly attested by the officer concerned in the Directorate General of Technical Development should be sent to the office of the Chief Controller of Imports & Exports along with a copy of the application and the recommendatory letter; an exact copy of this list as attested will be retained in the Directorate General of Technical Development along with the duplicate copy of the application; the third copy of the list similarly attested should be sent to the applicant.

Recommendation.

Allotment of Code Numbers.

10. (i) At present, there are about 4500 industrial undertakings borne on the books of the Directorate General of Technical Development. Since many undertakings manufacture

products pertaining to more than one industry and also since the distribution of work in the Directorate General of Technical Development is industry-wise rather than unit-wise, one industrial undertaking has often to deal with more than one Development Officer depending upon the number of industries handled by that undertaking. Furthermore, in pursuance of the new arrangements under which industrial undertakings with fixed assets between Rs. 5 lakhs and Rs. 25 lakhs are also to be looked after by the Directorate General of Technical Development, the number of undertakings having dealings with this organisation would increase considerably. Even now, the number of communications received in this organisation is of the order of seven lakhs per annum and the volume of correspondence to be handled in the course of time is bound to increase substantially. It is, therefore, necessary that arrangements should be devised whereby the distribution of communications received in the organisation is facilitated by a system of easy identification of sponsoring Directorate for each application.

(ii) Having given due consideration to this aspect, we recommend that the system of allotting code numbers to industrial undertakings borne on the books of the Directorate General of Technical Development should be evolved. A system has been set out in the succeeding sub-paragraphs to serve as a sort of guide leaving the actual details of the system to be evolved by the Directorate General of Technical Development in consultation with experts.

Recommen-
dation.

(iii) An industrial undertaking may manufacture articles pertaining to one industry or a number of industries. It may not, therefore, be possible for one Development Officer to look after an industrial undertaking of the latter type in respect of all its requirements as he would not be conversant with all the industries covered by the undertaking. It, therefore, follows that code numbers have to be allotted industry-wise.

(iv) Since each Development Officer is allotted one or a group of industries, it is suggested that a system of six digit code numbers be evolved, the first three digits of which may be used for identifying the industry itself and the last three digits may identify the unit concerned out of a number of units producing the same end-products and hence having the same matrix of the first three digits.

(v) An undertaking which manufactures items pertaining to more than one industry and is, therefore, looked after by more than one Directorate will have to be allotted separate code numbers by each Directorate concerned. Take, for example, the three industries of 'fans', 'sewing-machines' and 'radios'. Suppose the code numbers allotted to these industries are "005", "029" and "053" respectively. If there are 100 undertakings engaged in the manufacture of fans, then the code numbers to be allotted to them will be "005001", "005002", "005003" and so on. Similarly, undertakings engaged in the manufacture of sewing machines would be allotted code numbers "029001", "029002", "029003" and so on. If an undertaking

is engaged in more than one industry, it will have to be allotted a code number for each industry.

(vi) This is only illustrative and the details and form of code numbering may have to be finalised in consultation with experts to conform with the international standard code numbers, and also to match with the form of code numbering necessary for an electronic computer system in case one is introduced in the organisation.

(vii) An industrial undertaking should quote the code number, or where more than one code number have been allotted, the appropriate code number, prominently on its import applications as well as all other correspondence with the Directorate General of Technical Development.

Receipt, Registration and Initial Scrutiny.

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11. At present an application is registered twice, once in the Receipt & Issue Section and again in the Co-ordination Section before it goes to the sponsoring Directorate. To save time it is recommended that registration in the Receipt & Issue Section should be reduced to the barest minimum. Our detailed recommendations will be given in a separate chapter about indexing and filing in Part II of our report.

12. (i) It has been brought to our notice that at present it is not the practice to check whether the amount remitted through the treasury challan is adequate with reference to the value of the import application according to the prescribed scale. The result is that when these applications reach the Office of the Chief Controller of Imports and Exports and the value of the treasury challan is checked there it becomes necessary for the Chief Controller of Imports and Exports to enter into correspondence with the parties where the value of the challan is found to be inadequate. As there is considerable time-lag between the date of receipt of the application by the Directorate General of Technical Development and the date on which it reaches the office of the Chief Controller of Imports and Exports, such belated references by the later not only cause delay in the final disposal of the applications but are also considered irksome by the trade. It would be conducive to early disposal of import applications if the value of the treasury challan could also be checked in the Directorate General of Technical Development at the stage of initial scrutiny.

(ii) We have examined as to how this scrutiny can be arranged. The work is non-technical in nature and would impose an extra burden on the Directorate General of Technical Development if entrusted to it. It could also lead to an increase in the correspondence between the organisation and the undertakings. It is understood that some parties deliberately do not send any treasury challans with their import applications or send under-valued challans because they are doubtful whether their applications will be accepted. We feel that there is no justification for applications received without treasury challans or with under-valued treasury challans being considered by the Directorate General of Technical Development.

(iii) To meet the situation it is recommended that during the period in which the import applications are received, the Chief Controller of Imports and Exports will assist the Directorate General of Technical Development by locating in the Directorate General a Unit consisting of one Assistant Controller with necessary staff. It would be the responsibility of this Unit to check the adequacy of the treasury challan immediately an import application is received. In cases where no treasury challan has been received or where the amount of the treasury challan is not adequate, the application, in original, should be returned to the party. For this purpose the application should be merely stamped as follows:—

“Returned. Treasury challan not received. The amount of treasury challan is inadequate. The correct amount is Rs..... Please re-submit with correct amount of treasury challan, not later than....”.

“(Signature)”

for Directorate General
of Technical Development.

Import Cell.

13. Applications received in the Receipt and Issue Section and initially checked by the Chief Controller of Imports and Exports' unit located in Receipt and Issue Section will then be passed on to the Coordination Directorate where we suggest that an Import Cell should be constituted. The composition of this Import Cell and the details as to how exactly this Cell would be built into the co-ordination Directorate will be explained in the Chapter dealing with the structural and organizational aspects in Part II of this report. It will be the responsibility of this Import Cell to prepare periodical list of cases which are not disposed of in time and bring them to the notice of the Industrial Adviser concerned so that the latter may arrange for their expeditious disposal. The register to be maintained in the Import Cell should have the following columns:—

- (a) Serial No.
- (b) Code number of the undertaking.
- (c) Name of the applicant.
- (d) Number and date of application.
- (e) Technical Directorate to whom sent, and on what date.
- (f) Date on which application along with the recommendatory letter is received back from the Technical Directorate.
- (g) Date on which despatched to the Chief Controller of Imports and Exports.
- (h) Remarks, if any.

The Import Cell will not maintain or retain with it any case file.

Scrutiny of applications.

14. (i) In order to utilise the time between date of the receipt of an application and the unit-wise allocation of foreign exchange, we recommend that the scrutiny of the applications should be carried out during this period. An initial scrutiny should be carried out with a view to find out whether the application is complete in all respects and an acknowledgement-cum-deficiency card, a proforma for which is given at Appendix VIII should be sent to the applicant within 7 days of the receipt of the application.

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(ii) The sponsoring Directorate should thereafter examine the application from the essentiality-cum-indigenous angle. Even formal references to other Directorates, if absolutely necessary, should be completed before the unit-wise allocation is made. The entitlement of each unit should be assessed and a master chart of unit-wise entitlement should be prepared in advance of foreign exchange allocation. As a matter of fact this master chart will be necessary for industry-wise allocation as the total entitlement will indicate the demand of a particular industry. The recommendatory letter should also be completed in advance of the foreign exchange allocation, leaving only the foreign exchange actually allocated to be entered after unit-wise allocation is made.

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15. All this scrutiny and action should be completed within a period of three weeks from the issue of the acknowledgement letter. If any clarification has to be sought the party should be addressed as early as possible in a consolidated way avoiding piece-meal references. The party should be given 10 days to furnish all necessary clarifications. It may facilitate the technical scrutiny if a list of check-points is standardised on a Directorate-wise basis.

Importance of Monthly Production Return.

16. (i) For a proper allocation of foreign exchange, it is very important that the monthly production return of every undertaking should be received by the Directorate General of Technical Development regularly, in time, and complete in all respects. It has been the experience of the Directorate General of Technical Development that production returns are not being received regularly, in time or complete in all respects. It is imperative, therefore, that it should be impressed on all the undertakings that if they fail to furnish complete monthly production returns regularly and in time, their import applications are liable to remain unsponsored. The Chief Controller of Imports & Exports has agreed to include a suitable provision in his publication 'Import Trade Control—Hand Book of Rules and Procedures', making it clear to all concerned that the Directorate General of Technical Development may withhold their recommendation in respect of applications from units who have failed to submit complete production returns regularly in the preceding calendar year. If during the initial scrutiny of an import application, it is observed that the monthly production returns for any period have not been received or are incomplete, then the attention of the under-

taking should be drawn to this fact so that the deficiency could be made up. A provision to cover this type of deficiency has also been incorporated in the form of the proposed acknowledgement-cum-deficiency card.

Registration in Chronological Order.

17. There have been complaints that sometimes applications received later are dealt with earlier than those received before them. In order to give no room for such apprehensions of discriminatory treatment, we recommend that all import applications received in each Directorate should be registered in an industry-wise chronological order. This would mean that after the introduction of the system of code numbers, the applications pertaining to one code number will be registered in one chronological order series. Realising that it would not be practicable, for a variety of reasons, to tie up the disposal of applications in the same chronological order in which they were received, we recommend that it would meet the ends of justice if the taking up of these applications for technical scrutiny is done in the chronological order of their receipt.

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Unit-wise allocation.

18. (i) On the basis of the master chart prepared after technical scrutiny unit-wise allocation should be finalised within 15 days of industry-wise allocation after due clearance from the indigenous availability angle as discussed in the paragraphs below.

(ii) We have elsewhere in this report indicated a broad and general frame-work of the basis on which allocation of foreign exchange should be made to industrial undertakings for the import of raw-materials and components. We have also indicated there that in the case of spare-parts, it has not been possible to indicate any basis for the allocation of foreign exchange, and that the Development Officers will have to continue to make allocations for spares on the basis of their judgement of the requirements of an undertaking and their past experience. Accordingly, it will be necessary for the Directorate General of Technical Development to indicate a separate allocation for raw-materials and components, and a separate allocation for spares. These amounts should be shown separately in the recommendation made by the Directorate General of Technical Development to the Chief Controller of Imports & Exports. While Chief Controller of Imports & Exports may issue only one licence covering both the allocations, in the licence itself the two allocations should be shown separately. It will not be open to an undertaking to divert any portion of the allocation for spares for the import of raw-materials and components.

Indigenous Clearance.

19. Each Development Officer is expected to keep himself fully posted about the components and raw materials likely to be required by the industries with which he is concerned. He should review the availability position regarding these raw

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materials and components from the indigenous angle at the time of formulation of proposals for the Red Book by consulting other Directorates also, if necessary, so that on receipt of import applications he is able to process them without having to make references to any other Directorate on every application where other Directorates are involved.

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20. The Directorate General of Technical Development's publication 'Hand Book of Indigenous Manufacturers' should be brought out normally at the same time as Chief Controller of Imports & Export's 'Red Book'. As it does not cover the production in the small-scale sector which would also require to be taken into account while scrutinising applications for indigenous clearance, we recommend that the Development Commissioner Small Scale Industries should also bring out almost simultaneously and in the same format as the Directorate General of Technical Development's 'Hand Book of Indigenous Manufacturers' a similar publication covering the production in the small-scale sector. For correctness and in the interest of the small-scale sector, Development Commissioner, Small Scale Industries, should take great care to ensure that the information furnished in his publication is authentic and dependable. For this purpose, he would be well advised to organize necessary inspections by his officers. The Hand Books so published be kept up-to-date by issuing quarterly supplements after taking full account of the indigenous development during the interim period.

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21. The policy formulated in the 'Red Book' regarding indigenous clearance in respect of raw-materials and components should not normally be changed during the licensing period so that all applications received and dealt with during that period get equal treatment.

22. The classification currently in use for items from the point of view of their indigenous clearance is as follows:—

- (a) Banned items i.e., items the import of which is not allowed.
- (b) Open items i.e., items the import of which is permissible from the point of view of indigenous production.
- (c) Restricted items i.e., items which are only partially available indigenously or whose indigenous supply is not adequate to meet the requirements fully, and whose import therefore is permitted only on a partial basis in consultation with the Directorate General of Technical Development.

The last mentioned category leads to difficulties in practice not only in the case of units in the large-scale sector but also in respect of those in the small-scale sector. Case studies have also revealed that in the case of items rejected or whose import is allowed on a reduced basis from the point of view of indigenous availability, the representations made by the parties had to be conceded in 28 per cent cases. We feel that this is attributable to the fact that indigenous clearance on a partial

basis or non-clearance is given on the basis of insufficient data, the gap in information being sought to be bridged by broad judgements which may not every time be correct. By a realistic estimate of production and demand, it should be possible to reduce the number of items placed in the restricted categories, particularly the categories where import clearance has to be done item-wise in consultation with the Directorate General of Technical Development. One other difficulty which has been brought to our notice is the fact that applicants are called upon to produce the 'non-availability certificate' from indigenous manufacturers. All this not only delays the import licence but also creates avoidable work both for the industry and the Directorate General of Technical Development. Instances are not lacking to show that indigenous manufacturers are hesitant to give non-availability certificates even when they are not in a position to make supplies. We, therefore, recommend as follows:—

- (a) As far as applications in the small-scale sector are concerned, there should be only two categories, namely, banned items and open items without any restrictions. The amount of foreign exchange made available to small-scale sector units being not of a very large magnitude, there would be no harm in allowing them to import what could have been categorised as restricted items. The advantage of this deviation would be that the Chief Controller of Imports & Exports could issue the licences without having to consult the Directorate General of Technical Development in respect of all applications for raw-materials and components received from the small-scale sector. (This suggestion has been discussed in detail in the report of the Study Team on the Chief Controller of Imports & Exports' organisation—Part I). Recom-
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tion.
- (b) In the case of applications from the large scale sector, we realise the necessity to continue to impose quantitative restrictions on the import of items which are available from indigenous source only partially but the policy for each licensing period should define the list of banned items and open items in a realistic manner. An item should not be banned merely because there has been an industrial licence for its production. The Development Officer concerned should be convinced about the feasibility of the licence being actually implemented resulting in production during the currency of the licensing period before he proceeds to declare it as a banned item. In the case of items in respect of which indigenous production cannot meet the total demand, the Director General of Technical Development will be justified in imposing quantitative restrictions on the basis of a realistic appraisal of the indigenous production and this quantitative restriction should be applied uniformly to all undertakings in the same industry. In no case should there be a necessity for Recom-
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the production of a 'non-availability' certificate by the applicant.

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(c) Where quantitative limits are indicated, licencees should be allowed flexibility to import upto 25 per cent. more than the item-wise quantities specified, subject however to their keeping within the total face value of the licence.

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(d) All licencees should have the liberty to import permissible spare parts and small tools not indicated in the licence upto 25 per cent of the face value of the licence without having to get specific clearance from anyone.

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(e) Within this 20 per cent, the licencees should be permitted to utilise upto 5 per cent (of the face value of the licence) or Rs. 2,500, whichever is less, even for the import of spare parts other than the permissible spare parts provided they are not 'banned' and are required for servicing, maintenance or replacement of the plant installed in the licence-holder's factory.

Communication of Recommendation

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23. A form of the covering letter with which the recommendation should be sent to the Chief Controller of Imports & Exports is suggested at Appendix IX.

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24. At present an applicant is completely in the dark regarding communications between the Directorate General of Technical Development and the Chief Controller of Imports & Exports' office. The latter cannot help him unless the reference number of the Directorate General of Technical Development's office is quoted. In this situation, it is understandable for complaints of sale of information through 'contact men' to come up. The party is also deprived of all opportunity of representing his case to the Directorate General of Technical Development. To facilitate legitimate representation and follow up by the trade; we recommend that a copy of the Directorate General of Technical Development's covering letter should be sent simultaneously to the applicant for his advance information (without any commitment). A copy of the list of items recommended should also be sent to him. If the Chief Controller of Imports & Exports wants a fair copy of the list, he should ask the applicant to prepare a clean copy from his own list. This can then be compared with the Chief Controller of Imports & Exports' own copy. We recommend that applicants should not, in any circumstance, be required to get clean copies of the lists attested from the Directorate General of Technical Development's organisation.

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25. We understand that import applications along with the recommendations of the Directorate General of Technical Development faired, in triplicate, by the sponsoring Directorate are sent to the Co-ordination Directorate. The latter sends one copy of the recommendation with security attestation to the Chief Controller of Imports & Exports, retains one copy and returns one copy to the sponsoring Directorate with the despatch number.

26. An analysis of the case studies data indicates that after orders are passed on the file of a particular case it takes on an average 20.3 days for the despatch of the recommendation to the Chief Controller of Imports & Export's office. Out of these, 13.5 days are taken by the sponsoring Directorate in drafting, fairing and forwarding the recommendation to the Co-ordination Directorate and 6.8 days by the Co-ordination Directorate to get it countersigned, attested and despatched. We feel that it should be possible to reduce this time lag of 20.3 days. For speeding up matters in the sponsoring Directorate, it is recommended that—

- (a) the draft letter and the list need not normally be put up to officers above Development Officers' level; Recommendation.
- (b) the fair copies should ordinarily be prepared within 2 days of the approval of a draft; and Recommendation.
- (c) the fair recommendatory letter and the list need not be attested by two technical officers as at present. Since the letter is based on orders and views expressed in the file, the letter need be signed by only one technical officer, *i.e.* the Development Officer or the Assistant Development Officer. Recommendation.

27. In order to reduce the time in the Co-ordination Directorate we feel that, as far as possible, a recommendation should go to the Chief Controller of Imports & Export's office, and its copy to the party, from the sponsoring Directorate itself. To safeguard security considerations however, it is suggested that this principle may be followed only in those Directorates which have been organisationally strengthened through the introduction of an officer oriented pattern of working. (Our proposals about organisational changes will follow in Part II of our report, but it is necessary to mention that as an outcome of our deliberations, the Department has already introduced an experiment of an officer oriented system in one Industrial Adviser's division). In that case a copy should be sent to the Import Cell also for record. Where an officer oriented pattern is yet to be introduced, the sponsoring Directorate may continue to send the letter and the list to the Chief Controller of Imports & Exports through the Co-ordination Directorate. The latter should affix security seals and send them to the Chief Controller of Imports & Exports over the sponsoring Directorate's despatch number and retain one copy themselves. The copy to the party may issue from the sponsoring Directorate itself. The Co-ordination Directorate should not take more than 24 hours in affixing security seals, attesting fair copies and despatching them to the Chief Controller of Imports & Export's organisation. Recommendation.

Time table for the disposal of applications

28. Based on the recommendations made above we feel that it should be possible to observe the following time table:

TIME TABLE

Recommendation.	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
	1	2	3	4
	15th May	Last date for application received by Directorate General of Technical Development.		
	22nd May	Last date for issue of acknowledgement-cum-deficiency letter.		
	15th June	Technical scrutiny carried out and clarification called for from parties where necessary.	Foreign exchange intimated to Directorate General of Technical Development.	
	1st July	Clarification received from parties.	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	..	Chief Controller of Imports & Exports addressed in all cases.	
	1st Sept	..	..	Chief Controller of Imports & Exports addressed.
	15th Sept	..	Licences issued	..
	30th Sept	..	..	Licences issued.

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

Annual licensing and 75 per cent commitment in the first instance

29. We have noted the Government's decision on the Swaminathan Committee's Report according to which licences have been authorised to utilise their annual licences up to 50 per

cent of the value in the first half year and another 25 per cent in the second half year in advance of foreign exchange allocation. As a logical corollary we would recommend that licencees may be allowed to place orders and enter into commitments up to 75 per cent of the face value of the licence even in the first half of the year and in advance of the second half year's allocation, subject however to the condition that payments in the first half year will not exceed 50 per cent of the face value of the licence. Recom-
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Concession for licences up to Rs. 5000/-

30. We find that instructions exist authorising utilisation in one lot of licences valued up to Rs. 5000 at any time during the validity period. This concession may continue. Recom-
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tion.

Concession for licences between Rs. 5001/- to Rs. 15,000/-.

31. We have examined whether the principle of annual licensing without any endorsement during the second half of the licensing period can be extended to licences of higher values also. During the year 1963-64 the number of licences valued between Rs. 5001 and Rs. 15000 was of the order of 1500 representing about 19 per cent of the total number. The total value of such licences accounted for only about 1.5 per cent of the annual ceiling of foreign exchange for scheduled industries. As the total value involved is not very high we recommend that, in order to simplify the procedure still further, licences granted to industrial undertakings borne on the list of the Directorate General of Technical Development for the import of raw materials, components and spares for values up to Rs. 15,000 should be issued on an annual basis, that no cut should be effected during the second half year and that no endorsement should be necessary for utilisation during the second half year. Licencees should also be authorised to place orders in one lot, subject however to the condition that remittance of foreign exchange in the first half year will not exceed 50 per cent of the value of the licence. Recom-
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Licences between Rs. 15,001 and Rs. 30,000.

32. In order to provide for marginal adjustments, where the value of a licence is in excess of Rs. 15,000 but does not exceed Rs. 30,000, the licensee should be authorised to place orders upto the value of Rs. 15,000 in one lot subject to the condition that remittance of foreign exchange in the first half year will not exceed 50 per cent of the value of the licence. Also, any cut which might have to be imposed on such licences in the second half year should not result in the total value of the licence being reduced below Rs. 15,000. This recommendation is in the nature of providing for marginal adjustments. If our recommendation about authorising commitments being entered into up to 75 per cent of the face value of licences is agreed to, the need for marginal adjustment will chiefly arise for holders of licences between Rs. 15,000 and Rs. 20,000, because those with licences valued at Rs. 20,000 or more will be able to enter into commitments up to Rs. 15,000 in any case. Recom-
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33. What the fore-going recommendation amounts to is annual licensing without cuts in the second half year for small value licences. In this connection, it has been pointed out to us that if there is an over-all reduction in the amount of foreign exchange made available to the Directorate General of Technical Development during the second half year and if, as suggested by us, no cuts are to be imposed on licences up to the value of Rs. fifteen thousand, then the burden of having to reduce the second half year's allocation would fall heavily on units whose licences exceed Rs. 15,000. We, therefore, recommend that the allocations made to small value licence holders should be considered as the first charge on the total amount of foreign exchange allocated to the Directorate General of Technical Development during the second half year leaving the balance to be distributed among the holder of larger licences in all industries. It may be added here that this idea of protection to the small value licence holders is already recognised in respect of applications for licences up to Rs. 5,000, irrespective of the industry-wise considerations.

Miscellaneous recommendations about import work.

34. (i) *Advance allocation of foreign exchange.*—It has been suggested to us that, to expedite import, the licencees may be allowed advance licences to the extent of 75 per cent of the free foreign exchange allotted to the Directorate General of Technical Development during the previous licensing year. This suggestion has been made on the basis that the cut in the foreign exchange from year to year is not likely to exceed 25 per cent of the allocation. We feel that the advantages accruing from this suggestion may be out-weighed by the following draw-backs:—

- (a) At present in making unit-wise allocations availability under various AID funds is taken into account. This process of matching of AID funds with the free foreign exchange resources may not be possible if 75 per cent of the free foreign exchange is committed in advance. This may to some extent hamper not only proper utilisation of the AID funds but also diversion of free foreign exchange for items which are available under the AID funds.
- (b) The advance allocation will not be of any particular advantage to the trade as the actual licensing cycle to which they have attuned themselves already is from July to June. The advance allocation will simply advance the cycle without offering any additional facility.
- (c) Advance licensing will entail an additional stage of inviting applications for the balance amount without any concomitant advantage. This will throw up additional work-load on the trade as also on the Directorate General of Technical Development and on licensing offices.

(ii) *Intimation of unit-wise allocation to the applicant in advance of the application itself.*—In certain Directorates it

appears that applications are invited only after unit-wise allocation has been decided. Since unit-wise allocation is decided some time in the last week of June, applications in all these cases are received long after the last date indicated in the Red Book, i.e. 31st of May. For these categories a general condonation for delayed receipt of applications is obtained from the Chief Controller of Imports & Export's Office. We feel that unit-wise allocation made in advance of the application may not be very realistic as the stock position, the actual requirement of the party and even the continuation of the party in production cannot be presumed as a matter of routine. This may also involve double scrutiny of each case, once for making unit-wise allocation and again for the scrutiny of the application itself. We feel that a uniform practice should be followed and the last date as prescribed in the Red Book should be adhered to by all Directorates. The practice of making unit-wise allocations in advance of receipt of applications should, therefore, be discontinued.

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(iii) *Endorsement from Chief Controller of Imports and Export's.*—At present, the Chief Controller of Imports and Export's endorses a copy of the letter issued by him to the industrial undertakings forwarding the import licence, to the Directorate General of Technical Development also. It is not necessary for the latter to receive a copy of this letter and the existing practice should be discontinued. However, where the licence issued by the Chief Controller of Imports and Exports is at variance with the recommendations of the Directorate General of Technical Development, the Chief Controller of Imports and Exports should inform the Directorate General of Technical Development of the position indicating the reasons for the variation.

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(iv) *Revalidation of licences.*—Licences for the import of raw materials, components and spare parts are valid for 12 months, except for machine building and machine tool industry. As items to be imported are mostly repetitive, it should not ordinarily be difficult for licencees to import them within this period and the necessity for the revalidation of such licences should not generally arise. We would, therefore, recommend that where an industrial undertaking has already made the necessary commitment or opened a letter of credit but, due to some reasons, the delivery period falls outside the validity period of the licence, the revalidation in such cases should be left to the Chief Controller of Imports and Exports alone and that no consultation with the Directorate General of Technical Development should be necessary. It follows that when applying for revalidation, full justifications should be furnished by the applicant. In other cases where an industrial undertaking has not made any commitment or opened a letter of credit, or has made a commitment and opened a letter of credit only for a part of the licence, then revalidation of the whole licence in the former case and the un-utilised portion of the licence in the latter case, should be done by the Chief Controller of Imports & Exports in consultation with the Directorate General of Technical Development. It has to be remembered that the position regarding the indigenous availability

of some of the items can undergo change during this period and, therefore, it is not appropriate to extend these licences for too long.

(v) *Machine Tools*.—The position regarding licensing of machine tools has been gone into by the Study Team on the Chief Controller of Imports & Exports's organisation and appropriate recommendations made in Part I of its Report.

Recommenda-
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(vi) *Requirements of workshops, office building, etc.*—It has been represented that where a workshop holds an industrial licence for the manufacture of various articles under different headings or sub-headings of the first schedule to the Industries (Development and Regulation) Act, 1951, it finds it difficult to the split-up its requirements, such as cement, pig iron, coke, etc., for each of the articles of manufacture. Similarly, on occasions, undertakings require cement and materials for the construction of offices for which no particular Directorate can assume responsibility. We suggest that in such cases, where more than one Directorate is involved, the matter should be placed before the Deputy Director General or the Director General for a quick decision as to who should handle the case and what the basis of allocation should be.

Recommenda-
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(vii) *Handing over the documents to trade representatives*.—It has been suggested that there should be no ban on the handing over of communications to accredited representative of an industrial undertaking. It is understood that there is no ban as such but, in practice, in view of the large number of industrial undertakings involved, it is difficult to identify bonafide trade representatives. We suggest that if a Development Officer is satisfied about the identity of a trade representative, there need be no objection to his handing over copies of communications sent to his firm asking for information etc. wherever considered necessary.

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tion.

(viii) *Policy Cards for import policy*.—We recommend that policy cards for import policy, which are sent to the Chief Controller of Imports & Exports, should be prepared only in respect of those items for which a change in the import policy is considered necessary by the Directorate General of Technical Development.

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tion.

(ix) *Release of materials through the State Trading Corporation etc.*—Where materials are released by the State Trading Corporation etc. on the recommendations of the Directorate General of Technical Development, we recommend that a copy of the Directorate General of Technical Development's recommendation should also be endorsed to the party concerned.

EX-POST-FACTO SCRUTINY OF IMPORT CASES

(x) (i) The Committee on Prevention of Corruption has recommended that ex-post-facto scrutiny of files after disposal should be carried out to find out the nature of mistakes or irregularities etc. that might have occurred and that the results

of such scrutiny should be published for the guidance of all concerned. We have examined the extent to which this recommendation can be implemented in the Directorate General of Technical Development in so far as import applications are concerned.

(ii) Considering the nature and functions of the Directorate General of Technical Development, we recognise that the officers of this organisation will have to continue to exercise discretion in the discharge of their duties. What is, however, required is that, as far as possible, general policies and guidelines should be laid down and the officers should be required to exercise discretion judiciously within those policies and guidelines. It has, however, to be realised that, in the very nature of things, such policies and guidelines cannot be rigid. Any review of the discretions exercised by the officers should not, therefore, be based on mistrust. Recommendation.

(iii) Most of the decisions in the Directorate General of Technical Development have to be taken in the light of the conditions and circumstances prevailing at the time. These conditions and circumstances change swiftly from day to day and therefore, it may not be possible to appreciate them properly if the ex-post-facto scrutiny is carried out after a long interval. We, therefore, feel that while there is need for ex-post-facto scrutiny, it can usefully be carried out only if it is done within a short period, say, three months, of the decision taken so that all the relevant factors which had influenced the decision could be properly evaluated.

(iv) Considering the nature of the cases handled in the Directorate General of Technical Development and the fact that the number of cases on which ex-post-facto scrutiny will have to be carried out will be substantial, it will be necessary to set-up an appropriate machinery for looking after this work. Such a scrutiny can usefully be carried out only by technical persons. We, therefore, recommend the creation of a separate Cell in the organisation under a technical officer. This officer will work directly under the control and guidance of the Director General. Recommendation.

(v) If it becomes necessary to institute a system of ex-post-facto scrutiny of cases in respect of any other subject, that work can also be entrusted to the Cell proposed above.

(xi) *Reasons for exercise of discretion to be recorded on file.*

In order to facilitate the ex-post-facto scrutiny recommended in the preceding para, as also to avoid any future embarrassment to the Government, it may be laid down that as far as possible, where discretion is exercised in a particular direction in relaxation or in restriction of the conventional practice or general orders etc., the reasons for the relaxation of restriction should be recorded in brief on the file itself. As regards unit-wise allocation, if the allocation has been made on the basis of a master chart duly approved by Industrial Advisers and Deputy Director Generals a reference to the master chart on the case file should be made. If subsequently however, a Recommendation.

departure from the master chart is made full reasons for such a deviation should be indicated.

Resume of the new procedure.

35. The benefits accruing from the procedure suggested above can be listed as follows:—

- (a) Code numbering will help cross referencing and tracing of papers, as also in quick identification of sponsoring Directorates.
- (b) The number of applications will be limited to the barest minimum thus decreasing work-load both in the Chief Controller of Imports & Exports's office and in the Directorate General of Technical Development's.
- (c) The issue of an acknowledgement-cum-deficiency letter will enable an applicant to make good the deficiencies in his application well in advance of unit-wise allocation.
- (d) The period between the commencement of the licensing period and the foreign exchange allocation will be utilised on technical scrutiny so that recommendations can be finalised quickly after foreign exchange becomes available.
- (e) Communication of the Directorate General of Technical Development's recommendation to the applicant will keep him posted with the progress of the case and prevent sale of information.
- (f) Import policy will be firm for one year instead of being subject to ad-hoc changes during a licensing period.
- (g) Attestation of additional copies required from the party through the Directorate General of Technical Development will go.
- (h) A time table has been suggested for ensuring completion of licensing.
- (i) While allowing for the exercise of discretion, mechanism for ex-post-facto scrutiny has been suggested for being built into the system.
- (j) The setting up of an Import Cell has been suggested in order to help the sponsoring Directorates to effectively follow up the progress of applications.

CHAPTER VII

IMPORT OF CAPITAL GOODS

This chapter deals with the handling of work relating to the import of capital goods by all parties other than public sector undertakings. The handling of work relating to the latter is discussed in Chapter VIII.

2. Before a licence for the import of capital goods can be issued three stages have to be covered. The essentiality of the import has to be adjudged; clearance has to be given from the indigenous angle; and foreign exchange has to be earmarked to enable the import to be made. The Directorate General of Technical Development get involved in two types of cases:—

- (i) Cases of industries borne on the Directorate General of Technical Development's books, or new units eligible for being borne there. For such cases the Directorate General of Technical Development is required to cover both of the first two stages, viz. essentiality and indigenous clearance.
- (ii) Cases of other industries, but excluding those looked after by sponsoring authorities like the Textile Commissioner, the Jute Commissioner, etc. In this category fall cases of the small scale industries sector and of sponsoring authorities who are required to obtain indigenous clearance from the Directorate General of Technical Development. In all such cases the Directorate General of Technical Development handle only the second stage, viz. that of indigenous clearance.

3. The third stage of allocating foreign exchange is looked after at the time of final decision of a particular application in the Capital Goods main committee or the Capital Goods *ad hoc* committee and does not create any handling work within the Directorate General of Technical Development's organisation. The procedures governing the processing of cases before they are submitted to these two committees are under examination by the Study Team which is going into the working of the Chief Controller of Imports & Exports's organisation. Apart from the difference in procedures of the two committees, there are numerous other variations depending on whether a particular industry is a key industry, a DGTD borne industry, an industry in the SSI sector or a non-DGTD and non-SSI industry, and also on whether the pattern of financing is based on financial collaboration with a foreign party, or on a foreign loan, or on free foreign exchange or on Government credits. Our counterpart team on the Chief Controller of Imports & Exports's organisation is going into the question of reducing

the number of variations in the existing procedures as far as possible, and in that process is also examining the jurisdiction of the two Capital Goods committees. Such simplification and rationalisation as may be suggested on that side will largely relate to stages of processing outside the Directorate General of Technical Development's organisation. However, one of the points emphasized on that side will have an impact on handling procedures on the Directorate General of Technical Development's side. The Swaminathan Committee suggested a procedure for inter-linking consideration of an industrial licence application and the subsequent Capital Goods licence application. Following this lead the Study Team on the Chief Controller of Imports & Exports side is proposing to make a clear distinction between Capital Goods licensing cases which are linked with industrial licensing and those which are not. For the former, the question of taking matters even further than what the Swaminathan Committee suggested is being examined by this study team in connection with industrial licensing procedures, and any recommendations that we might have to make for a closer link up, if necessary, will be contained in Part II of our report when we deal with industrial licensing. For the latter, there will be no particular impact so far as internal handling in Directorate General of Technical Development's organisation is concerned, and it is on this assumption that the recommendations in this chapter have been formulated.

DGTD borne units.

4. *Existing position.*—According to the present procedure import applications for capital goods are required to be submitted to the Chief Controller of Imports & Exports, who then consults the Directorate General of Technical Development. In practice this provision is not always followed, and many times applications are submitted direct to the Directorate General of Technical Development who then process the cases and forward there recommendations to the Chief Controller of Imports & Exports. Whether an application is received direct or through the Chief Controller of Imports & Exports, processing in all cases has to be done for both essentiality and the indigenous angle. Essentiality is cleared by the sponsoring directorate for the particular unit, whereas for indigenous clearance a reference to one or two other directorates is sometimes necessary. We had case studies undertaken of 75 files picked at random. The case study report is at Appendix X. The report indicated that the average time taken for the disposal of Capital Goods import applications was 51·4 days, the disposal time for individual applications ranging from 6 to 154 days. Out of the average time of 51·4 days 32·5 days, were taken by the sponsoring directorate, 6·3 by other directorates which were consulted and 5·6 in communicating comments to the Chief Controller of Imports & Exports or the Ministry concerned. In cases handled by the Coordination Directorate, that directorate took on an average 28·9 days in moving applications between sponsoring directorates and other directorates concerned.

5. The report on case studies is an important source material on which we have based our recommendations. The suggestions received from various representatives of industry and from officers have also been useful. So have been the detailed discussions which we have had with officers of the department. We have also drawn freely from the studies and discussions that have taken place in our counterpart Study Team on the Chief Controller of Imports & Exports's organisation.

6. *Applications.*—Our first set of recommendations is in regard to the stage of application:

- (1) We consider that there is no advantage in DGTD borne units being made to apply to the Chief Controller of Imports & Exports in the first instance. The practice whereby some of them are already applying direct to the Directorate General of Technical Development should be systematised and all DGTD borne units should be required to submit their applications to the Directorate General of Technical Development, although they may be addressed to the Chief Controller of Imports & Exports. Recommendation.
- (2) In regard to the form of application, the Swaminathan Committee suggested some modifications in order to make it a useful instrument through which all relevant data was made available. We have gone into the matter further and feel that there is scope for improving the application form even beyond what was recommended by the Swaminathan Committee. The revised form is at appendix XI and reasons for the modifications suggested have been set out in the note attached to the same appendix. The main point we have had in mind is the need to avoid back references to parties and also to obtain all relevant information necessary for the use of the Directorate General of Technical Development and the Chief Controller of Imports & Exports. We recommend that this revised form should be adopted for use by the DGTD borne units. We have checked that the same form could be used for all other categories of Capital Goods applicants without difficulty. Recommendation.
- (3) Chief Controller of Imports & Exports's office requires five copies of the list of capital goods and the Directorate General of Technical Development require two copies of that list. We, therefore, recommend that while an application need be received from a party in duplicate only, the party should send in all, seven copies of the list of capital goods applied for by it. Recommendation.
- (4) At present there is no restriction on the frequency of applications from an industrial unit and this has resulted in avoidable increase in the receipts handled by the Directorate General of Technical Development. While there need not be any restrictions on the timing or the number of applications in respect of new schemes, we recommend that reason- Recommendation.

able restrictions should be imposed in regard to the frequency of applications from existing firms for replacement/balancing/modernisation needs. It should not be difficult for such units to anticipate their requirements and consolidate them in the form of a single Capital Goods application for every half-yearly period to be submitted in the half year preceding. Applications made in emergent situations like breakdowns could always be permitted as special cases. So could applications linked to specific credits that become available from time to time. We recommend that restrictions on these lines may be laid down.

Recommendation.

7. *Receipt of applications.*—At present most of the applications for import of capital goods are first received in the Co-ordination Directorate where they are registered in alphabetical order and then passed on to the sponsoring directorate concerned. Case studies have shown that in a few cases the applications were received by the sponsoring directorates direct. As the identification of the sponsoring directorate, particularly in the case of units not borne on the Directorate General of Technical Development's list may not be easy and also because there is a need in practice to be able to follow up the progress of capital goods applications with the help of a centralised section, we recommend that all capital goods import applications should be received first in the Co-ordination Directorate. In this directorate it will be the duty of the Import Cell which has been proposed in chapter VI to register the application in the proforma suggested there. The Import Cell should not take more than 24 hours for registering the application and sending it to the sponsoring directorate concerned without any forwarding memo. There should be no need for the Import Cell to retain any paper as all that would be required is the maintenance of registers on the lines recommended for applications dealing with the import of raw materials.

Recommendation.

8. *Code numbering.*—We have already recommended the adoption of a code number for each industrial undertaking. It is recommended that in order to facilitate referencing and processing of applications, units borne on Directorate General of Technical Development's list submitting applications for the import of capital goods should be asked to put code numbers allotted to them on these applications as well.

Recommendation.

9. *Scrutiny of applications by sponsoring directorates.*—On receipt of the application from the Import Cell, the directorate concerned should scrutinise it with the help of a check-list which should include the following points:—

- (i) Whether the application is with reference to any scheme specifically covered by an industrial licence/registration.
- (ii) Whether prescribed copies of the covering letter/application form/lists of equipment, have been received.
- (iii) Whether the list of equipment is duly attested by the applicant.

- (iv) Whether every column in the application form has been filled completely or precisely.
- (v) Whether supporting proforma invoices have been furnished.
- (vi) Whether manufacturers' illustrated descriptive pamphlet of machinery to be imported has been furnished.
- (vii) Whether the value of application differs from that indicated originally in the application for industrial licence/registration and whether reasons have been furnished.
- (viii) Whether the items to be imported are adequately described to enable easy assessment in Directorate General of Technical Development as to their being available indigenously or even to their being generally essential for the proposed production programme.
- (ix) Whether the items applied for cover the complete requirements of the project with reference to the conditions laid down in the industrial licence/approval for capacity and phased manufacturing programme, giving the extent and justification for the variation.
- (x) Whether the names of indigenous sources of supply already contacted are indicated together with the nature of response thereon.
- (xi) If the import application is not for expansion/new unit, but for purposes of balancing the existing machinery or replacement whether justification therefor has been given.

Any other points of check which may be of particular interest to the directorate concerned may also be added to this check-list. After carrying out the necessary scrutiny, an acknowledgment-cum-deficiency card should be sent to the applicant within a period of 7 days. If any further information/clarification is required, it should be indicated in the card and the party given 10 days time to furnish the same.

10. *Scrutiny for essentiality.*—After the issue of the card, the sponsoring directorate should examine the application from the point of view of essentiality. If essentiality cannot be certified, the question of scrutiny for indigenous clearance should not arise and the application should be forwarded to the Chief Controller of Imports & Exports with a recommendation for rejection. If on the other hand essentiality is certified, the question of indigenous clearance should then be examined. Recommendation.

11. *Scrutiny for indigenous clearance.*—Case studies indicate that in most cases the sponsoring directorates themselves are able to dispose of the applications or have to consult only one or two other directorates. It has also been found that where the sponsoring directorates themselves undertook to obtain indigenous clearance from other directorates, it took them only 6.3 days, but in those cases where the reference was made to

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other directorates through the Co-ordination Directorate, the time taken was 18.7 days. This is a pointer to the necessity of strictly enforcing the existing instructions requiring that all inter-directorate references should be made direct and not through the Co-ordination Directorate. We are of the view that some time limit should be kept in mind and we have suggested a time table later. Where a Development Officer finds any difficulty in disposing of a reference, he should obtain the orders of the Industrial Adviser.

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12. In the Directorate General of Technical Development there already exists a procedure under which a Development Officer's Committee meeting is held once a week followed by an Industrial Advisers' Committee meeting each week, for dealing with cases requiring indigenous clearance. Case studies show that sponsoring directorates are not taking full advantage of these two committees and that not many cases are being referred to them. We feel that for quicker handling full use should be made of the committee system and it should be made mandatory for sponsoring directorates to place all applications which are not cleared from the indigenous angle within the prescribed time limit, before the Industrial Adviser's Committee which should take a final decision. In this event it would be the responsibility of the sponsoring directorate to withdraw the application from the directorate which may have it on that particular date and submit it to the Committee. We feel that in view of the large number of Development Officers involved and the fact that a final decision has to be taken at the Committee stage, only the Industrial Advisers' Committee should handle these cases.

13. The fact that the Industrial Advisers' Committee is required to meet to clear outstanding items should not act as a bar to disposal of items through formal or informal consultations wherever practicable. The object should be to clear as many applications/items as possible through such consultation even before the expiry of the prescribed time limit. There may be cases where a small portion of the items to be imported might be available indigenously, but it may become necessary on account of special considerations to import such items. Again in some cases the indigenously available items may not match with the rest of the equipment. There may also be items in respect of which there may be some doubt as to whether they are available indigenously or are available in time to meet the requirements. Such cases may be put up to the Industrial Advisers' Committee.

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14. *Delegation of decision making powers.*—According to the present orders applications for import of capital goods are to be put up for decision before the Industrial Adviser. The case studies, however, show that in 68 per cent of the cases it has been possible to dispose of cases at the level of Development Officers. With a view to be more realistic we recommend that the Director General of Technical Development may amend the existing orders to bring them in conformity with facts and the requirements of proper scrutiny.

15. *Communication of recommendations to the Chief Controller of Imports and Exports.*—Case studies indicate that it

took on an average 4·9 days in typing and getting signatures of two technical officers on the fair recommendation within the Directorate General of Technical Development itself and then a further period of 5·6 days in its communication to the Chief Controller of Imports and Exports's office or the Ministry concerned. We are of the view that it should not take more than 3 days in the preparation of the recommendation and another day for its despatch through the Co-ordination Directorate. To assist in speeding up matters we recommend that it should be adequate if the fair recommendation is signed by only one technical officer instead of two as at present. Furthermore, we also recommend that where the officer-oriented system is working the sponsoring directorate itself should forward the recommendation to the Chief Controller of Imports and Exports Office/Administrative Ministry concerned with a copy marked to the Import Cell for their information and record as has been recommended for import applications for raw materials.

Recommendation.

16. As mentioned in para 10 where essentiality cannot be certified, the application should be forwarded to the Chief Controller of Imports and Exports with a recommendation for rejection. Where essentiality is not in doubt, but all items are indigenously available, the Directorate General of Technical Development should, while sending their recommendation to the Chief Controller of Imports and Exports mention names of indigenous manufacturers in the case of items not already covered by the Hand Book of Indigenous Manufacturers. When both essentiality and the indigenous angle are cleared, the Directorate General of Technical Development's recommendation to the Chief Controller of Imports and Exports should invariably be accompanied by an attested copy of the list of items to be allowed for import, and by a mention of the names of indigenous manufacturers for items not to be allowed for import in case any item is not already covered by the Hand-book of Indigenous Manufacturers. Simultaneously, the Directorate General of Technical Development should inform the applicant that his application has been forwarded to the Chief Controller of Imports and Exports and give him the gist of the recommendation made, covering items not considered essential and items not cleared from the indigenous angle. A standard form of communication to be sent to applicants at this stage should be devised.

Recommendation.

17. *Time-table for the disposal of applications.*—The Swaminathan Committee had recommended that an application for capital goods should be disposed of in three weeks. The study made on the 75 cases to which a reference has already been made has revealed that only 11 cases out of 75 were disposed of in this period of 3 weeks. While the time limit of 21 days appears to us not practicable in every case, we consider that some of the cases could be disposed of in less than 21 days. Taking all aspects into consideration, we recommend a time-table for handling applications in which the aim should be to keep within a range of 15 to 31 days for the handling time within the organisation. This range is, in our view, practi-

Recommendation.

cable if time for component stages is allowed in the following manner:—

	Time in days	
	Minimum	Maximum
(a) Registration of application in the Co-ordination Directorate (Import Cell) and its transmission to the sponsoring or nominated directorate	1	1
(b) Scrutiny by sponsoring directorate and issue of acknowledgement-cum-deficiency letter.	7	7
(c) Indigenous clearance by sponsoring and other directorates concerned.	3	12
(d) Indigenous clearance by Industrial Advisers' Committees (where no disputed item remains)	0	7
(e) Preparation of final recommendation	3	3
(f) Transmission by the Co-ordination Directorate (Import Cell)	1	1
TOTAL	15	31

Note:—The time taken by a party in furnishing clarification, etc. will be over and above this time limit.

18. The Import Cell should also keep a watch on the disposal of these applications and if any applications remain undisposed of even on the expiry of the maximum time limit prescribed above, then the Import Cell should prepare lists of such applications and send them to the Industrial Advisers concerned for expediting the disposal of the applications.

19. *Applications from sources other than DGTD borne units.*—Previously all applications were being received by the Chief Controller of Imports and Exports who consulted the Directorate General of Technical Development from the point of view of indigenous angle. It is understood that it has since been decided that, in the case of small scale industrial units, the applications will be received by the Development Commissioner, Small Scale Industries, who will consider the essentiality of the goods applied for.

20. *Package clearance for Small Scale Industries.*—Applications for Capital Goods licences from sources other than DGTD borne units require consideration within the Directorate General of Technical Development's organisation from the angle of indigenous clearance only. It should be possible to make operational arrangements for reducing application-wise references to the Directorate General of Technical Development. For instance, it should be possible for the Development Commissioner, Small Scale Industries, to obtain package clearance from the Directorate General of Technical Development at the

commencement of a licensing year in regard to items of capital goods commonly applied for by small scale units. On the basis of such a package clearance the Development Commissioner Small Scale Industries, could himself proceed to give indigenous clearance in individual cases. It should be necessary for him to make a reference to the Directorate General of Technical Development only where the package clearance list does not cover a particular case. We recommend that an arrangement on these lines should be introduced in regard to small scale industries work.

Recommendation.

21. *Processing.*—With the above arrangement the Directorate General of Technical Development will receive cases for indigenous clearance only where the Development Commissioner, Small Scale Industries, cannot operate on a consolidated package clearance list. These together with cases received from other sponsoring authorities should be looked after in the Directorate General of Technical Development's organisation by the Co-ordination Directorate functioning in the same manner as sponsoring directorates in the case of the DGTD borne units. Within the Co-ordination Directorate it should be the Import Cell that should play the role of a sponsoring directorate. It should be the duty of the Import Cell to keep a watch on the movement of cases from directorate to directorate, and when the specified time limit is about to expire the Import Cell should retrieve a particular case from wherever it is and place it before the meeting of Industrial Advisers for spot clearance.

Recommendation.

22. *Communication of recommendation.*—There will be two types of cases:—

(a) Small scale industries cases not capable of being cleared by the Development Commissioner Small Scale Industries, against the package clearance list. In such cases, the Development Commissioner, Small Scale Industries, should only refer the items not covered by the list to the Directorate General of Technical Development for indigenous clearance and, on receipt of such clearance, the Development Commissioner, Small Scale Industries, should process the case further with the Chief Controller of Imports and Exports, and also inform the applicant on the lines suggested in para 16 for DGTD borne units.

(b) Cases from other sponsoring authorities need not be returned to them. In their case, the Directorate General of Technical Development's recommendation accompanied by an attested list of cleared items should be sent direct to the Chief Controller of Imports and Exports. A copy of his recommendation should go to the sponsoring authority, who should be responsible for informing the applicant on the lines suggested in para 16.

Recommendation.

Miscellaneous matters

23. *Validity of indigenous clearance.*—At present indigenous clearance given by the Directorate General of Technical Development on a particular Capital Goods application case lasts indefinitely. Since Capital Goods cases sometimes get

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delayed by two or more years for lack of foreign exchange, situations can arise when the original indigenous clearance is rendered out of date. We recommend that this defect should be remedied and that arrangements should be made to ensure that indigenous clearance is reviewed at the end of a year. The best way to do this would be for the concerned Capital Goods Committee not to sanction a particular application without checking that indigenous clearance on it is as recent as within a year prior to the date of consideration.

24. *Price checking.*—In order to minimise the possibility of over and under invoicing the Directorate General of Technical Development should as far as possible check on prices of items sought to be imported. In this connection the V. K. R. V. Rao Committee in para 53 of the report has observed as follows:—

“53. Greater attention should be paid than is the case at present to the collection of information with regard to the prices of imported equipment. The collection of such price data is essential both for determining whether import should be allowed or not and to decide between alternative foreign sources of supply. The Directorate General of Supplies and Disposals and the Directorate General of Technical Development could co-operate in the collection of such information. Government agencies abroad such as the India Supply Mission and the India Supply Department could also assist in the work. Such data are especially lacking for some of the European countries which are now offering us credits and we recommend that suitable agencies be set up to cover such countries”.

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The above recommendation was accepted by Government. The Directorate General of Technical Development officers should equip themselves with up-to-date information regarding international prices of capital equipment.

25. *Revalidation and amendments.*

(1) For revalidation of licences the applications need not be routed through the Directorate General of Technical Development and applications may be sent direct to the Chief Controller of Imports and Exports. Where the party has placed an order or entered into commitment within the period of validity of the licence, revalidation may be allowed by the Chief Controller of Imports and Exports without consulting the Directorate General of Technical Development but in other cases the Directorate General of Technical Development should be consulted.

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(2) Applications for minor amendments should also be sent by the licencees direct to the Chief Controller of Imports and Exports. However, where an amendment in value or description of goods is sought to be made, the application should be made through the Directorate General of Technical Development in the case of units borne on their 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 Directorate General of Technical Development's role in regard to indigenous clearance for applicants other than DGTD borne units should be the same as for original applications.

Resume of recommendations:

26. (1) A drill has been suggested for handling applications of DGTD borne units which should help in systematising what is already being done.

(2) The issue of an acknowledgement-cum-deficiency letter within seven days will assure the applicant and also help to cure defects quickly.

(3) The drill suggested allocates specific responsibilities to sponsoring directorates, particularly in the matter of obtaining quick clearance from the indigenous angle from the Industrial Advisers' Committee.

(4) The drill includes a time-table based on a realistic appraisal of handling time at component stages. The time-table visualises the handling time of applications of DGTD borne units in a range of 15 to 31 days.

(The maximum period was as high as 154 days previously).

(5) Parties will be informed of the gist of recommendations made to the Chief Controller of Imports and Exports, so that they know where they stand at the earliest opportunity.

(6) For cases from non-DGTD borne units, another drill is suggested in which the Import Cell will play a positive sponsoring role analogous to that of sponsoring directorates for the DGTD borne units. The Import Cell will be responsible for clearing applications within the prescribed time limits, if necessary by taking them to the Industrial Advisers' Committee.

(7) A package clearance given to the Development Commissioner, Small Scale Industries, will reduce the need for individual cases of the small sector being referred to the Directorate General of Technical Development for indigenous clearance.

CHAPTER VIII

Indigenous Clearance for Imports effected by Public Sector and Departmental Undertakings

For agencies like Government undertakings and public sector projects which get their foreign exchange allocations from the Department of Economic Affairs through the administrative Ministries concerned licencing authorities issue licences within the foreign exchange allocations and subject to clearance on (a) essentiality; (b) indigenous clearance; and (c) foreign exchange release by the concerned authorities. The Directorate General of Technical Development come in the picture only for indigenous clearance. They cannot go into the question of inventory balancing for individual undertaking. The essentiality of the item is certified in certain cases by the project authorities themselves and in other cases by a sponsoring authority, like the Central Water and Power Commission in the case of State Electricity Board/Projects. Foreign exchange is allocated on a project-wise basis or on a Ministry-wise basis in the beginning of a calendar 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. In order to examine the functioning of the Directorate General of Technical Development in this sector, a study of 100 cases selected through random and purposive sampling was conducted. The case study report is placed at Appendix XII. The members of the Study Team, who are also members of another Study Team looking into the functioning of the Import Export Organisation, had an opportunity to have detailed discussions with selected representatives of public sector undertakings and to go through the suggestions received from different public sector undertakings in response to a general invitation to all undertakings to send their comments on the existing position. This chapter contains our recommendations in respect of the Directorate General of Technical Development's organisation, but they are set in a wider framework devised by the Study Team on the Chief Controller of Imports and Exports' organisation. The operative recommendations so far as this report goes are only those which relate to the Directorate General of Technical Development's working, and these have been indicated by marginal markings. These recommendations are based on the results of case studies, and also discussions held and information obtained in connection with the examination of Chief Controller of Imports and Exports' organisation.

3. The work of indigenous clearance within the Directorate General of Technical Development's organisation can be examined under three broad categories of items namely:—

- (I) Maintenance and operational items of spares and stores.

- (II) Raw material, components and major assemblies.
- (III) Capital goods.

The work in each category is discussed below separately.

(I) *Maintenance and operational items of spares and stores*

4. *Existing position.*—On the basis of demands collected three or four months in advance of the licencing year, separate foreign exchange allocations are made to public sector projects for their maintenance and operational items of spares and stores. 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 as also indigenous clearance and no reference to the Directorate General of Technical Development is required to be made unless the project authorities want to import a banned item. The licensing authorities issue licences for such items on the basis of a certificate of the project authorities to the effect that the items in question are not available indigenously (which they do after consulting the Hand-book of Indigenous Manufacturers published by the Directorate General of Technical Development or after floating inquiries) or are not banned under terms of the import policy contained in the Red Book. The applications are made direct to the Headquarters office of the Chief Controller of Imports and Exports within the foreign exchange ceiling allocated to the project for this purpose.

5. The project authorities, however, are expected to send to the Directorate General of Technical Development a list of such items as have been imported by them within their powers of indigenous certification. The *ex post facto* scrutiny is meant to guide the project authorities against future import of those items the production of which has been developed within the country. The Directorate General of Technical Development is also expected to stimulate production of such items as are in sizable demand so that future imports can be avoided.

6. The case studies conducted revealed that contrary to the prescribed procedure, the Directorate General of Technical Development's organisation is receiving references from public sector undertakings for indigenous clearance on items of maintenance and operational spares and stores even when the indigenous clearance could have been certified by the project authorities themselves. The case studies further revealed that lists for *ex post facto* scrutiny are not being sent in all cases. No instance of any instructions having been issued to the project authorities on the basis of the scrutiny of such list came to light. The Handbook of Indigenous Manufacturers which is meant to guide the project authorities for certifying indigenous clearance was not found to be entirely up-to-date.

7. It appears that the existing facility given to the public sector undertakings of importing items of maintenance and operational spares and stores is not being taken advantage of to the full. In order to make the position abundantly clear and

to enable public sector undertakings to derive maximum benefit from this facility, we visualise the following procedure:

(i) The present position of a separate allocation for maintenance and operational spares and stores which exists for some projects should be extended to all departmental/public sector undertakings and State Electricity Boards/Projects so that no reference to the Headquarters either on indigenous clearance or on release of foreign exchange is required.

(ii) There should be a separate application in a separate form for import of items of maintenance and operational stores and spares, distinct from the application for import of raw materials.

(iii) The application should be sent direct to the licencing authority concerned with a certificate covering the following points:—

(a) that the items sought to be imported are either not available indigenously or are available in specifications or delivery period not suitable to the project authorities;

(b) that they are not banned or if banned suitable clearance from the Directorate General of Technical Development has been obtained.

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tion.

(iv) References for indigenous clearance to the Directorate General of Technical Development should be made only for banned items. On receipt in the Directorate General of Technical Development's office, these should be sent direct from the R&I Section to the *nominated officer*, who should dispose of the reference in the same manner as for raw materials discussed subsequently. It would help the Directorate General of Technical Development in giving a decision expeditiously if project authorities were to indicate the quantity or value of banned items required to be imported by them. It should not follow that quantitative restrictions should be imposed on all items but it should be open to the Directorate General of Technical Development to indicate a quantitative limit on any particular item. Unless a quantitative limit is specifically indicated by the Directorate General of Technical Development the clearance would be presumed to be without any quantitative restriction.

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(v) The Directorate General of Technical Development's task would be further facilitated if project authorities were to adopt the practice of floating a general inquiry for eliciting response from indigenous manufacturers and indicating the results of such an inquiry in the reference made to the Directorate General of Technical Development. In such a case the Directorate General of Technical Development should not call upon the project authorities to approach individual indigenous manufacturers.

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tion.

(vi) We have already recommended in an earlier chapter that the Handbook of Indigenous Manufacturers should be kept up-to-date by issuing quarterly supplements. If this is done, it should facilitate the work of indigenous clearance on the part of project authorities, The Handbook of Indigenous Manufacturers should indicate as far as possible the description of

the goods in the same pattern and sequence as the Red Book indicates.

(vii) With the effective decentralisation of indigenous clearance and foreign exchange release suggested above, project authorities should not need to send their applications to the Headquarters office for licencing but should deal direct with port licencing offices.

(viii) In view of the limited possibility of indigenous manufacturers coming up for production of maintenance and operational items of stores and spares, there is no need for the lists of such items to be sent for *ex post facto* scrutiny to the Directorate General of Technical Development. Recommenda-
tion.

(II) *Raw materials, components and major assemblies:*

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

(a) Sending estimated demands in the beginning of the calendar year 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. (In the case of State Electricity Boards/Projects the allocation is kept with the Ministry of Irrigation and Power and no Project/Board-wise sub-allocation is made).

(c) Getting indigenous clearance from the Directorate General of Technical Development in advance (In the case of State Electricity Boards/Projects, indigenous clearance is obtained by the Central Water & Power Commission on behalf of Projects/Boards and indigenous clearance on individual applications is given by the Central Water & Power Commission, which keeps its list upto date in consultation with the Directorate General of Technical Development and in doubtful cases refers individual items to the Directorate General of Technical Development at the stage of scrutinising the application itself).

(d) Routing individual application for licence to the Chief Controller of Imports & Exports 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 stand delegated to it, in which type of case passing orders of release itself.

(f) Forwarding the import applications by the administrative Ministry to the Chief Controller, Imports and Exports.

9. The advance indigenous clearance given by the Directorate General of Technical Development for every six monthly allocation of foreign exchange has to be repeated for the next six monthly allocation. This incidentally limits the validity period of indigenous clearance of the Directorate General of

Technical Development to six months only. Thus for a particular item once permitted the project authorities have to approach the Directorate General of Technical Development again in case the actual import application is made after six months or even if a repeat licence is applied for after six months of the original indigenous clearance.

10. It seems that the licencing 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 units such as those borne on the Directorate General of Technical Development's list. The latter have only to apply once a year through the Directorate General of Technical Development, who not only certifies essentiality but also allocates foreign exchange out of his bulk allocation. The Directorate General of Technical Development is not required to get sanction for individual releases of foreign exchange from the Department of Economic Affairs. Moreover, for Directorate General of Technical Development borne units, the import policy and indigenous clearance is valid for one year, whereas the period is only six months in the case of public sector undertakings.

11. The Study Team which is looking into the Chief Controller of Imports & Exports organisation has given much thought to the problem and is led to the view that 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 total agreement. It was recommended by that Committee that once foreign exchange had 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 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 shortage 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 allocations 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 project-wise foreign exchange allocation and full delegation to project authorities, for operation within the allocation, eliminating the Department of Economic Affairs as also the administrative Ministry.

12. Assuming the acceptance of the above basic recommendation of the other Study Team as a starting point, we have visualised a new procedure as follows:—

(i) *Indigenous clearance.*—There should not normally be more than one occasion in a particular licensing period for a project authority to approach the Directorate General of Technical Development for indigenous clearance.

(ii) This clearance instead of being obtained on individual applications should be obtained before a project authority consolidates its demand for foreign exchange allocation in the beginning of the calendar year. Project authorities, or the Central Water and Power Commission which operates the foreign exchange for the State Electricity Boards/Projects, should in the month of October every year draw up a 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 licensing period. Recom-
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tion.

(iii) 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' a project authority should ensure that only items which are clearly open to the 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 the actual users in terms of the import policy in force. List 'A' items need not be referred to the Directorate General of Technical Development at all. List 'B' items should be got cleared by the Directorate General of Technical Development in the manner indicated. Recom-
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tion.

(iv) In respect of items covered by list 'B' in order to facilitate indigenous clearance at the Directorate General of Technical Development's end, a project authority should float general trade inquiries 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 inquiries 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 time 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 Directorate General of Technical Development might consider giving indigenous clearance only for the balance of the requirements for import. Recom-
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tion.

(v) After preparing the above lists with the certificate indicated, the project authority should approach the Directorate General of Technical Development for indigenous clearance on a "package" basis, only in respect of items covered by list 'B', by the end of October. List 'A' items need not be sent to the Directorate General of Technical Development at all. Recom-
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tion.

(vi) The Directorate General of Technical Development should be able to give comments or clearance by the end of November. The processing of such cases within the Directorate. Recom-
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tion.

rate General of Technical Development's organisation is discussed separately.

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(vii) 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 list 'B' for which the Directorate General of Technical Development has given indigenous clearance. (This demand should also be accompanied by a separate demand for maintenance items of stores and spares). The administrative Ministry should thereafter arrange from the Department of Economic Affairs for the allocation of foreign exchange to the project.

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tion.

(viii) 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 Directorate General of Technical Development 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 the necessary formalities indicated earlier for package clearance. There should not be any other reference on indigenous clearance for the same licensing period again.

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tion.

(ix) 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 make application direct to the licensing authority, in respect of list 'A' items and items of list 'B' cleared by the Directorate General of Technical Development within the foreign exchange ceiling allocated to it. Individual applications need not be referred to the Directorate General of Technical Development for clearance or to the administrative Ministry or the Department of Economic Affairs for release of funds.

(x) The licencing 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 licencing authority should check whether the number and date of the Directorate General of Technical Development's communication regarding the 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 foreign exchange allocated to the project. The licencing authority should accept the itemised quantities or value given by the project authorities unless the same have been specifically restricted by the Directorate General of Technical Development at the time of indigenous clearance. The account of progressive utilisation of foreign exchange should be maintained by the Chief Controller of Imports & Exports.

Processing of indigenous clearance references under the above procedure within the Directorate General of Technical Development

13. Existing position.—Within the Directorate General of Technical Development's organisation officers of Development

Officer's level have been specifically nominated for each project or group of projects. A reference for indigenous clearance is received from R & I by the Co-ordination Section and then forwarded to the officers nominated for that particular project. The Development Officer so nominated is expected to attend to such references immediately and give his clearance from the indigenous angle "after taking the overall picture of the item involved without going into minor details". Orders exist under which the nominated officer is to give clearance on items of other Development Officers also 'even if some risk is involved'. The case studies, however, indicate that such a clearance is not being given by the nominated officer and that references to other directorates are being made. The nominated officer after due action is to return the case to the Co-ordination Section which is to put up the case before a Committee for clearing such items as have not been scrutinised by the nominated officer.

14. The case studies (Appendix XII) indicate that such indigenous clearance is being given within an average period of 30 days. The maximum period taken in the cases examined was 151 days. No distinction between key and non-key industries is made and as a matter of fact the disposal time of non-key industries cases happen to be less than the time involved on key industries. Out of 100 cases 7 were not routed through the Co-ordination Directorate. The reference from one directorate to another was made in 24 cases, 9 of which were not passed through the Co-ordination Directorate at all. Out of 100 cases only one was cleared at the Development Officers' meeting. The total time taken by the Co-ordination Directorate per case was 16.9 days 10 of which were spent in drafting, fair typing and despatching. In 94 per cent of cases, three Directorates or less were involved, 76 per cent being those where only one Directorate was involved.

15. Taking the results of the case studies and the discussions held with the representatives of the public sector undertakings, we make the following recommendations in regard to handling of cases within the Directorate General of Technical Development's organisation:—

- (a) It is not necessary that applications for indigenous clearance should be routed through the Co-ordination Directorate. These may be sent direct from R & I Section to the nominated officer concerned. Recommendation.
- (b) The nominated officer should be responsible for the disposal of each case. He should clear as many applications as possible either on his own or by informal discussions with other officers. If a reference is to be made to the other Directorates the case should not be routed through the Co-ordination Directorate. It would be desirable to advise project authorities that where they feel that more than one Directorate is involved, they should furnish extra copies so as to expedite clearance through simultaneous reference to other Directorates by the nominated officer.

- (c) The nominated officers should collect in advance as much information regarding indigenous manufacturer of items as possible. [In this connection the following recommendations made by the V.K.R.V. Rao Committee on the utilisation of External Assistance in para 50 of their report is pertinent:—

“The Directorate General of Technical Development has done a great deal in recent years to improve the availability of information with regard to indigenous supplies of equipment. We feel, however, that there is still scope for considerable improvement in this regard. The detailed information with respect to the production and order book position of individual manufacturers should be kept on cards, frequently updated and be accessible to public and private sector industrial units, and cross-checked on the basis of reports from consuming units”.

This recommendation was accepted by Government. Government also decided that while statistics regarding orders cannot be maintained for all industrial units, such information should be collected for important sectors.]

- (d) The nominated officers should *not* advise indigenous clearance on list ‘A’ items or items for operational and maintenance stores and spares and such lists if received should be returned to the project authorities for action at their own end.
- (e) Indigenous clearance obtained from the Directorate General of Technical Development should be valid for the entire licensing year under reference, subject to its ipso facto withdrawal in the case of items which get included in the Hand-book of Indigenous Manufacturers or its supplements, before the licence is issued. Such a withdrawal should not, however, affect the commitments made or orders placed before the item got included in the Hand-book.
- (f) The nominated officers should be able to dispose of reference on indigenous clearance within a period of 30 days. In no case should the project authority be required to approach indigenous manufacturers individually.
- (g) The nominated officers should be given adequate clerical support for maintenance of files and issue of fair copies within 3 days of the decision taken.
- (h) The Directorate General of Technical Development need indicate itemised limits only in the following types of cases:—
- (i) Where import may be allowed of a banned item for a nominal quantity.
 - (ii) Where there is indigenous manufacture but the manufacturers are not able to supply the total requirement, the import may be allowed only for the balance of the requirement.

If a restriction should be imposed there should be a specific mention of the quantitative limit as otherwise the licensing authority would presume Directorate General of Technical Development's clearance without any such limit.

(iii) *Capital goods.*

16. *Existing position.*—In the case of capital equipment required by public sector projects, the project authorities have to approach the Department of Economic Affairs twice, once for getting their foreign exchange allocation and again for foreign exchange release on import applications. The project authorities, in order to get the clearance from indigenous angle on capital items from the Directorate General of Technical Development, have to send three separate lists in duplicate covering (a) indigenous items which are not to be imported; (b) items which must be imported; and (c) doubtful items which might have to be imported. No detail is, however, given with the first list of items. The case study did not reveal if any use was being made of the list of indigenous items.

17. Under a recent change of procedure, the applications, together with the three lists, are to be addressed by name to the nominated officer concerned, who after receipt is to get them registered in the Co-ordination Directorate. The nominated officer is expected to clear as many items as possible and then put the remaining items up to the Industrial Adviser concerned who may convene a meeting of Development Officers for the speedy disposal of the case.

18. Case studies did not reveal any advantage in the changed procedure of sending applications direct to nominated officers. Any advantage of sending an application direct to the nominated officer is lost if the same application has to be sent back to the Co-ordination Directorate for registration. It would in that case be better if the application is routed through the Co-ordination Directorate for registration.

We would, however, recommend that, like raw material applications, capital goods applications also should be received direct by the nominated officer *and should not be sent to the Co-ordination Directorate* except at the last stage of forwarding the recommendation to the Chief Controller of Imports & Exports. The nominated officer should get all the items cleared on his own or by informal consultation with other Directorates, or put up the cases to the Industrial Advisers' Committee in case such clearance cannot be obtained otherwise in time. The clearance should be obtained within a period of 21 days and the cases finally disposed of within a period of 30 days.

Recommen-
dation.

19. Out of 24 cases examined 13 cases were disposed of at the Development Officers' level, even though under the existing orders all cases of capital goods are to be put up to the Industrial Advisers. In order to conform to actual position the Development Officers should be formally authorised to dispose of cases of capital goods. We would leave it to the Director General to amend the existing orders suitably.

Recommen-
dation.

Recommendation. 20. The public sector undertakings should be requested to submit a consolidated application preferably not more than twice for a particular licencing period.

Recommendation. 21. As in the case of raw materials, the indigenous clearance on capital goods items should be valid for a year.

Recommendation. 22. Public sector undertakings should be asked to mention the specifications, quantities and values in respect of items proposed to be imported by them. The Directorate General of Technical Development would impose quantitative restrictions on indigenous clearance only in respect of 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.

Recommendation. 23. For emergency replacement and break-down items of capital goods, no reference to the Directorate General of Technical Development for indigenous clearance on individual cases should be necessary. The project authorities may apply direct to the Chief Controller of Imports & Exports who may place the applications before the Capital Goods *Ad-hoc* Committee for indigenous clearance in a separate part of the agenda. The foreign exchange should be met out of a bulk allocation made to the Chief Controller of Imports and Exports for this purpose.

Miscellaneous recommendations:

Recommendation. 24. *Nomination of officers.*—Nominations should be made with reference to individual projects by name, i.e., a Development Officer by designation should be nominated for a group of related public sector projects by name like H.M.T., H.E.P., etc. A system of having only one nominated officer for say, 'all non-engineering items' may overburden the officer, and would defeat the underlying object.

Recommendation. 25. *Adequate publicity.*—We feel that public sector undertakings should be fully informed of the procedure regarding imports. Diversity of procedure from undertaking to undertaking should as far as possible be avoided, but where there is any such diversity the same should be clearly indicated. It may be desirable to have a separate chapter on public sector undertakings in the Handbook of Rules and Procedure on Import Trade Control.

RESUME OF RECOMMENDATIONS

26. The recommendations made by the Study Team in this section will result in the following improvements:—

(i) No reference to the Directorate General of Technical Development on permissible items of maintenance and operational stores would be necessary.

(ii) The indigenous clearance to be given by the Directorate General of Technical Development would be facilitated by the standard procedure of lists and certificates appended thereto for raw materials and components.

(iii) The allocation of foreign exchange by the Department of Economic Affairs would be more realistic in view of package

indigenous clearance obtained at the pre-demand formulation stage.

(iv) No reference to the administrative Ministry or the Department of Economic Affairs or Directorate General of Technical Development would be made on individual import applications of non-capital items.

(v) Licensing of items of operational and maintenance stores and spares can be decentralised to Regional Licensing Offices.

(vi) The validity period of indigenous clearance for all items would be extended to one year resulting in considerable relief to the project authorities and reduction of avoidable reference to the Directorate General of Technical Development.

(vii) The special procedure applicable to public sector undertakings would be published in a separate chapter in the Handbook on Import Trade Control in an integrated way.

(viii) Nominated officers of the Directorate General of Technical Development will be fully responsible for indigenous clearance in regard to particular projects under their charge.

(ix) The Co-ordination Section will have nothing to do with the references from public sector undertakings on indigenous clearance.

CHAPTER IX

IMPORT APPLICATIONS FROM UNIVERSITIES, EDUCATIONAL, SCIENTIFIC AND MEDICAL INSTITUTIONS AND MUNICIPALITIES

1. *Scope:*

This Chapter deals with the procedure for processing applications from universities, educational, scientific and medical institutions and municipalities. In the case of these applications, the Directorate General of Technical Development are concerned only with the aspect of indigenous availability.

2. *Existing procedure:*

At present, these applications are received in Co-ordination Directorate of the Directorate General of Technical Development from the Chief Controller of Imports & Exports' Office. The Co-ordination Directorate refers the applications to the Technical Directorates concerned, obtains their views and thereafter returns the applications to the Chief Controller of Imports & Exports.

3. *Operational and maintenance spares:*

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tion.

The requirements of these organisations for operational and maintenance spares are not likely to be large. We, therefore, recommend that there should be only two lists—(i) list of open items without any restriction; and (ii) list of banned items, so that references from these organisations to the Directorate General of Technical Development in regard to stores which otherwise might have been included in the restricted list would be avoided.

4. *Scientific equipment and other capital goods:*

As regards the import of scientific equipment and apparatus and other capital goods, we feel that these organisations should continue to obtain indigenous clearance from the Directorate General of Technical Development in respect of such stores, as at present. Also, no change in the existing procedure for handling such applications is called for except that it should be made the responsibility of the Co-ordination Directorate to keep a watch and to ensure that these applications are disposed of expeditiously. We suggest that a time-limit of 15 days should be prescribed for the disposal of these applications.

CHAPTER X

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS IN PART I

CHAPTER V

ALLOCATION OF FOREIGN EXCHANGE

Allocation made to the Directorate General of Technical Development as a whole:

1. The functions at present performed by the Department of Iron & Steel in respect of steel allocation to private sector industry, from the stage of obtaining demands to the stage of allocations should be transferred to the Economic Adviser. (para 9).

2. The foreign exchange allocation now separately indicated for imported steel should be added to the consolidated bulk allocation which the Department of Economic Affairs make to the Ministry of Commerce for commercial imports. The requirements of the D.G.T.D. borne units should be catered for out of the bulk allocation earmarked for the Directorate General of Technical Development by the Economic Adviser under a single head. (para 10).

3. The functions at present being performed in regard to sub-allocation of the non-ferrous allotment by the Department of Mines & Metals should be transferred to the Economic Adviser. (para 11).

4. As in the case of steel allocation, the allocation to Directorate General of Technical Development borne units for their requirements of non-ferrous metals should be amalgamated with the bulk allocation made to Directorate General of Technical Development under a single head. (para 11).

5. Wherever possible commodity-wise allocation may be done away at least so far as the D.G.T.D. borne units are concerned and that the Directorate General of Technical Development's share in the allocation for such commodities should be amalgamated with their bulk allocation under a single head even though some of the items are canalised. Similar treatment may be given as far as possible to other sponsoring authorities for their total needs which are looked after by the Economic Adviser. (para 12 & 15).

6. Special care may be taken to see that the amalgamation of ceilings proposed does not in any way lead to a reduction in what the Directorate General of Technical Development may have received by way of a total allocation under the existing system. (para 13).

7. Import licensing for the steel requirements of the D.G.T.D. borne units should be transferred from the Iron & Steel Controller to the Chief Controller of Imports & Exports and should

preferably be done at the Head-quarters. There should be a single consolidated licence issued from the Head-quarters of the Chief Controller of Imports & Exports for the total needs of a particular unit for raw materials, components and spares excluding the canalised items which should be imported against sub-allocations carried out of the bulk allocations of individual sponsoring authority. This sub-allocation is to be determined by the sponsoring authorities concerned. (para 14).

8. Once allocation of foreign exchange has been made to the Director General, Technical Development, its *inter-se* apportionment between the industries should rest solely with him. The *inter-se* priority which the concerned Ministries wish to be adopted for their group of industries may be intimated to him well in advance for his consideration but such an advice should not have mandatory force. (para 21).

9. The Director General of Technical Development's hands should not be tied by indicating his allocation in two groups *viz.* Chemicals and Engineering and that his allocation should be given as one figure only. (para 22).

10. The Directorate General of Technical Development's industry-wise apportionment of foreign exchange should be completed within 15 days of his receiving foreign exchange allocation. (para 23).

11. The present varying patterns of unit-wise allocation in the different Directorates should be replaced by the basis set out in the main report. (paras 30—39).

12. If any change is made in the basis mentioned above in future, it should be made known to the industry. (para 28).

CHAPTER VI

IMPORT OF RAW MATERIALS, COMPONENTS AND SPARES BY UNDERTAKINGS BORNE ON THE BOOKS OF THE DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT

13. The application should be submitted in duplicate instead of in triplicate. The form of application has been recommended for simplification. The applicant may be asked to send an extra copy of the list of goods applied for, (*i.e.*, in triplicate) which would be sent back to him by Directorate General of Technical Development with suitable amendments, conforming to recommendation made. (paras 4, 7 & 9).

14. The Unit may be asked to submit only one application for a particular end-product. A consolidated application both for raw materials, components and also for spare parts may be submitted. (para 5).

15. It should be impressed on all industrial undertakings that applications for import should be made after very careful consideration and requests for changes or additions avoided. (para 16).

16. The Chief Controller of Import & Export's organisation should not question an application if duly recommended by the Directorate General of Technical Development merely because the application is time-barred. The recommendation of the Directorate General of Technical Development about condonation should be presumed unless the contrary is stated. The last date prescribed in the Red Book should be the date by which the application should be received by Directorate General of Technical Development's organisation. (para 8).

17. For easy identification of sponsoring Directorate each industrial undertaking should be allowed a code number related to the end-product. The referencing within the Directorate General of Technical Development and Chief Controller of Imports & Export's organisation should be on the basis of these code numbers. (para 10).

18. At present an application is registered twice, once in the Receipt & Issue Section and again in the Co-ordination Section before it goes to the sponsoring Directorate. To save time, it is recommended that registration in the R. & I. should be reduced to the barest minimum. (para 11).

19. For checking applications received without treasury challans or with under valued treasury challans, the Chief Controller of Import & Export will assist the Directorate General of Technical Development by locating in the Directorate General of Technical Development a Unit which will screen them and return such as are deficient in fee. (para 12).

20. The Import Cell of the Co-ordination Directorate through which all import applications will pass, will prepare periodical list of cases which are not disposed of in time and bring them to the notice of the Industrial Adviser concerned so that the latter may arrange their disposal at Industrial Advisers' meeting. (para 13).

21. Technical scrutiny of import applications should be conducted in advance of the foreign exchange and acknowledgement-cum-deficiency card should be sent to the applicant within 7 days of the receipt of the application. Formal references to other Directorates if absolutely necessary, should be completed before the unit-wise allocation is made. Based on working norms the entitlement of each unit should be assessed and a master chart of unit-wise entitlement should be prepared in advance of foreign exchange allocation. The recommendatory letter should also be completed in advance of the foreign exchange allocation. All the scrutiny and action should be completed within a period of three weeks from the issue of the acknowledgement letter. (para 14-15).

22. Clarifications from the applicants should be sought in one lot avoiding piece-meal references and the party should be given 10 days to furnish all necessary clarifications. (para 15).

23. To facilitate the technical scrutiny a list of check points should be standardised on a Directorate-wise basis. (para 15).

24. All industrial undertakings may be impressed to furnish complete monthly production returns regularly failing which

the import applications are liable to remain unsponsored. (para 16).

25. All import applications received in each Directorate should be registered industry-wise in a chronological order and taken up for action in the same chronological order. (para 17).

26. On the basis of a master chart, unit-wise allocation should be finalised within 15 days of industry-wise allocation after due clearance from the indigenous availability angle. (para 18).

27. In the case of spare parts, the Development Officer will continue to make allocations on the basis of his judgement of the requirements of an undertaking and his past experience. It will be necessary for the Directorate General of Technical Development to indicate a separate allocation for raw materials and components and separate allocation for spares. The Chief Controller of Imports & Exports may issue only one licence showing the two allocations separately. It should not be open to an undertaking to divert any portion for spares for the import of raw materials and components. (para 18).

28. The Directorate General of Technical Development's publication "Hand-book of Indigenous Manufacturers" should be brought out at the same time as Chief Controller of Imports & Export's Red Book and kept up-to-date by issuing quarterly supplements. (para 20).

29. The policy formulated in the Red Book regarding indigenous clearance in respect of raw materials and components should not normally be changed during the licensing period. (para 21).

30. The necessity of requiring the party to get non-availability certificate should be entirely done away with. There should be only 3 lists, namely (a) banned items, (b) open items; and (c) restricted items in respect of which quantitative restrictions may be imposed by the Directorate General of Technical Development on the basis of indigenous availability. (para 22).

31. So far as small scale sector is concerned, the import policy may provide only two categories of items namely, "banned" and "open". The restricted category may be done away with. The need for restricted list will of course continue for the scheduled sector. (para 22).

32. While the applicants should be required to indicate itemised quantities, the Directorate General of Technical Development should make recommendation for licences without indicating itemised quantities except in cases of speculative and indigenously available items. Quantitative restrictions should be applied uniformly to all undertakings in the same industry. The list of goods should invariably be appended with the recommendation sent to the Chief Controller of Imports & Exports. 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 upto 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 licence-holder's factory. (para 22).

33. A revised form of the covering letter (Appendix IX) with which the recommendation should be sent to the Chief Controller of Imports & Exports is recommended. To facilitate legitimate representation and follow up by the trade, a copy of the Directorate General of Technical Development's covering letter should be sent simultaneously to the applicant for his advance information (without any commitment). A copy of the list of items recommended should also be sent to him. If the Chief Controller of Imports & Exports wants a fair copy of the list he should ask the applicant to prepare a clean copy from his own list. The applicant should not, in any circumstance, be required to get clean copies of the list attested by the Directorate General of Technical Development's organisation. (para 23-24).

34. For speeding up matters in the sponsoring Directorate for the despatch of recommendation to the Chief Controller of Imports & Export's office, it is recommended that (a) the draft letter and the list need not normally be put up to officers above Development Officer's level, (b) the fair copies should ordinarily be prepared within 2 days of the approval of a draft and (c) the fair recommendatory letter and the list need not be attested by two technical officers as at present. (para 25-26).

35. The Co-ordination Directorate should not take more than 24 hours in the transmission of applications received from the sponsoring Directorates to the Chief Controller of Imports & Export's organisation. However, where an officer oriented pattern has been introduced the sponsoring Directorate should send its recommendation to the Chief Controller of Imports & Export's organisation direct. (para 27).

36. The time table as proposed should be observed so that all applications are received by the Directorate General of Technical Development by 15th May and all licencing 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 28).

37. The Chief Controller of Imports & Exports 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 Directorate General of Technical Development only when the recommendation has not been observed in its entirety by the Chief Controller of Imports & Exports. (para 28).

38. As a logical corollary to the decision of the Government on the recommendation of Swaminathan Committee, the licencees 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 year. (para 29).

39. The licencees upto Rs. 5,000 should continue to get the concession of total commitment in one lot at any time during the validity period. (para. 30).

40. The holders of licences between Rs. 5,001 and Rs. 15,000 may also be allowed the benefit of annual licencing without any endorsement during the second half and also the concession of being able to commit the full value of the licence at any time subject, however, to 50 per cent limit on payment during the first half of the licencing period. (para 31).

41. In order to provide for marginal adjustment where the value of the licences is in excess of Rs. 15,000 but does not exceed Rs. 30,000 the licencees should be authorised to place orders upto the value of Rs. 15,000 in one lot subject to the condition that remittance of foreign exchange in the first half year will not exceed 50 per cent of the value of the licence. Also, any cut which might have to be imposed on such licences in the second half year should not result in the total value of the licence being reduced below Rs. 15,000/- (para 32).

42. The allocations made to small valued licence holders should be considered as the first charge on the total amount of foreign exchange allocated to the Directorate General of Technical Development during the second half year, leaving the balance to be distributed among the holders of larger licences in all industries. (para 33).

Miscellaneous recommendations

Licences in advance of foreign exchange allocation:

43. Issue of licences in advance of foreign exchange allocation to the extent of 75 per cent of allocation in the preceding year will not be of any particular advantage to the trade. On the contrary this will throw up additional work load on the trade as also on the Directorate General of Technical Development and on Licensing Offices. [para 34(i)].

Intimation of unit-wise allocation to the applicant in advance of the application itself:

44. The present practice of intimation of unit-wise allocation to the applicants in advance of the receipt of application itself in certain Directorates should be discontinued. [para 34(ii)].

Revalidation of licences:

45. Where the industrial undertaking has already made the necessary commitment or opened a letter of credit but due to some reason the delivery period falls outside the validity period of the licences, revalidation in such cases should be left to the Chief Controller of Imports & Exports alone and no consultation with the Directorate General of Technical Development should be necessary. However, where industrial undertaking has neither made any commitment nor opened a letter of credit or has entered into commitment only for a part of the licence, then revalidation of the whole licence in

the former case and of the un-utilised portion of the licence in the latter case, should be decided by the Chief Controller of Imports & Exports in consultation with the Directorate General of Technical Development. [para 34(iv)].

Licensing of machine tools:

46. In order to relieve the Directorate General of Technical Development from non-technical work, the work of issue of licences of machine tools may be taken over by the Chief Controller of Imports & Exports organisation. Directorate General of Technical Development however should continue to give technical advice as before. [para 34(v)].

Requirements of work-shop, office buildings etc.:

47. Where a work-shop holds an industrial licence for the manufacture of various articles under different headings or sub-headings of the first schedule to the Industries (D & R) Act 1951, its requirements such as cement, pig iron, coke etc. common to more than one end-products, should be decided by the Directorate to be determined by the Deputy Director General or Directorate General of Technical Development quickly in cases of doubt. [para 34(vi)].

Handing over the documents to the trade representatives:

48. There need be no objection to handing over to the bona-fide trade representatives copies of communications sent to his firm asking for information etc. [para 34(vii)].

Policy cards for import policy:

49. Policy cards which are sent to the Chief Controller of Imports & Exports should be prepared only in respect of those items for which a change in the import policy is considered necessary by the Directorate General of Technical Development. [para 34(viii)].

Release of materials through the State Trading Corporations:

50. Where materials are released by the State Trading Corporation etc. on the recommendation of the Directorate General of Technical Development, a copy of the Directorate General of Technical Development's recommendation should be sent to the applicant also. [para 34(ix)].

Ex-post-facto scrutiny of import cases:

51. A separate Cell in the organisation should be created under a suitable technical officer who will work directly under the control and guidance of the Director General. [para 34(x)].

Reasons of exercise of discretion to be recorded on file:

52. In order to facilitate the *ex-post-facto* scrutiny recommended in the above para, reasons for exercise of scrutiny should be recorded in brief on the file itself. [para 34(xi)].

CHAPTER VII

Import of Capital Goods*DGTD borne units*

53. All DGTD borne units should submit their applications to the Chief Controller of Imports & Exports through Directorate General of Technical Development. The revised form of application (Appendix XI) should be adopted for use by the DGTD borne units. The same form can be used for all other categories of Capital Goods applications without difficulties. [para 6 (1) & (2)].

54. An application may be invited in duplicate only and the party should send in all 7 copies of the list of Capital Goods applied for by it. [para 6 (3)].

55. While there need not be any restrictions on the timings or the number of applications in respect of a new scheme, reasonable restrictions should be imposed in regard to the frequency of applications from existing firms for replacement/balancing, modernisation needs. However, applications made in emergent situation like break down can always be permitted as special cases and so would applications linked to specific credits. [para 6(4)].

56. All applications should be received in the Import Cell located in the Co-ordination Directorate and this Cell should not take more than 24 hours for registering an application and sending it to the sponsoring Directorate concerned without any forwarding memo. No paper should be retained in the Import Cell except the maintenance of register on the lines recommended for applications dealing with the import of raw materials. (para 7).

57. In order to facilitate referencing and processing of applications, DGTD borne units submitting applications for the import of Capital Goods should indicate code numbers allotted to them on these applications. (para 8).

58. The sponsoring Directorate concerned should scrutinise the application with the help of check list recommended for the purpose. (para 9).

59. After carrying out the necessary scrutiny, an acknowledgement-cum-deficiency card should be sent to the applicant within a period of 7 days. The party should furnish information/clarification within 10 days. (para 9).

60. The question of indigenous clearance should be examined by the Directorate General of Technical Development in respect of only those cases/items where essentiality is certified. Where essentiality cannot be certified the application may be forwarded to the Chief Controller of Imports & Exports with the recommendation for rejection. (para 10).

61. The existing instructions that all inter-Directorate references should be made direct and not through Co-ordination should be strictly enforced. (para 11).

62. Where a Development Officer finds any difficulty in disposing of a reference within the prescribed time limit, he should obtain the order of the Industrial Adviser. (para 11).

63. It should be made mandatory for sponsoring Directorates to place all applications which are not cleared from indigenous angle within the prescribed time limit, before the Industrial Adviser's Committee which should take a final decision. The sponsoring Directorate should withdraw the application from whichever Directorate on that particular date and submit it to the Committee. Only the Industrial Adviser's Committee should handle these cases. (para 12).

64. The fact that the Industrial Adviser's Committee is required to meet to clear outstanding items, should not act as a bar to disposal of items through formal or informal consultations wherever practicable. (para 13).

65. With a view to be more realistic the Director General Technical Development may amend the existing orders regarding delegation of decision making powers to bring them in conformity with facts and the requirements of proper scrutiny. (para 14).

66. The fair recommendations should be signed by only one technical officer.

67. Wherever officer oriented system is working, the sponsoring Directorate itself should forward the recommendations to the Chief Controller of Imports & Exports's office/administrative Ministry concerned with a copy to the Import Cell for their information and record. (para 15).

68. In such cases where essentiality is not in doubt, but all items are indigenously available, the Directorate General of Technical Development should, while sending their recommendation to the Chief Controller of Imports & Exports, mention names of indigenous manufacturers in the case of items not already covered by the Hand-book of Indigenous Manufacturers. (para 16).

69. When both essentiality and the indigenous angle are cleared, the Directorate General of Technical Development's recommendation to the Chief Controller of Imports & Exports should invariably be accompanied by an attested copy of the list of items to be allowed for import, and by mention of the names of indigenous manufacturers as indicated above. Simultaneously the Directorate General of Technical Development should inform the applicant that his application has been forwarded to the Chief Controller of Imports & Exports and give a gist of recommendations made, covering items not considered essential and items not cleared from the indigenous angle. The standard form of communication to be sent to the applicant at the stage, should be devised. (para 16).

70. A time table for handling applications within a range of 15 to 31 days within the organisation has been recommended. (para 17).

71. The Import Cell should keep a watch on the disposal of these applications within the prescribed time limits. (para 18).

Applications from sources other than DGTD borne units:

72. Instead of making application-wise references to the Directorate General of Technical Development, it should be possible for the Development Commissioner, Small Scale Industries, in case of Small Scale Sector to obtain package clearance from the Directorate General of Technical Development at the commencement of a licencing period in regard to items of Capital Goods commonly applied for by small units and on the basis of such a package clearance, the Development Commissioner, Small Scale Industries, could himself proceed to give indigenous clearance in individual cases. Necessity to consult the Directorate General of Technical Development may arise only where the package clearance list does not cover a particular items without sending the whole application. (para 20).

73. For cases from all non-DGTD borne units, the Import Cell will play a positive sponsoring role analogous to that of sponsoring Directorates for the DGTD borne units. (para 21).

74. The Development Commissioner, Small Scale Industries should inform the applicant that his application has been forwarded to the Chief Controller of Imports & Exports and give him the gist of recommendations made. (para 22).

75. In respect of other sponsoring authorities, the Directorate General of Technical Development's recommendations accompanied by an attested list of cleared items should be sent direct to the Chief Controller of Imports & Exports. A copy of this recommendation should go to the sponsoring authority, who should be responsible for informing the applicant about the gist of recommendations. [para 22(b)].

Miscellaneous matters:

76. Validity of indigenous clearance should renewed at the end of one year. (para 23).

77. The Directorate General of Technical Development officers should equip themselves with up-to-date information regarding international prices of capital goods and check prices indicated in the invoices while scrutinising the items. (para 24).

78. Where the party has placed an order or entered into commitment within the period of validity of the licence, revalidation may be allowed by the Chief Controller of Imports & Exports without consulting the Directorate General of Technical Development but in other cases the Directorate General of Technical Development should be consulted. (para 25).

79. Applications for minor amendments should also be sent by the licencees direct to the Chief Controller of Imports & Exports. However, where an amendment in value or description of goods is sought to be made, the application should be made through the relevant sponsoring authorities. The Directorate General of Technical Development's role in regard to indigenous clearance on such applications from those other than DGTD borne units should be the same as for original applications. [para 25(2)].

CHAPTER VIII

Indigenous clearance for import effected by Public Sector and departmental undertakings**MAINTENANCE AND OPERATION ITEMS OF SPARES AND STORES**

80. The present position of a separate allocation for maintenance and operational spares and stores which exists for some projects should be extended to all departmental/public sector undertakings and State Electricity Boards/Projects so that no reference to the Headquarters either on indigenous clearance or on release of foreign exchange is required. [para. 7(i)].

81. There should be a separate application in a separate form for import of items of maintenance and operational stores and spares, distinct from the application for import of raw materials. [para 7(ii)].

82. The application should be sent direct to the licensing authority concerned with necessary certificates about non-availability etc. indigenously and clearance from Directorate General of Technical Development on banned items. (para 7(iii)].

83. References for indigenous clearance to the Directorate General of Technical Development should be made only for banned items and such references received in Directorate General of Technical Development should be sent direct from the Receipt & Issue Section to the nominated officer, who should dispose of the reference in the same manner as prescribed for references on raw materials. To help the Directorate General of Technical Development in giving a decision expeditiously the project authorities may indicate the quantity or value of *banned items* required to be imported by them. It should be open to the discretion of the Directorate General of Technical Development to indicate a quantitative limit on any particular item. Unless a quantitative limit is specifically indicated by the Directorate General of Technical Development the clearance would be presumed to be without any quantitative restriction. [para 7(iv).]

84. The project authorities may adopt the practice of a general inquiry for eliciting response from indigenous manufacturers and indicating the result of such an inquiry in the reference made to the Directorate General of Technical Development. In such a case, the Directorate General of Technical Development should not call upon the project authorities to approach individual indigenous manufacturers. [para 7(v).]

85. The "Hand-book of Indigenous Manufacturers" should be kept up-to-date by issuing quarterly supplements. The book should be attempted to indicate the description of the goods in the same pattern and sequence as the Red Book indicates. [para 7(vi)].

86. The project authorities need not send their applications to the Headquarters for licencing but should deal direct with Port Licencing Offices. [para. 7(vi).]

87. The list of maintenance and operation items of stores and spares need not be sent for *ex-post-facto* scrutiny to the Directorate General of Technical Development. [para 7(viii)]

(II) Raw materials, components and major assemblies.

88. On the basis of the presumption of project-wise foreign exchange allocation and full delegation to the project authorities, for operation within the allocation eliminating the Department of Economic Affairs as also the administrative Ministry, a new procedure has been visualised as follows:—

- (i) indigenous clearance should be obtained usually not more than once a year;
- (ii) the project authorities should get packet clearance during October-November of the preceding year and before demand for foreign exchange allocation is made;
- (iii) the items to be imported may be divided into two lists *viz.* list A and list B. In list A should be included items which are already open. This list need not be cleared by Directorate General of Technical Development;
- (iv) the items which are banned or not open should be listed in list B. General open enquiry be floated for these items and those indigenously available should be deleted. Thereafter a certificate should be appended about non-availability;
- (v) List B with itemised requirement certificate should be sent to Directorate General of Technical Development by the end of October.
- (vi) Directorate General of Technical Development should clear the list by the end of November in accordance with the procedure indicated subsequently;
- (vii) the demand for foreign exchange should be sent to administrative Ministry on the basis of list A and cleared items of list B;
- (viii) after import policy is announced, the project authorities may get further clearance from Directorate General of Technical Development in case some items of list A or list B come in the banned category or new items not included in these lists are required to be imported;
- (ix) the project authorities should apply to Chief Controller of Imports and Exports direct on the basis of list A and packet clearance of list B items within the foreign exchange ceiling;
- (x) the Licensing Offices after checking up list A and list B items with reference to Red Book and Directorate General of Technical Development's packet clearance issue licences without further reference to Directorate General of Technical Development, administrative Ministry or Department of Economic Affairs. [para 12].

Processing of indigenous clearance references under the revised procedure within the Directorate General of Technical Development

89. All applications may be sent direct from R & I Section to the nominated officer concerned. [para 15(a)].

90. The nominated officer should be responsible for the disposal of each case. [para 15(b)].

91. Inter-directorate references should not be routed through Co-ordination Directorate. [para 15(b)].

92. Where more than one Directorate is involved, the project authorities may be advised to furnish extra copies for simultaneous reference to other Directorates. [para 15(b)].

93. The nominated officer should collect in advance as much information regarding indigenous manufacture of items as possible. [para 15(c)].

94. The nominated officers should not advise indigenous clearance on list "A" item or items for non-banned items of operational and maintenance stores and spares. [para 15(d)].

95. An indigenous clearance obtained from the Directorate General of Technical Development should be valid for the entire licencing year under reference subject to certain conditions. [para 15(c)].

96. The nominated officer should dispose of a reference on indigenous clearance within a period of 30 days. [para 15 B&G)].

97. In no case should a project authority be required to approach indigenous manufacturers individually. [para 15(f)].

98. Adequate clerical support should be given to the nominated officer for maintenance of files and issue of fair copies within 3 days of the decision taken. [para 15(g)].

99. Directorate General of Technical Development need indicate itemised limits only in the cases where import may be allowed of an item for a nominal quantity or where there is indigenous manufacture but the manufacturers are not able to supply the total requirements. [para 15(h)].

(III) Capital goods

100. Like raw materials applications, capital goods applications also should be received direct by the nominated officer and should not be sent to the Co-ordination Directorate at all, except at the stage of despatch of recommendation to the Chief Controller of Imports & Export's organisation. A nominated officer will be personally responsible to obtain the clearance within a period of 21 days and ensure its final disposal within a period of 30 days. [para 18].

101. In order to conform to actual position the Development Officer should be formally authorised to dispose of cases of capital goods. We would leave it to the Director General to amend the existing order suitably. [para 19].

102. The public sector undertaking should submit a consolidating application for items of balancing equipment preferably not more than twice for a particular licencing period. [para. 20].

103. The indigenous clearance on capital goods items should be valid for one year. [para. 21].

104. The Directorate General of Technical Development would impose quantitative restriction on indigenous clearance only in respect of 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. [para 22].

105. The project authorities may apply direct to the Chief Controller of Imports & Exports for emergency replacement and break down items of capital goods and no reference to the Directorate General of Technical Development for indigenous clearance on individual cases should be necessary. The foreign exchange should be met out of a bulk allocation made to the Chief Controller of Imports & Exports for this purpose. [para 23].

Miscellaneous recommendations

106. A Development Officer by designation should be nominated for specific related public sector projects by name. [Para 24].

107. Public sector undertakings should be fully informed of the procedure regarding imports. Diversity of procedures from undertakings to undertakings should as far as possible be avoided but where there is such diversity the same should be clearly indicated. It may be desirable to have a separate chapter on public sector undertakings in the Handbook of Rules and Procedure on Import Trade Control. [Para 25].

CHAPTER IX.

IMPORT APPLICATIONS FROM UNIVERSITIES, EDUCATIONAL, SCIENTIFIC AND MEDICAL INSTITUTIONS AND MUNICIPALITIES.

108. Since the requirement of these organisations for operational and maintenance stores are not likely to be large, it is recommended that there should be only two lists—(i) list of open items without any restrictions; and (ii) list of banned items, so that references from those organisations to the Directorate General of Technical Development in regard to store which otherwise might have been included in the restricted list would be avoided.

109. As regards the import of scientific equipment and apparatus and other capital goods, it should be the responsibility of the Co-ordination Directorate to keep a watch and to ensure that these applications are disposed of within a time limit of 15 days. [Para 4].

New Delhi;

Dt. 9th June, 1965.

H. C. Mathur

N. K. Mukarji

P. Sabanayagam

R. K. Raisinghani

S. P. Mukerji

N. J. Kamath

P. C. Kapoor

S. S. Kumar

S. S. Puri

APPENDICES

APPENDIX I

Names of Associations/Chambers of Commerce/Individuals/Officials from whom suggestions were invited.

I. Associations/Chambers of Commerce

- 1 Shri B. A. Tarlton, Secretary, Indian Engineering Association, Calcutta.
- 2 Shri P. L. Bhatti, Secretary, All India Manufacturers Organisation, Sir P. Mehta Road, Bombay-1.
- 3 Shri G. L. Bansal, Secretary, General, Federation of Indian Chambers of Commerce & Industry, Federation House, New Delhi.
- 4 Shri P. Chentassari, Secretary, Federation of Indian Chambers of Commerce and Industry, Federation House, New Delhi.
- 5 Shri A. D. Ogilvie, President, Associated Chambers of Commerce & Industry, Royal Exchange, Calcutta.
- 6 Secretary, Iron, Steel & Hardware Merchants' & Manufacturers Chambers of India, Bombay.
- 7 Secretary, Indian Refractory Makers Association, Royal Exchange, Calcutta-1.
- 8 Secretary, Engineering Association of India, India Exchange, Calcutta-1.
- 9 Secretary, The All India Plastics Manufacturers Association, Mahatma Gandhi Road, Bombay.

II. Individuals

- 1 Shri S. Mulgaokar, TELCO, Bruce Street, Bombay.
- 2 Shri V. G. G. Nair, Managing Director, Aluminium Industries, Kundara.
- 3 Shri H. V. R. Iengar, Chairman, EID-Parry Limited, Parry's Corner, George Town, Madras.
- 4 Shri A. R. Basak, Indian Cable Co., No. 9, Hare Street, Calcutta.
- 5 Dr. R. R. Hattiangadi, Managing Director, Associated Cement Company, Cement House, 121, Queen Road, Bombay-1.
- 6 Shri P. L. Tandon, Hindustan Lever Ltd., 165/166, Backbay Reclamation, Bombay.
- 7 Shri A. D. Muddie, Hindustan Lever Ltd., 1, Express Building, B. Shah Zafar Marg, New Delhi.
- 8 Shri S. V. Rao, Branch Manager, Voltas Ltd., 7/1, Asaf Ali Road, New Delhi.
- 9 Shri T. S. Krishna, T. V. S. Limited, Madras.
- 10 Shri Charat Ram, Delhi Cloth Mills Limited, Delhi.
- 11 Shri Pitamber Pant, Chief (Perspective Planning Division), Planning Commission, New Delhi.
- 12 Shri M. K. K. Nair, Managing Director, Fertilizers and Chemicals Ltd., Alwaye, Kerala.
- 13 Shri M. S. Ram, Managing Director, Trombay Fertilizer Corporation, Bombay.
- 14 Shri K. R. K. Menon, Resident Director, Tata Industries P) Ltd., L.I.C. Building, Parliament Street, New Delhi.
- 15 Shri Murgappa Chettiar, Managing Director, Carborandum Universal Limited, Jeangir Street, Madras.
- 16 Shri M. M. Rao, Tata Johnsons Ltd., 110, Golf Links, New Delhi-3.
- 17 Shri C. C. Desai, 44, Friends Colony, New Delhi-14.
- 18 Shri A. D. Ogilvie, President, Associated Chambers of Commerce and Industry, Royal Exchange, Calcutta.
- 19 Shri A. Ramaswami Mudaliar, India Steamship, 21, Old Court House Street, Calcutta.
- 20 Shri N. D. Sahukar C/o GoJrej & Boyce (P) Ltd., Lalbagh, Bombay.
- 21 Shri Govind Narain, I. C. S., Chairman, Minerals & Metals Trading Corporation, Express Building, B. Shah Zafar Marg, New Delhi-1.

- 22 Shri N. D. Sahukar C/o Godrej & Boyce (P) Ltd., Lalbagh, Bombay.
- 23 Shri S. L. Bhatler, M/s. Hindustan Motors Ltd., 8, India Exchange Place, Calcutta.
- 24 Dr. U. P. Ganguli, M/s. Bengal Enamel Works Ltd., 60/2, Dharmtala Street, Calcutta.
- 25 Shri G. K. Bhagat, M/s. Bengal Potteries Ltd., 45, Tangra Road, Calcutta-15.
- 26 Shri H. P. Nanda, M/s. Escorts Ltd., 4, Pratap Building, Connaught Circus, New Delhi.
- 27 Shri C. V. Mariwals, The Bombay Oil Industries (P) Ltd., Kanmoor House, 5th Floor, 281/287, Narsi Natha Street, Bombay-9.
- 28 Shri C. R. Ranganathan, Fertiliser Association of India Ltd., New Delhi.
- 29 Shri V. Poddar, Works Director, M/s. Rohtas Industries Ltd., Dalmianagar.
- 30 Shri S. D. Somani, Shri Niwas House, Waudby Road, Fort, Bombay.
- 31 Shri Sanjoy Sen, Chairman, The National Tanery Co. Ltd., Calcutta.
- 32 Dr. R. S. Lale, Managing Director, M/s. Borosil Glass Works Ltd., Chotani Estate, Products Ltd., Grant Road, Bombay.
- 33 Dr. G. R. Toshniwal, Toshniwal Bros. Private Ltd., Rival Kacheri Road, Ajmer.
- 34 Shri T. R. Gupta, Chairman, Heavy Engineering Corporation L d. Ranchi.
- 35 Shri N. M. Athawale, M/s. Bajaj Electricals Ltd., 47/21, Chiplunkar Road, Poona-4.
- 36 Shri Gautam Sehgal, M/s. Ciba of India Ltd., Royal Insurance Building, J. Tata Road, Bombay-1.
- 37 Shri J. H. Doshi, M/s. Amar Dye-Chem. Ltd., Bombay.
- 38 Dr. H. R. Nanji, Mcher House, 15 Cawasji Patel Street, Bombay-1.
- 39 Shri D. M. Trivedi, M/s. Synthetic & Chemicals Ltd., Bareilly, U. P.
- 40 Shri Arvind N. Mafalal, National Organic Chemical Industries Ltd., Bombay.
- 41 Shri. D. D. Desai, M/s. Power Cables Ltd., Thakersey House, Graham Road, Ballard Estate, Bombay.
- 42 Shri Jayant H. Shah, Managing Director M/s. Batala Engineering Co. Ltd., C/o M/s. Mukund Iron & Steel Works Ltd., Agra Road, Kurla, Bombay-70.
- 43 Shri V. Nimbkar, The Amerind, 15th Road, Khar, Bombay.
- 44 Shri Pranlal Patel, President, All India Automobile & Ancillary Industries Association, Brackbourne Stadium, 87, Veer Nariman Road, Bombay-1.
- 45 Shri T. S. Krishna, M/s. Lucas TVS Pvt. Ltd., 37, Mount Road, Madras.
- 46 Shri V. K. Srinivasan, M/s. Standard Motor Products of India Limited, Madras-2.
- 47 Shri. Keshub Mahindra, M/s. Mahindra & Mahindra Ltd., Gateway Building Apolo Bunder, Bombay-1.
- 48 Shri Chinubhai Kilachand, M/s. Premier Automobiles Ltd., Agra Road, Kurla, Bombay-70.
- 49 Shri A. L. Subharwal, General Manager, M/s. Indian Aluminium Ltd., 31, Chowringhee Road, Calcutta-16.
- 50 Shri A. E. I. Collins, Managing Director, Ashok Leyland Ltd., Bank of Mysore Building, N. S. C. Bose Road, Madras-1.
- 51 Shri R. K. Birla, 207 Jorbagh, New Delhi.
- 52 Shri S. I. Kirloskar, Kirloskar Oil Engines Ltd., Elphinston Road, Kirkee, Poona.

III. Officials

- 1 Shri L. Kumar, Senior Industrial Adviser (Petro-Chemicals), DGTD, Udyog Bhavan, New Delhi.
- 2 Shri K. S. Ramaswami, Senior Industrial Adviser (Auto.) DGTD., Udyog Bhavan, New Delhi.
- 3 Dr. B. D. Kalelkar, Deputy Director General (Engg.), DGTD., Udyog Bhavan, N. Delhi.
- 4 Dr. G. P. Kane, Deputy Director, General (Chem.) DGTD., Udyog Bhavan, N. Delhi.
- 5 Shri M. M. Vadi, Industrial Adviser (Engg.), DGTD., Udyog Bhavan, New Delhi.
- 6 Dr. A. Seetharamiah, Industrial Adviser (Chem.), DGTD, Udyog Bhavan, N. Delhi.
- 7 Dr. S. P. Varma, Industrial Adviser (Chem.), DGTD., Udyog Bhavan, N. Delhi.
- 8 Shri K. N. Ramaswami, Development Officer (Elect.), DGTD., Udyog Bhavan, N. Delhi.

- 9 Shri S. K. Sinha, Industrial Adviser (Engg.), DGTD, Udyog Bhavan, N. Delhi.
- 10 Shri V. Krishnamoorthy, Development Officer (Instruments), DGTD, Udyog Bhavan, New Delhi.
- 11 Shri P. K. Sheshan, Development Officer (Alk.) DGTD., Udyog Bhavan, New Delhi.
- 12 Shri S. S. Karnad, Development Officer (Foundry), DGTD, Udyog Bhavan, N. Delhi.
- 13 Shri S. Bhoothalingam, Secretary (CDN), Min. of Finance, N. Delhi.
- 14 Shri P. Govindan Nair, Additional Secretary, Deptt. of Economic Affairs, Min. of Finance N. Delhi.
- 15 Shri V. K. Ramaswami, Chief Economic Adviser, Deptt. of Economic Affairs, Min. Finance, N. Delhi.
- 16 Shri R. V. Raman, Joint Secretary, Deptt. of Heavy Engg., Min. of Steel, Mines and H.B. New Delhi.
- 17 Shri S. K. Mukherjee, Joint Secretary, Cabinet Sectt, N. Delhi.
- 18 Shri C. S. Krishna Moorthi, Jt. Secretary, Deptt. of Economic Affairs, Min. of Finance, New Delhi.
- 19 Dr. Ajit Mozoomdar, Jt. Secretary, Min. of Finance, New Delhi.
- 20 Shri S. S. Marathe, Economic Adviser, Min. of I. & S., New Delhi.
- 21 Shri Maheshwar Prasad, Dy. Secretary, Deptt. of Iron & Steel, New Delhi.
- 22 Dr. Nagaraja Rao, Adviser (Industry), Planning Commission, Yojana Bhavan, N. Delhi.
- 23 Shri M. W. Desai, Industries Commissioner, Govt. of Maharashtra, Bombay.
- 24 Shri K. T. Satarawala, Secretary, Industries Deptt., Gujarat, Ahmedabad.
- 25 Shri T. N. Lakshminarayanan, Secretary, Industries Deptt., Madras.
- 26 Shri K. V. Seshadri, Deputy Secretary, Industries Deptt., Maharashtra, Bombay.
- 27 Shri V. H. Coelho, Director of Industries, Gujarat.
- 28 Shri B. C. Malik, Ex. Director of Industries, West Bengal, Calcutta.
- 29 Shri B. C. Mathur, Director of Industries, Govt. of Orissa, Cuttack.
- 30 Shri N. R. Srinivasan, D.O. (Ceramics & O & M Officer, DGTD).
- 31 Shri P. D. Kalia, Junior Analyst, DGTD, N. Delhi.
- 32 Shri T. A. S. Balakrishnan, Director of Industries & Commerce, Govt of Madras, Madras
- 33 Shri B. C. Mathur, Director of Industries, Govt. of Orissa, Bhubaneshwar.

APPENDIX II

Functions of the Directorate General of Technical Development.

The field of activity of the Directorate General is wide and varied and has expanded considerably during the last few years. With the exception of a few industries, like iron and steel, textiles, jute, sugar and vanaspati, it is entrusted with the task of formulating and executing the development plans of all other industries. The main functions of this Directorate General of Technical Development are as reproduced below :

- (i) Assisting in the planning and development of industries, to secure a well balanced and properly co-ordinated pattern of industrialization of the country.
- (ii) Formulating the detailed industrial production targets under the Five Year Plans and keeping them under constant review.
- (iii) Securing increased production of those articles and commodities the present production of which is insufficient to meet the country's demand, and ensuring improvement in the quality of products.
- (iv) Examination from technical angle of applications received under the Industries (Development & Regulation) Act, 1951, for establishing new industrial units or for effecting substantial expansion of existing production units and making appropriate recommendations to the concerned ministries.
- (v) Advising on the suitability of collaboration terms in respect of industries sought to be established with foreign collaboration.
- (vi) Scrutiny of applications for import of capital goods, raw materials, steel, etc. from the point of essentiality and/or indigenous non-availability.
- (vii) Making recommendations or tendering advice regarding :
 - (a) Formulation of import and export policies ;
 - (b) Tariff protection ;
 - (c) Training of technical personnel overseas etc.
- (viii) Allocation of :
 - (a) Pig iron, coal and coke to all central list foundries ;
 - (b) Steel for Private Industrial Development (P.I.D.) and Industrial Maintenance & Packing (I.M.P.) quotas ;
 - (c) Cement for Private Industrial Development (P.I.D.) quotas.
- (ix) Issue of :
 - (a) Certificates of exemption from payment of customs duty on scientific equipment and appliances not manufactured in India ;
 - (b) Steel quota certificates for industrial units in the private sector.
- (x) Collection and compilation of industrial data relating to installed capacity, actual production, employment position, stocks, prices, etc. and apprising the Ministries concerned of their trends.
- (xi) Technical advice and promotion of exports of engineering and non-engineering goods.
- (xii) Assisting various Government organisations like IFC, NIDC, etc. on technical aspects while considering loans to the industries.
- (xiii) Guiding the work of the Development Councils constituted under the Industries (Development & Regulation) Act, and performing the work of Secretariat of the various Development Councils.
- (xiv) To conduct studies aiming at finding out substitutes for imported/scarcce raw materials and finished products.
- (xv) Issue of licences for import of machine tools.
- (xvi) Assistance to the Indian Standards Institution in preparing standards for various products including raw materials, adoption of quality certification scheme etc.

- (xvii) Providing technical Directors to the boards of various public sector projects and members to the councils and courts of universities, technical, technological research and scientific institutions.
 - (xviii) Assistance to Government in running private sector factories taken over by the Government under the Industries (D&R) Act.
 - (xix) Arranging participation of its technical officers in scientific and technological seminars and symposia both in India and under the aegis of International Organisations abroad.
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APPENDIX III

Heads for Ceilings of foreign exchange.

Existing head of allocation	Consumers	Importing agency	Proposed head of allocation excluding Export Promotion, OGL and CCI&E's ad-hoc ceilings.
1	2	3	4
1 Raw Cotton	Textile industries	Associations & Mills.	Textile Commissioner.
2 Raw Jute	Jute industries	Mills	Jute Commissioner.
3 Raw Silk	Mills	Mills	Silk Board .
4 Cashew nuts	Cashew industries	Actual users	CCI&E.
5 Copra and Palm oil	SSI DGA units DGTD units.	STC	Sponsoring authorities concerned.
6 Raw Wool	Textile industries	Mills & Associations	Textile Commissioner.
7 Raw Rubber	Rubber industry	Actual users	DGTD.
8 Sulphur	SSI, non-DGTD & DGTD units	Two agents of Sulphur Corporation of USA.	Sponsoring authorities concerned including DGTD.
9 Caustic soda	SSI, non-DGTD & DGTD units.	STC	Sponsoring authorities concerned including DGTD
10 Raw Film	Film Studios	STC & Established importers.	CCI&E.
11 Rock Phosphate & Chilean Nitrate.	Fertiliser industry	STC	Ministry of Food & sponsoring authorities including DGTD.
12 Explosives	Government Departments	E. I's	CCI&E.
13 Hides & Skins	Consumer industry	Actual users & Established importers.	Sponsoring authorities including DGTD.
14 Wattle Bark extracts.	DGTD and SSI units.	Actual users & Established importers.	CCI&E & Sponsoring authorities including DGTD.
15 Other Chemicals from CCI&E's ceiling including heavy soda ash for the glass industry.	Non-DGTD units & individual consumers.	Established importers & non-DGTD units.	Sponsoring authorities and CCI&E.
16 Machine Tools	DGTD & non-DGTD units SSI.	Actual users & Established importers.	Sponsoring authorities including DGTD & CCI&E.
17 Scientific, Surgical & Optical Instruments.	Actual Users	Established importers.	CCI&E.
18 Ball & Roller Bearings.	Non-DGTD units & Stockists.	STC & Actual users.	Sponsoring authorities & CCI&E.

1	2	3	4
19 Essential raw materials for small scale industries.	SSI	Actual users	DC SSI & CCI&E.
20 Textile machinery, etc.	Textile industry	Textile units.	Textile Commissioner.
21 Jute & tea machinery.	Jute industry Tea industry.	Jute Mills & Tea units.	Jute Commissioner Tea Board.
22 Components & spare parts.	Stockists & non-DGTD units.	Established importers & actual users.	Sponsoring authorities and CCI&E.
23 Drugs & medicines	Drugs industry	Established importers & Actual Users.	Drugs Controller & CCI&E.
24 Books & all other consumer goods.	Stockists	Established importers.	CCI&E.
25 Non-ferrous metals	SSI, non-DGTD and DGTD units.	STC	CCI&E and sponsoring authorities including DGTD.
26 <i>DGTD</i> Chemical Directorate Engineering Directorate.	} DGTD units.	Actual users.	DGTD.

APPENDIX IV

Note on Industry-wise Allocation of foreign Exchange.

I. It should be noted that the foreign exchange of ceiling are fixed only notionally by the Economic Adviser and final apportionment of the ceilings among the various industries is worked out thereafter in D.G.T.D. taking into account the factors such as:—

- (i) Degree of priority attached to various industries;
- (ii) Scale of past utilisation of foreign exchange;
- (iii) Special measures needed to be taken in the light of any development in the industry.

II. The procedure adopted in D.G.T.D. for its apportionment among various industries is broadly as follows:—

(A) *Chemical Industries:*

Final apportionment of the ceilings among various chemical industries is made by the Dy. Director General with the prior approval of the Director General and the Secretary, Supply & Technical Development, after taking into account the continuing and special requirements of the industries. The starting point would of course be the total amount of foreign exchange earmarked for the Chemical Directorates under the head "Free Resources," and credits from other countries, for instance for the period October, 1964—March, 1965, the allocation of Free Foreign Exchange to the Chemical Directorates as received from the Economic Adviser was Rs. 15 crores representing a cut of 19% over the allocation in the previous period. It was, however, not considered feasible to apply the cut of 19% in all cases and process the applications because certain special aspect had to be taken into consideration.

These were:

- (i) The priority now attached to the Cement industry necessitated a special allocation of Free Foreign Exchange to the industry for its special needs;
- (ii) The Alkali industry had to be given a special allocation of Free Foreign Exchange in order to meet the raw materials requirements of a new factory set up for the production of Borax and, in another case, for the production of an item by a particular process.
- (iii) The Aromatic Chemicals Directorate had to be given a special allocation of Free Foreign Exchange on account of the fact that the DUTCH credit given to it earlier did not materialise.

The additional Free Foreign Exchange required for the above could come only from the total exchange of Rupees 15 crores made available, and, therefore, inevitably, a pro-rata cut of 20% was made in the allocation of Free Foreign Exchange to each Chemical Directorate to make up the national saving in order to meet the above special needs.

2. In the case of DUTCH aid of Rupees 125 lakhs earmarked for the Rubber Directorate, it was decided not to utilize more than Rupees 40 lakhs because the items for the import of which this provision has been made had, meanwhile, registered increasing indigenous production and, therefore, it was decided to utilise the amount of Rupees 85 lakhs thus saved for import of other materials that might be available from Netherlands after consulting the Economic Adviser. Similarly, a sum of Rupees 15 lakhs earmarked under DUTCH credit for import of Aromatic chemicals was not considered for utilisation on account of the fact that not a single import licence for the import of this item had been authorised by the Dutch authorities in the past despite provision.

3. The allocation under WEST GERMAN aid was used to supplement the allocation under Free Resources to Drugs & Pharmaceuticals, Insecticides, Dyestuffs, Paints and Varnishes and Plastic industries.

4. In the case of AID provision for organic and petrochemicals, plastic, asbestos, rayon and paper, it represented an approximate cut of 20% from this source. A separate allocation for asbestos under the COLOMBO PLAN was made actually for the amount already released on annual basis.

5. While making the above allocations to the industries, the following was also brought to the notice of concerned authorities:—

- (a) In several industries the foreign exchange allocation is primarily used for maintenance and spare parts. With considerably reduced foreign exchange allocation and simultaneous increase in the number of units to be serviced, one must be prepared for break-downs in production in the next 6 months;
- (b) With the drastic reduction in the allocation of foreign exchange and consequently less availability of foreign exchange even for existing units any attempts to feed new units with raw materials (which they have a right to expect) would mean further cut in the foreign exchange allocation to the existing units. The result will be inadequate availability of foreign exchange both to the existing and new units and there could be no answer to any representation made to Government except lack of adequate provisions of foreign exchange.

(B) Engineering Industries:

In this sector also, an assessment of the requirements of foreign exchange for various industries is first made at a meeting of the Industrial Advisers with Deputy Director General and final apportionment for each industry is made with the prior approval of the Director General, Secretary, Supply & Technical Development, and Secretaries of the concerned Ministries.

2. Engineering industries have been categorised with the approval of concerned administrative Ministries in three broad groups:

- (a) High priority industries;
- (b) Medium priority industries; and
- (c) Low priority industries.

As soon as the total ceiling for the Engineering group as a whole is made known by the Economic Adviser, it is examined whether it represents any cut or increase over the utilisation in the previous period. If there is no change in the total allocation, industry-wise allocation to be done by D.G.T.D. will also be the same.

3. If the total allocation is in excess of utilisation in the past period, a heavy major portion of additional amount is allocated to the industries categorised as High Priority industries and comparatively minor portion of the additional exchange is given to the industries categorised as Medium Priority industries and if there is any balance after making these two allocations, it is diverted to the Industries categorised as Low Priority industries.

4. If, however, the total allocation is less than the utilisation in the past period, the deficit is charged to Medium Priority Industries (by a slight cut) and to Low Priority Industries (by a major cut) thereby ensuring full production at least in the sector of industries categorised as High Priority industries.

5. While the 3 categories mentioned above serve as a broad guide, changes in the lists might become necessary from time to time. But these changes are effected either under a directive from the administrative Ministries or with their approval, for instance, after the promulgation of Emergency, Commercial Vehicle Industry which was already in the category of High Priority Industries, was given almost the highest priority in the category itself. Similarly, Agro industries have been given very high priority in view of the recent policy on "Grow More Food" campaign.

APPENDIX V

Statement indicating the procedures followed in different Directorates for the allocation of foreign exchange to industrial units.

Division/Directorate	Industries	Procedure
RAW MATERIALS	Non-ferrous, Semis & Alloy manufacturing industries.	<p>The consideration of import applications for raw materials falls broadly in two groups <i>viz.</i>,</p> <ol style="list-style-type: none"> (1) Applications for basic nonferrou metals like copper, zinc, lead, tin and nickel for which a separate foreign exchange under non-ferrous ceiling is allocated. (2) Other import applications for minor metals as alloying elements and items of spares and consumable stores (like crucibles Borax, Dies and Tools etc.) for which import is allowed against general raw materials and a spares foreign exchange allocated to the Directorates.

So far as items of raw material falling under Group (2) are concerned, the individual import applications from various parties are scrutinised and foreign exchange for the permissible items allowed taking into consideration the previous consumption, stock on hand, incoming material from previous period licence, as also the foreign exchange allowed period. On this basis depending on the availability of the total foreign exchange, the individual applications are disposed of by allowing import for a value to maintain previous year's standard of production. In certain cases, where the past consumption would even justify allowing some extra quantity only a small increase in foreign exchange can be considered when the total available foreign exchange under the raw material ceiling remains quite the same. Since individual import applications of each industrial unit are thus disposed of, there is no single statement or chart prepared for these. The details of final recommendations are available in each party's Assistant file.

In respect of the non-ferrous metals allocation, when the total ceiling for the Directorate is decided by the Department of Mines & Metals, a policy note is sent to them indicating proposed percentage basis for allotment considering the previous year's total production for the particular individual unit and item concerned. After this detailed note fixing the percentage

Division/ Directorate	Industries	Procedure
		<p>basis for each non-ferrous semis industry is finalised by the Department of M. & M. with the necessary modifications if they propose to make, a chart is prepared for each industry indicating the individual units under that industry and the figures of their previous year's production accepted for allotment. On the basis of the percentage fixed for the industry by the Department of Mines & Metals within the availability of foreign exchange, their percentage quota is calculated from the accepted production figures. According to the availability of the ceiling under various sources, this total quota for copper, zinc, lead and tin is split up for final allocations—e.g., E. I. Linking A/U licence under (IAD ; A/U licence under Free for Col. AID etc. (/).</p>
		<p>In respect of import applications for steel, the demands are considered in the light of past allocation, consumption and the value applied for ; adjusting the finally recommended value to each unit within the steel foreign exchange allotted by the Department of Iron & Steel. These import recommendations also have no specific percentage basis like the allocation of non-ferrous metals. The import applications also are disposed of individually as is done in respect of the items of spare parts and raw materials.</p>
		<p>In respect of the import application for spare parts, there is no fixed basis but within the available foreign exchange, party is allowed a value on the necessity of the spare parts, what value they have applied for and what total value of spare parts was allowed in the previous period. Spare-parts applications are generally recommended on 6 monthly basis. For the disposal of these applications also, there is no specific chart like what is prepared for non-ferrous metals, but the disposal is for individual application in the Assistant file of the party concerned.</p>
Industrial Machinery Division	Machinery for all types of industries	<p>While there is no hard and fast rule and each case has to be decided on its own merit, the general considerations for allocation of foreign exchange to individual units are as below :—</p> <ol style="list-style-type: none"> <li data-bbox="719 1616 1181 1661">(a) The firm's approved manufacturing capacity ; <li data-bbox="728 1685 1189 1756">(b) The specific phased manufacturing programme applicable in a particular period ;

Directorate/ Division	Industries	Procedure
		<p>(c) Actual production in the past together with corresponding actual consumption of raw materials and components (with an additional weightage upto 25% depending upon foreign exchange availability) ;</p> <p>(d) Physical stock of raw materials and components in hand together with expected arrivals against previous import licences ;</p> <p>(e) The firm order which the party may need to execute within a specific period.</p> <p>(f) Whether a particular item applied for import is at all manufactured indigenously.</p> <p>In regard to the first allocation to a firm which is to commence production its eligibility is first determined taking into consideration the factors mentioned above and the actual first allocation is subjected to a 50% cut as a general basis. Deviation might, however, become necessary if there are over-riding considerations of priority (e.g., industrial refrigeration industry during April—September 1964 in relation to Crash Food Programme).</p>
Light Electrical Directorate	Meters and Instruments Electric Fans. Refrigerators and Air Conditioners. Electrical Accessories. Electrical Lighting Fittings. Electric Lamps.	The basis of allocation of foreign exchange to individual units within each of the above industries is decided in the Policy Notes of each Industry. Applications from individual units are examined on respective files taking into account the list of raw, materials and components to be imported, their indigenous availability and the phased manufacturing programme undertaken by the units.
Light Mechanical Engineering Division	Bicycles	During April—September 1963, allocation to individual units was made on the basis of 1958 production. During April-September 1964, the basis was 1962-63 production in order to do justice to units of post 1958 origin. The policy-change had the approval of the Department of S. & T. D.
	Ball bearings, Steel balls, type writers, sewing machines, data processing machines, time-pieces watches, calculating machines, addressing machines, franking machines, adding machines, bolts and nuts.	Both during April-September 1963 and April-September 1964, the basis of allocation was targetted production or approved phased manufacturing programme of the units.

Directorate/ Division	Industries	Procedure
	Zip fasteners, snap fasteners, packing and jointings, needles, duplicators, pressure-stoves, pressure lamps, pressure-cookers, spectacle frames, containers, sanitary fittings, toys, clocks, steel furniture, drum flanges, leaf-spring and coil-spring, jem-clips, safety-pins, building hardware, locks, umbrella ribs, wire-gauge, wire netting, welded link chains, wire brush, barbed wire and stranded wire.	Both during April-September 1963 and April-September 1964 the basis of allocation is production during the past 12 months.
		While the above is the general broad outline of the policy, for eligibility of individual units, stocks and expected arrivals with each unit are considered an due adjustment for stock in excess of six-months requirement in the case of six monthly licensing and 12 month's requirement in the case of annual licensing is made.
Heavy Mechanical Engineering Division.	Railway Wagons. Boats Crafts and Ship Repairs. Steel Wire-ropes. Steel Pipes & Tubes. Steel structurals including cranes, hoists, etc. Welding Electrodes Lifts. Conduit Pipes Bright Bars.	New firms are starting production in July 1964. On past production plus new firms coming in. Additional units coming into production shortly. Additional import of dies caused by switch-over to metric system.
		<i>Procedure:</i> In respect of cranes and welding electrodes the basis is 1963 calendar year production and the phased manufacturing programme of the unit, nearly 50% capacity of the new firms coming into production on the availability of foreign exchange and equity indigenous production with imported components feasible.
		For import of all steel items, the basis is as follows: Past production and for the new firms coming into production—on the basis of licensed capacity vis-a-vis indigenous availability of steel. Matching steel for structural industry was

Directorate/Division	Industries	Remarks
		<p>also recommended on the basis of October 1963—March 1964 period, and the requirement is assessed by the Iron & Steel Controller.</p> <p>The basis for deciding allocation for import of zinc is as follows: For Structural & Transmission Line Towers, galvanised top 40% transmission line towers and 1963 calendar year production and allotting zinc for 7%.</p> <p>For Steel tubes the basis is 7% of galvanising of tubes produced in 1963 calendar year basis.</p>
Metallurgical industries Directorate.	(A) <i>Non-ferrous Metals</i> Aluminium	Production during the last 6 months and likely increase during the next 6 months is first assessed. Stocks and expected arrivals of imported raw materials against previous import licences are also taken into account. Thereafter, requirement of that raw material for a period of 9 months on the basis of estimated production and established norms of requirements of that material for production are calculated. From this figure stocks in hand and expected arrivals are deducted and balance is taken to be the entitlement of the firm for a six monthly period, all these factors subject to availability of foreign exchange
	Copper, Lead & Zinc	The amount of foreign exchange earmarked for these metals is very small and it is used for spare-parts. The allotment is on the basis of applications received from time to time for replacement of worn-out parts, while for raw materials the basis is the same as indicated for aluminium industry.
	Antimony.	There is only one manufacturing unit. On the basis of estimated demand and production target prescribed for the firm, allotment of foreign exchange for import of antimony is made.
	(B) <i>Steel Castings.</i>	The import is for graphite-electrode flourspar, some ferro alloys and spare-parts. The basis for allotment of foreign exchange for raw-materials is the same as for aluminium industry.
Mineral Industries Division	Asbestos Products, Cement, Ceramics, Glass.	After receipt of foreign exchange allocation for this Division from Deputy Director General (Chemicals) the Industrial Adviser intimates the Development Officers under his charge of the amount to be utilised industry-wise and the amount to be kept as reserve. At this stage, the Development Officers would also be advised if foreign exchange is to be allotted under any credit or on Rupee-payment basis. The Development

Directorate/Division	Industries	Procedure
		<p>Officer concerned prepares two statements <i>vis.</i>, list of units where the allocation of foreign exchange would be on repeat basis and the list of units where allocation would involve upward or downward change, indicating reasons. For deciding repeat allocations, the points taken into account are: continuance of production activities of the firm, regularity in receipt of production returns, continuance of the same volume of production in the next period also, whether the items of production would be the same involving utilisation of same raw materials as utilised in the past period.</p> <p>For deciding cut in the foreign exchange allocation, the points taken into account are : Whether the level of production is less than that in the past and definite availability of the materials imported last time due to indigenous development meanwhile. For deciding increase in the foreign exchange allocation, the points taken into account are: the need to increase production of an item from national point of view (like asbestos sheets, insulators and special glass-ware), establishment of new factories necessitating allocation to enable them to start production, unforeseen breakdown in existing factories necessitating special allocation and lastly special allocation of small value of non-recurring basis for any special reasons.</p> <p>For April-September 1964 period, the foreign exchange allocation to the Industrial Adviser was made known in the middle of June 1964 and the Development Officers prepared their final allocation lists by the third week of July 1964. The position of utilisation of foreign exchange allocation was reviewed in the middle of August, 1964 in order to consider re-appropriation within the Division, if necessary, or to seek additional allocation from other Directorates. By the end of August 1964 final allocations/adjustments had been completed in order to finalise any applications that might be pending for want of foreign exchange.</p> <p>Till April-September 1960 period, foreign exchange position in regard to intermediates and other raw-materials for dyestuff manufacture was comparatively easy and the foreign exchange allocation to the units was based on 3 factors:</p> <ol style="list-style-type: none"> (1) Past production; (2) Desired quantum of increase in production limited by installed capacity, and (3) Stocks of raw-materials held by the unit.
Dyestuff & Explosives.	Dyestuff.	

Directorate Division

Industries

Procedure

Subsequently, allocation of foreign exchange underwent, in each licensing period, a reduction and thus led to introduction of a system for distribution of the available foreign exchange among different units of the industry on an uniform basis. Keeping the April-September 1960 as the base period, the cut in allocation to individual units would follow in strict proportion to the reduction in foreign exchange allotted to the dyestuff industry as a whole.

Explosives

Due to the fact that there is only one firm producing industrial explosives and due to the importance of industrial explosives and since the requirement of foreign exchange indicated by this unit was itself small, the firm was given allocation to meet their full requirements.

Acids & Fertilisers.

Acids Fertilisers.

No allocation of foreign exchange in bulk is made to individual units. Each import application for raw-materials or spare-parts is examined vis-a-vis installed capacity of the unit, past production and overall availability of foreign exchange during that particular period and then suitable recommendation are made to CCI. in the case of two essential raw-materials viz. Sulphur and rock-phosphate, which are consumed in different industries, the procedure followed is as follows:—

Sulphur: This item is imported under DLF arrangement with U.S.A. After assessing the requirements of the units, a bulk licence is issued to two importers, who are agents in India of the American firm, on the condition that they would supply sulphur to the actual users in accordance with the allocation made by DGTD and at prices fixed by the Ministry of Commerce. This procedure is adopted because a large number of actual users consuming this material were not in a position to make independent arrangement for individual shipments. Allocation of sulphur to individual units cannot be made in one lot as this depends upon the availability of funds under IAD AID loan from USA. In return, the units eligible for allocation of sulphur have to submit quarterly returns of stocks in respective factories so that the stocks, expected arrivals and production data are taken into account while making next allocation of sulphur.

Rock Phosphate.

Import of this material comes under the provision of Trade Agreement between India and North African and Middle East Countries. Issue of import licences, therefore, depends on generation of

Directorate/Division.	Industries	Procedure
		funds by purchase of Indian goods by those countries and import licences are, therefore, issued periodically depending upon availability of funds in the Trade balance of the supplying countries. In this case also, requirements of all consumers are assessed in advance and bulk licences are issued by the CCI to STC with authorisation in the name of two importing firms and quarterly returns are called for and taken into account for making subsequent allocations.
Oils, Food & Plastic Division.	Vegetable Oils.	No foreign exchange is expended for raw materials by the oil milling industry and allocation is limited to import of spare parts, components of machinery and special chemicals. The requirements of cotton-seed oil industry are considered on priority due to the importance attached to this item of manufacture. Requirements of both cotton-seed oil industry and oil-milling industry for spare-parts and chemicals are met almost fully .
	<i>Detergents</i> Soaps & Cosmetics.	The basis of allocation for April-September 1963 is 30 % of what was allowed during April-September 1962 and the eligibility of each unit was based on its consumption of imported raw materials during 1956—57. During the last period <i>viz.</i> April-September 1964, foreign exchange was allotted on the basis of prorata value per tonne based on average consumption of cocoanut oil in 1962—63.
	Dentrifices	During April-September 1963, the basis of foreign exchange was Rs. 95 tonne of production of dentrifice during 1962. The basis for allocation in the next period <i>viz.</i> , April-September 1964 was Rs. 280/- tonne of average production of dentrifices during 1961, 1962 and 1963. Where the units maintained steady progress of production, they were given at least allocation given to them in October 63—March 1964 period even if their eligibility according to Rs. 280/- tonne formula might have been less.
	Fatty Acids.	The basis of allocation during April-September 1963 period was 40% of the allocation made during April-September 1962 period while the basis for April-September 1962 period was the actual past consumption of the imported material. In the case of April-September 1964 period, the criterion was the same as for April-September 1963 period.

Directorate/Division	Industries	Procedure
		<p>However, for Stearic Acid producers (cosmetic grade) foreign exchange was given since October 1962/March 1963 period for import of tallow as full replenishment against 1962 production. The same criterion is applied for April-September 1963 as well as April-September 1964 periods, and the value is also the same. This is because import of cosmetic grade Stearic acid has been banned.</p>
	Synthetic detergents.	<p>Foreign exchange is allotted to this industry for raw materials to utilise 25% of the installed capacity. The ceiling could not be increased due to foreign exchange difficulty.</p>
	Textile Auxiliaries.	<p>During April-September 1963 period foreign exchange allocation was 90% of the value allotted to the units during April-September 1962 based upon past consumption. Ad-hoc consideration was also given in the case of a new unit which has started production a few months back. During the next period of April-September 1964, foreign exchange allocation was increased by 20%.</p>
	Spare-parts and Box strappings.	<p>During April-September 1963 foreign exchange for box-strappings was based on 1½ months' consumption of material based upon the immediate past period while for spare-parts ad-hoc consideration on the merits of individual cases. In the next licensing period of April-September 1964, the policy was ad hoc consideration based upon the merits of individual cases.</p>
	<p>Food Processing Industries Fruit and vegetable preservation industry. Milk food, cigarette, Malted milk foods, Liquid glucose and dextrose, chocolate and cocoa powder Biscuit and confectionary soft drinks and aerated water breakfast foods, etc.</p>	<p>Prior to October 1958, March 1959 period the requirements were calculated on the basis of past consumption taking into account, the stocks, expected arrivals and individual licences issued for raw-materials the value being the limiting factor. In October 1959—March 1960, based on the consumption of 1958, recommendations were made for block value pooling all the items and giving flexibility to the importer without limiting individual value quantity. In April-September 1960, the criterion was 50% of 1959 consumption for all the industries excepting for cigarette, milk-food and condensed milk.</p>
Oils-Food & Plastic Division.	*upto April-September 1963.	<p>For cigarettes the criterion was to license on the basis of 5% increase in 1959 level of consumption. For milk-foods and condensed milk, actual requirement of skim milk powder as worked out for production programme was licensed. In subsequent periods, a cut in allocation of foreign exchange was applied on pro-rata basis to all the food-processing industries</p>

Directorate/Division

Industries

Procedure

Paints & Allied Industries
Paints, Synthetic Resins,
Printing ink, Brake fluid,
Polishes & compositions,
Roofing felt, lacquers
etc.

except in the case of cigaretts, milk food and condensed milk. No cut was imposed in the case of these three industries because in the case of cigarette it was due to its high revenue intensiveness, in the case of milk-food for controlling prices and in the case of condensed milk due to its defence-orientedness. In April-September 1963 as well as April-September 1964 periods, there was no cut in allocation of foreign exchange.

Prior to October 1958—March 1959, Separate import licences with quantity and value as limiting factors were being issued for individual raw materials. In 1959, in order to enable the industries to utilise the limited foreign exchange to the best advantage, block value licencing system was introduced, after calculating foreign exchange entitlements of each unit on the basis of value of raw material licences issued to each unit during the previous three licencing periods and working out an average value of foreign exchange entitlement for a six-monthly period. Depending on the quantum of foreign exchange allotted to the Directorate, unit-wise allocation underwent either increase or reduction keeping in view the relative importance of the industry and size of the unit (i.e. value of licence given to the unit) While the cuts were minimum in the case of important industries like Brake Fluids (to avoid road accidents), synthetic enamels (because of their importance to the electrical wire-industry),

leather pigment finishes (because of the export angle), higher per centage of cut was made on other industries on the following basis. :

Where raw material licences were below
Rs. 50,000/- Not cut

Where raw material licences were
between Rs. 50,000 and
Rs. 1,00,000/- 5% cut

Where rawmaterial licences were
between Rs. 1 & 3 lakhs. 10%. cut

Where rawmaterial licences ex-
ceeded Rs. 3,00,000/- 15% cut

In April-September 1963 period also the policy was

- (i) Repeat of October 62/ March 63 policy
- (ii) Recommending import of spare-parts upto the maximum of 4% of the value of installed plant and equipment in the unit.
- (iii) Recommending import of small value instruments and equipments.

Director/Division	Industries	Procedure
Oils, Food & Plastic Division.		<p>(iv) Recommending import of components for replacement.</p> <p>Also the cut imposed in October 62/March 1963 period for Brake Fluid was restored.</p> <p>Foreign exchange allocation under German credit was distributed to 3 units which had been set up with German capital participation, criterion being repetition of value given in previous six-monthly period.</p> <p>Foreign exchange allocation under US AID IAD ceiling was made to the Paint and Printing ink manufacturers on a pro-rata basis depending on the actual quantity of titanium oxide consumed by the units during the calendar year 1962.</p>
Oils, Food & Plastic Division.		<p>Foreign exchange allocation for import of zinc metal for manufacture of Zinc oxide was on the basis of pro-rata distribution based on the production of zinc oxide during 1962.</p> <p>Similarly, foreign exchange allocation for Pig lead for manufacture of lead-pigments was based on pro-rata distribution based on actual production of lead pigment during 1962.</p> <p>In April-September 1964 the procedure was to repeat the previous period criterion of allocation. Due to non-availability of West German credit, the industrial units working on West German Capital participation were given, from free exchange ceiling, the same value given in the previous period. Also during this period 3 units were registered with DGTD on account of their fixed assets exceeding the limit of Rs. 5 lakhs. In one case foreign exchange was allotted for meeting requirement of essential raw materials taking into account their annual export performance of Rs. 2 crores, while in the other two cases foreign exchange was allotted taking into account the actual value of import licences granted to them during the earlier licensing periods by the concerned import authorities.</p> <p>In the case of US AID credit prorata basis was followed for import of printing ink raw materials taking into account the quantity of high speed rotary inks, produced by the units during 1963 and the value of free foreign exchange given to them in the previous licensing periods. AID ceiling was also used for import of raw materials for Brake fluids, criterion being prorata basis and the value of free foreign exchange granted to them during 1963-64 period. In the case of zinc metal and pig lead, required for manufacture of zinc oxide and lead pigments respectively, the criterion was pro-rata distribution based on the production of finished products during 1963.</p>

Directorate/Division	Industries	Procedure
Plastics	. . .	<p>Prior to June 1956 applications for import of raw materials were recommended on the basis of units' past consumption for each item of raw material and separate licences were issued with quantity and value as limiting factor. During October 1957-March 1958, licences for raw materials for plastic mould goods were recommended on the basis of 1956 level of production which in turn was related to the quantum of raw materials consumed for its production in 1956. In regard to industrial items (which were raw materials for other industries) licensing was based on immediate past 12 months' production/consumption.</p> <p>In April-September, 1958, 1957 level was taken into consideration for production of plastic raw materials and industrial items like leather cloth and sensitised paper. For other items the level was that of 1957.</p> <p>In October, 1958-March, 1959, industrial items were switched over to past 12 months' consumption and block licences were recommended <i>i.e.</i>, listing all requirements and giving total value for the licences. For other items 1957 level was criterion.</p> <p>Since April-September, 1959, block licences were recommended for all industries based on past allocation of foreign exchange made during the 3 previous licensing periods, to the units. In addition, manufacturers of plastic raw material <i>viz.</i>, PF moulding powder were given additional foreign exchange on uniform basis for setting up production.</p> <p>Since October 1959/March 1960, block value fixed for each unit has been taken to the basis for future recommendations subject to such changes as became necessary due to transfer of allocation to the Directorate from the category of free exchange to credits like DLF, West German, AID etc.</p> <p>Even while making cuts the importance of the industry was kept in view <i>i.e.</i>, manufacturers of raw materials and manufacturers of industrial articles were subjected to less cuts than those making consumer goods and other processed items. Units engaged in the same industry were subjected to the same pro-rata cut as decided for the industry as a whole.</p>

APPENDIX VI

Case study report on applications from industrial undertakings borne on the books of the Directorate General of Technical Development for the import of raw materials, components and spare parts.

1. 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%) 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% 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 a specific mention of the fact of condonation was made on 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 charges 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 month's 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 indigenously clearance which, as will be seen later, is a time-consuming process. In many cases, this may also eliminate the need for obtaining revised list of items to be imported, from the party. 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 95 %.

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 unmaking recommendations regarding value of imports.

6. It was only in 36 out of 154 (*i.e.* roughly 25 %) 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 consulted was partial necessitating back reference to them. The average time taken in obtaining the indigenous clearance was 29 days per case or 15.2 days per Directorate consulted. It was observed that only rarely the Directorates concerned were consulted simultaneously by the Sponsoring Directorate, the common practice being to approach the Directorates for indigenous clearance one after the other. This involved unnecessary delay and from 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. 8 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 CCI&E *i.e.*, after about 4-6 months after the receipt of 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.

Feasibility of bringing out and keeping an upto date comprehensive compilation of items indigenously available.

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 or 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 application tends to irk the applicants.

9. It was only in 19 (*i.e.* roughly 12%) 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 per 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 CCI&E. Out of these 104 days, the allocation of foreign exchange took nearly 11 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 CCI&E. The contribution of the Co-ordination 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 Co-ordination Directorate or the case having been returned by this Dte., to the Sponsoring Directorate for modification or change. This suggests that either no scrutiny was undertaken by the Co-ordination Directorate or such scrutiny was obviously uncalled for. The Co-ordination 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 2/3rd of the remaining time was taken by the dealing Assistant (including J.T.O.) and the rest by A.D.O. DO 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 or 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.Os or the D.Os with the help of the Stenographer/Stenotypists 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 who they 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. Only one case each passed through 4 and 5 levels, respectively. In nearly 15 % 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 provide "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 CCI&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% cases, by 3 officers in 28% cases, by 1 officer only in 16% 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 22-11-62, which seeks to dispense with the need for countersignature 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 CCI&E for the approval of the appropriate authority.

15. 123 (*i.e.* nearly 80 %) 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.Os. The remaining 13 cases were disposed of at the level of I.A., D.D.G., or D.G. 5 out of these cases presented certain special features necessitating order 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 any of 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 amendment 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. 10 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 representation should be decided at a level higher than the one which had taken decision on the original reference, especially so when the acceptance of the representation 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 representation 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 were 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 CCI&E themselves.

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 one 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 Dte. the firm was not sending the production returns but still it was allowed imports. In another Dte. two similar cases of import of spares 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, 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 discretion. In one case, the asstt. and the JTO had recommended, import upto 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 reasons. 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 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 state, 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., level. No justification particularly when the value was predetermined.

Discretion]

- (v) Case No. 115.—value Rs. 32,975; decided at D.D.G's level; import of component; 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.

Discretion]

- (vi) Case No. 117.—value Rs. 7·00 lakh; 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 a banned articles; released at D.D.G's level.
- (ii) Case No. 97.—value of 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 DGTD! 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 phase manufacture of indigenous components not satisfactory.
- (v) Case No. 142.—value of Rs. 16·000; decided at I.A. (RE); as 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 and Pulp Dte.)
- (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 VII

Licensing Period

Code No.

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.

(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 will be retained by the Director General of Technical Development and the other passed on to the Chief Controller of Imports and Exports:

Application for a licence for import of goods (other than those falling under the Capital Goods Licensing Procedure) *vide* Government of India, late Ministry of Commerce and Industry Order No. 17/55, dated 7th December, 1955.

A. Particulars of applicant:

1. Name of the applicant

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 regarding Industrial Unit

1. (a) Name of the Industry.

(b) Name of product and the exact purpose for which the raw material is required (Preferably the function served by the raw material in the manufacture of the product should be explained)

2. Description of goods manufactured

3. Production capacity separately for each store for which different raw materials are desired to be imported

4. (i) Actual production in the last calendar year

Note: If there was stoppage of production for any period, indicate the duration of the period and the reasons therefor

(ii) In the case of undertakings utilizing non-ferrous metals as raw materials, indicate portion of the actual production men-

tioned against (i) above if any, achieved through assistance of raw materials/foreign exchange received from sources other than D.G.T.D.

5. Estimated production in the next calendar year

6. In the case of industrial undertakings intending to go into production for the first time or in the case of an existing industrial undertaking intending to go into substantial expansion of the production of existing article of manufacture, indicate

(i) Value of (a) Imported plant and machinery required

(b) Indigenous plant and machinery required

(ii) Value of letter of credit, if any opened for the import of plant and machinery and the date thereof

(iii) Value of orders placed, if any, for the purchase of indigenous plant and machinery

(iv) Expected date of commencement of production/expansion of production of an existing article of manufacture

7. Factory No. allotted by the Directorate General of Technical Development

C. Particulars of applications

*1. Registration No. allotted to Income-tax Verification Certificate or exemption therefrom

2. Treasury Receipt No. and date (Treasury Receipt to be attached)

3. Licensing period in respect of which application is made

4. Particulars of raw-materials to be imported (To be furnished in tabular form enclosed)

5. Particulars of licences issued and imports effected during the last 12 months

6. Where shipment is to be effected from a country different from the Country in which goods originated, full statement of the reasons for the same should be given

*Applicants are required to obtain Income-tax Verification Certificates or Exemption Certificates from the Income-tax Officer of the Circle, Ward or District where the applicant is assessed or assessable. These certificates can also be issued at Bombay and Calcutta by the Head quarters Inspecting Assistant Commissioner of Income-tax and at Madras and Delhi by the Inspecting Assistant Commissioner of Income-tax. These certificates are further required to be registered with the import trade control licensing authority and such registration Nos. should be quoted on the application of licences. For further procedural details please refer to the late Ministry of Commerce and Industry Public Notice No. 32-ITC(PN)/55, dated 29-6-55.

7. Is a Letter of Authority desired. If so, name of the Firm in whose favour it is desired

(Documentary evidence to show that the indenting house concerned has agency agreement with the foreign suppliers and is authorised to accept contract on behalf of his principle should be enclosed)

D. Spare-parts:—

CIF value of the spare-parts to be imported (list of spare-parts indicating the quantities required to be attached)

E. General Information to be furnished:

1. Date of establishment of business in India
2. Nature of the concern whether Public or Private Ltd., Partnership or Proprietary or Hindu undivided family concern
3. Name of Directors, Partners, Proprietor or Karta as the case may be
4. Details of branches or associated companies (Names and location) :
 - (i) in India
 - (ii) Abroad
5. Has any application been already made by the applicant for goods falling under the same serial number or sub-item of serial number for the same period from any country in any category? If so, give details
6. Have any branches or associated 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? If so, give details
7. Is any Branch/Associate concern of applicant holding a quota certificate/E.I. licence for particular item/items covered by this application? If so, details of such quota certificates /Established Importer Licence may be given
8. Please state whether your industrial undertaking is registered or licensed under the Industries (Development and Regulation) Act, 1951. If so, quote the number and date of Registration certificate or the licence issued by late Ministry of Commerce and Industry and also indicate the name of Scheduled Industry
9. The Customs House where the import licence if granted will be registered

10. 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).

S. No. Nature of the document.

(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 my licence granted to me/us on the basis of the statements 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

.....

NOTES

(1) Applicants are advised to read the licensing instructions for the current period carefully before filling up the Application Form for import licence.

(2) The information required against the various items in the form should be given legibly and completed in all details to avoid correspondence and delay in the disposal of applications. The licensing authorities have discretion to reject an application. If the application is not completed in all respects.

(3) Documentary evidence is asked for should be sent along with the application.

(4) Any special reasons in support of the application, may, if necessary, be explained in covering letter attached to the application.

(5) Application should be signed by the Proprietor, Partner or Managing Director of the firm or by any person duly authorised to sign any legal declaration on behalf of the firm. The position held by the persons signing the applications should be clearly stated.

(6) Any applicant supplying false or incorrect information may be liable to have his licence cancelled and in addition may be debarred from the grant of any import licence in future.

Serial No.	Full description of the raw materials should be given	I.T.C. No. and Part	Quantity (Weight/ No./or other appropriate accounting unit)	Value (c.i.f.) in Rs.(Proforma invoice or other evidence from suppliers showing the correct c.i.f value of goods to be produced)	Stocks (quantity) held by the applicant on the opening date of the import licensing policy period in which the import application is being made whether in his own godown, lying with the banks under the Produce Loans account or anywhere else	Expected arrivals (quantity on the opening date of the import licensing policy period in which the application is being made against the licences in hand. (The information should include material to be received which might have been either in transit or ordered or yet to be ordered against the licences in hand).	Quantity consumed during the last three calendar years (information to be furnished for each year separately).	Whether any application or request for enhancement of the quantity of the same material applied for in the previous period is pending with Directorate General of Technical Development or C.C.I. and if so the details of the same.	Country of shipment	Remarks
1	2	3	4	5	6	7	8	9	10	11

Date:

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

APPENDIX VIII

**ACKNOWLEDGEMENT-CUM-DEFICIENCY CARD
BY REGISTERED POST.**

No.

GOVERNMENT OF INDIA.

DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT

.....DIRECTORATE

CODE No.

Udyog Bhavan,
New Delhi.

Dated.....196 .

To

M/S.....

.....

.....

Dear Sirs,

This is to acknowledge the receipt of your letter No.....dated.....
forwarding your import application dated.....for import of Raw-materials/
Spare-parts/Components together with Treasury Challan for Rs.....
(Rupees.....)

2. The preliminary scrutiny of your application has revealed the following deficiencies which are brought to your notice for urgent action:—

- 1.....copies of your covering letter have not been furnished.
- 2.....copies of import application have not been furnished.
3. Column Nos.....of the application have not been filled in.
4. Monthly production returns have not been received since the month of.....
- 5.....copies of list of items of raw-materials/components/spare-parts to be imported has not been received.
- 6.

3. If the monthly production returns and the other documents/information mentioned above are not received within two weeks of the receipt of its letter by you, your application will not be sponsored.

Yours faithfully,

DEVELOPMENT OFFICER

APPENDIX IX.

No.

GOVERNMENT OF INDIA

DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT

.....DIRECTORATE

CODE No.

Udyog Bhavan,
New Delhi,
dated.....196

To

The Chief Controller of
Imports & Exports,
New Delhi.

SUBJECT :—Application of M/s.....for.....
.....period.

Sir,

I am directed to forward herewith an import application dated..... 1965, together with the Treasury Challan for Rs.....received from the above mentioned firm for theimport of raw-materials/components/spare-parts valued at Rs..... for the licensing period.....

2. The applicant is borne on the list of the Directorate General of Technical Development.

3. The Directorate General of Technical Development certify essentiality and recommend import of the items as per enclosed duly attested,
as noted below.

at a total C.I.F. value of Rs.....
Rupee

to cover the requirements of the unit for twelve month:—

Sl. No.	Item with I.T.C. Sl. No.	Quantity if any specified	Value	Conditions if any
1.				
2.				
3.				
4.				

4. The licence may be issued on annual basis. An amount of Rs..... has been debited to the ceiling (free foreign exchange/rupee/aid) of items licensable by the Chief Controller Import & Export of allotted to the Directorate General of Technical Development for the period (half yearly period to be mentioned).

5. The limitin factor will be "value" only/ "Quantity", only both, value and Quantity.

6. The import of the following items is *not* recommended fully/partially for the reasons shown against them:

Sl. No.	Item	Reasons
1.		
2.		
3.		

Yours faithfully,
Development Officer.

Copy, with a copy of the attested list of items, forwarded for advance information, (without any commitment) to.....

Development Officer.

Forwarded to the Chief Controller of Imports & Exports.

Assistant Director (Co-ordination)

APPENDIX X

Case Study Report on Applications from the Industrial Undertakings Borne on the Books of the DGT D for the Import of Capital Goods

A random sample of 75 applications was taken for study. Since the procedure for processing capital goods import applications was revised in February, 1964, care was taken to ensure that applications selected for study pertained to post-February 1964 period only. The break-up of the 75 applications studied is as indicated below:—

Directorate-wise

(i) Chemicals Directorates]	40 (53%)
(ii) Engineering Directorates	35 (47%)

(Figures for each Directorate separately are given in Annexure I)

Industry-wise

(i) Key-Industries	27 (36%)
(ii) Non-key Industries	48 (64%)

According to the nature of licence

(i) For establishing new Industrial units.	14 (19%)
(ii) For effecting substantial expansion	23 (30%)
(iii) For diversifying production	5 (7%)
(iv) For modernisation or replacement	33 (44%)

2. *Procedure for processing of applications in D.G.T.D.*—The procedure for processing applications as laid down in the D.G.T.D.'s Circular No. CD-III/5(1)/63 dated the 11th Feb. 1964 is outlined in Annexure II. The essential features of the procedure are :—

- (i) That recommendations on all applications should be finalised and sent to the concerned Ministries within 3 weeks of the date of their receipt in the D.G.T.D. †
- (ii) That it should be responsibility of the Sponsoring Directorate to ensure that all applications particularly those relating to key industries are processed and transmitted to the concerned Ministries within the stipulated time limit of 3 weeks.
- (iii) That in cases where additional information is required or clarification on any point is needed, the Sponsoring Directorate should ask the applicant firms to furnish the requisite information within 10 days of writing the letter;
- (iv) That cases requiring consultation with other Directorates the disposal of which is likely to be delayed should be reported to the Deputy Director (Co-ordination) who would bring them up in the weekly meetings of the Industrial Advisers and get them cleared within the stipulated period of 21 days.

3. An analysis of the applications studied has shown that the above procedure is not being strictly followed. Out of 75 cases only 11 cases (14.7%) were finalised within the stipulated period of 3 weeks. Again, although a number of cases required consultation with other Technical Directorates only 7 cases were referred to the Co-ordination Directorate for getting clearance of those Directorates. Out of these 7 cases only 3 cases were cleared in meetings (one in I.As. meeting and 2 in Development Officers' meeting) the remaining 4 cases having been settled by the usual method of referring case files to the concerned Directorates. Not much time was however, taken by the applicant firms in supplying the wanting information. In 5 out of 6 cases in which additional information was called for, the applicant firms were able to furnish the requisite information within the prescribed time limit of 10 days. Only in one case the supply of information delayed when the firm took 25 days to reply D.G.T.D.'s queries.

4. *Disposal time*—As against the prescribed time limit of 21 days the average time taken by the D.G.T.D. in finalising his comments on C.G. applications works out to 51.4 days per application, the actual disposal time varying from 6 days to 154 days. The table given below reveals hardly 15% cases were disposed of within the prescribed time.

Disposal time	No. of cases	Percentage
Within 21 days	11	14.7
Between 3 & 4 weeks	11	14.7
Between 4 & 5 weeks	14	19.0
Between 5 & 6 weeks	4	5.3
Between 6 & 7 weeks	3	4.00
Between 7 & 8 weeks	4	5.3
Beyond 8 weeks	28	37.0

5. The above figures are for the D.G.T.D. as a whole. An analysis of the statistics for the Engineering and Chemicals Wings taken separately has shown that the average disposal time for the Engineering Directorates works out to 42.2 days per case and for Chemical Directorates to 59.5 day per case. Similarly there is considerable variation in the disposal time of applications of key-industries and the applications of non-key industries. The average disposal time for key-industries comes to 43.6 days per case and for non-key industries to 56.9 days case.

6. The break-up of the over-all average disposal time of 51.4 days is as follows:—

Time taken by the Co-ordination Dte.	Actual time	Notional time.
(i) In transmitting original applications to the Sponsoring Dtes.	10.2 days	(on the basis of 60 cases actually routed through C.D. Directorate) 8.1 days.
(ii) In referring papers to other Directorate for clearance.	18.7 „	(on the basis of 7 cases actually routed) 1.7 „
(iii) In communicating the final comments to CCI&E/Ministry concerned.	5.6 „	(on the basis of 65 cases actually routed through Co-ordination Dte.) 4.8 „
<i>Time taken by the party in furnishing further information</i>	9.1 „	(on the basis of 6 cases in which further information was called for) 0.7 „
<i>Time taken by other Directorates in furnishing comments.</i>	6.3 „	(on the basis of 43 cases actually referred to other Dtes.) 3.6 „
<i>Time taken by the Sponsoring Dtes.</i>	32.5 „	(on the basis of the entire lot of 75 cases) 32.5 „

7. *Role of the Cdn. Dte.*—From the above break-up it will be seen that the Co-ordination Dte. took 14.6 days per case, on an average for handling Capital Goods applications. This represents 28% of the total disposal time of 51.4 days.

8. The idea in channelising C.G. applications through Cdn. Dte. appears to be that there should be one single agency in the D.G.T.D. to keep track of these applications and to ensure their prompt handling and disposal within the stipulated time of 21 days. The following facts which

have emerged from case studies will, however, show that this objective is not being served in actual practice:—

- (a) Out of 75 cases only 60 cases were received through the Cdn. Dte. The remaining 15 cases were received directly by the Technical Dtes. and the Cdn. Dte. came to know of those cases only when the final comments of the D.G.T.D. were sent to the concerned Administrative Ministries or the C.C.I. & E.
- (b) Not all recommendations were routed through Cdn. Dte. In 10 out of 75 cases, the recommendations were sent direct to the C.C. I & E. Administrative Ministries by the Technical Dtes. concerned and only copies of the recommendations were endorsed to the Cdn. Dte. In fact in one case no record was available to show whether even copy of the recommendations was supplied to the Cdn. Dte.
- (c) Out of 7 cases referred to the Cdn. Dte. by the Technical Dtes., indigenous clearance was obtained only in 3 cases in I.As./D. Os.' meetings. In the remaining 4 cases, indigenous clearance was obtained by the usual method of referring files to other Dtes. It was observed that the Sponsoring Dte. who themselves undertook to obtain indigenous clearance from other Dtes. took 6·3 days on an average in this process whereas the Cdn. Dte. took 18·7 days for the same process.

9. Since not much contribution is being made by the Cdn. Dte. in the processing of C.G. applications, it is for consideration whether it is really necessary that these applications should be channelised through the Cdn. Dte. Direct handling of these applications by the Technical Dtes. would immediately bring down the disposal time by 14·6 days without adversely affecting the quality of disposal. For keeping a consolidated record of these applications it should be sufficient if copies of final recommendations are supplied to the Cdn. Dte. by the Technical Dtes. concerned. This practice is already being followed in the case of Industrial Licensing applications and can with advantage to be extended to C.G. applications.

10. *Role of the Sponsoring Dte.*—Processing of C.G. applications in the Sponsoring Dtes. consist in (a) seeking clarification/information from the applicant firms, if necessary, (b) consulting other Technical Dtes. and (c) scrutinising applications from the point of view of essentiality, indigenous availability and industrial capacity and offering comments in regard to acceptance or otherwise of the need for allowing imports.

Calling of information from the applicant firms.

11. In 6 out of 75 cases, additional information was called for from the applicant firms. Details of the information obtained, are as follows :—

Details of the information called for	By whom called	Time lag between the receipt of applications in the Sponsoring Dtes. and the request made to the firms for furnishing requisite information	Time taken by the firm in supplying the information
1. To indicate reasons for variation between the value of imports stated in Industrial Licence application and that shown in C. G. application.	D.O.	77 days	25 days
2. To furnish a copy of CCI&E's letter rejecting the firms earlier application	D.O.	102 days	7 days
3. To confirm that the applicant would utilise 50% indigenous raw materials.	D.O.	80 days	2 days
4. To confirm that the machines were necessary for implementation of the scheme and that no further imports were involved.	D.O.	58 days	10 days
5. To supply detailed lists of goods.	A.D.O.	30 days	2 days
6. To give reasons for higher cost of goods	D.O.	30 days	9 days

Excepting item 5 in which information was called for by A.D.O. orally, formal letters were issued to the firms in all other cases with the approval of the Development Officers concerned. In 5 out of 6 cases, the information was supplied by the firm within the stipulated period of 10 days. As against this the time taken by the Sponsoring Dtes. in asking the firm to give the requisite information works out to 62 days per case on an average. This is very much on the high side considering the ceiling of 21 days laid down by the Dpett. for disposal of C.G. applications. It was noticed that in all the six cases information was called for only after indigenous clearance was obtained from other Technical Dtes. Had the firms been addressed immediately after the preliminary examination was completed and before the files were referred to Technical Dtes. for indigenous clearance, the disposal time in these cases would have been shortened by 9.1 days per case. Simultaneous action wherever possible, would expedite disposal of C. G. applications.

Consultation with other Dtes.

12. Ordinarily, consultation with other Dtes. is done for obtaining clearance from indigenous angle for Capital Goods listed in the application. In 43 cases (57.4%), such consultation had taken place. In most of these cases consultation with only one Dte. was involved as will be seen from the following table:—

No. of cases	No. of Dtes. consulted
31	1
6	2
2	3
2	4
2	5

The departmental instructions provide for personal consultation in all cases. Actually, however, personal consultation was resorted to only in 4 cases. In the remaining 39 cases, consultation was done by the usual method of referring files to the concerned Dtes. Although the average time taken for consultation comes to 6.3 days per case, it was found that in quite a large number of cases the other Dtes. were able to return the files to the Sponsoring Dtes. within 24 hours after according necessary clearance. The following statistics will give an idea of the actual time taken by the Dtes.—

No. of cases	Time taken
19	1 day
5	2 days
1	3 days
1	4 days
8	5—9 days
9	10 days or more

Examination of applications from the point of view of indigenous clearance is a fairly simple process and should not normally take more than 1 or 2 days. With proper supervision, it should be possible to bring down the average of 6.3 days to say 2 days. It is interesting to note that the average disposal time of cases in which other Dtes. were consulted works out to 45.1 days as against 55 days for cases in which no consultation was necessary. This would indicate that the delay in the disposal of C.G. applications was not due to consultation with other Dtes.

Processing of applications in Sponsoring Dtes.

13. Excluding the time taken in calling for information from applicant firms and consulting other Dtes. the average time taken by the Sponsoring Dtes. in processing C.G. applications works out to 32.5 days which is made up as follows:—

	Average time per count	Average time per case		Notional average time
Dealing hands (Asstt. J.T.O.)	5.8 days	15.4 days	(on the basis of 56 cases)	115 days
A.D.O.	6.1 „	8.9 „	(Do. 38 cases)	5.3 „
D.O.	4.1 „	10.8 „	(Do. 72 cases)	10.4 „
I.A.	1.1 „	1.3 „	(Do. 22 cases)	0.4 „
D.D.G.	1.1 „	1.1 „	(Do. 2 cases)	0.03 „
D.G.	..	..	..	..
Typing & Despatch	3.4 days	4.9 days	(on the basis of 75 cases)	4.9 days
				<u>32.5 days</u>

14. Maximum time is taken by the dealing hand who in most cases is an Assistant. A scrutiny of 41 cases (out of 75 cases) which were initially handled by Assistants has revealed that only 7 cases were put up to higher officers with certain recommendations while the remaining 34 cases were merely submitted for orders without undertaking any examination. The average time taken by Assistants in putting up these cases comes to 8.5 days per case which is hardly commensurate with the contribution made by them on these cases. Similarly not much contribution was made by the J.T.Os. either. Only 2 cases were initially handled by them—one was put up after a lapse of 5 days with the remarks “submitted for orders” and the other after a gap of 121 days proposing that indigenous clearance may be obtained. The type of examination required on these applications being of a technical nature, the Assistants/J.T.Os. are of little help in the processing of these cases. To speed up disposal it is necessary that the initial examination of C.G. applications is done by A.D.Os. or other senior technical officers.

15. The Development Officers who play a key role in the processing of C.G. applications took the following time in the scrutiny of the applications studied:—

Time taken	No. of cases	Percentage
Between 1—3 days	36	50%
Between 3—7 days	15	21%
More than 1 week	21	29%
(3 cases did not pass through them)		

The average time taken by Development Officer works out to 10.8 days per case. This high average is mainly due to the reason that cases are put up to him several times—first for obtaining 20 M of I. S.—9

his comments, then getting his approval to the draft reply and lastly for obtaining his signature on fair letters. In quite a number of cases, there are other intermediary stages also when the file is submitted to him for orders. In some cases files also move horizontally from one Development Officer to another. Introduction of Officer oriented pattern of working under which the officers are required to examine the cases themselves and dictate replies straightaway should go a long way in bringing down the disposal time.

16. The number of levels through which the 75 cases passed, is as follows:—

No. of levels	No. of cases	Percentage
1	36	48%
2	24	32%
3	14	18.7%
4	1	1.3%

It was noticed that only in 6 cases (8%), the senior officers differed from the action suggested by their juniors. This would indicate that there is considerable scope for jumping levels. Ordinarily, examination of C. G. applications by more than 2 officers should not be necessary.

17. The existing orders provide that all cases of C.G. applications should be put up to the I.A. concerned for decision. The case studies have, however, shown that more than 50% cases were decided at lower levels, as indicated below:—

Decision taking level	No. of cases recommended	No. of cases rejected	Total
A.D.O.	2	..	2
D. O.	44	5	49
I. A.	22	..	22
D.D.G.	1	1	2
D. G. . . . .	..	..	..
			75

Suitable instructions should be issued on the subject to provide for uniformity of treatment of all cases of C. G. applications.

18. Like the recommendations on import applications (raw materials and spares) the fair comments on C.G. applications are also signed by more than one officer in quite a large number of cases. Out of 75 cases of recommendations scrutinised, 44 recommendations were signed by one officer, 27 by 2 officers and 4 by 3 officers. Signing by more than one officer makes for delay and should be discontinued.

19. *Analysis of Recommendations.*—92% applications were recommended for acceptance as against 8% recommended for rejection. Actual figures are as follows :—

(i) Applications recommended for acceptance for full amounts applied for.	58
(ii) Applications recommended for acceptance for lesser amounts.	11
(iii) Applications recommended for rejection	6
	75

20. The reduction of the amount of foreign exchange in the second category of applications was suggested because some of the items listed in the applications were available indigenously and could be obtained from within the country. It was however noted that only in 3 out of 11 such cases the names of indigenous manufacturers were indicated. In the remaining 8 cases no such indication was given and the firms were left to themselves to find out the indigenous sources of supply. Case studies made further revealed that there were a few cases in which import was recommended although the items were being manufactured in India. This may have been due to indigenous prices being higher than the imported prices or the delivery periods quoted by indigenous manufacturers being too long or the indigenous items being not technically suitable. None of these reasons was however put on record.

21. Out of 69 applications recommended for acceptance only in 3 cases did the amount of foreign exchange tally with the amount shown in the original applications for industrial licence. In 44 cases the value of the capital goods recommended for import was more than the value given at the time of applying for industrial licence. The increase in the amount of foreign exchange applied for was due either to subsequent expansion programme or to the need for replacement of certain items not originally provided for. In the remaining 22 cases it was not possible to compare the value as the original records containing the applications for industrial licence were not available.

22. Of the 6 applications recommended for rejection, 2 were submitted by firms which had not taken out licences under the Industries (Development & Regulation) Act, while 3 applications were for capital goods which were either already available indigenously or were likely to be so available in the near future. It was only in one case that the application was rejected because of foreign exchange difficulties and inadequate justification.

23. *Issue of Import Licences.*—After the D.G.T.D. has offered his comments on C. G. applications, further processing is done by the Administrative Ministries concerned or the C.C.I. & E, as the case may be. For this purpose, C.G. applications can be classified into the following categories :—

- (i) Applications involving imports the value of which exceeds Rs. 2 lakhs if the foreign exchange is to be found from free resources, Rs. 5 lakhs if the project is to be financed from U.S. Aid Funds and Rs. 20 lakhs if the import is to be made from Rupee Payment Areas;
- (ii) Applications involving imports the value of which does not exceed the above limits ;
- (iii) Applications for import of Capital Goods which are to be obtained under foreign collaboration terms and where no foreign exchange is involved.

24. Applications falling under the first category are forwarded by the D.G.T.D. to the concerned Administrative Ministries who in turn pass them on to the Deptt. of Industry for getting the approval of the Capital Goods Committee. After these applications are cleared by the C.G. Committee, they are transmitted to C.C.I. & E for issue of necessary import licences. Applications belonging to the second category are sent direct to C.C.I. & E who places them before the *Ad hoc*-C.G. Committee and takes further action to issue licences on the recommendation of that Committee. Applications of the third category are treated more or less like raw materials/spares import applications. These are also sent direct to C.C.I. & E. for issue of necessary import licences but these are not required to be put either to the main C.G. Committee or the *Ad hoc* Committee.

25. Issue of licences for import of capital goods is a long drawn out process and is completed over a period of several months. As very few cases pertaining to post-February 1964 period were finalised, it was decided to select cases pertaining to the earlier period for the purpose of studying the procedure adopted for issue of import licences. A random selection of 75 cases started in 1963 was made for this purpose—37 from Engg. Dtes. and 38 from Chemicals Dtes. Directorate-wise break-up of these cases is given in Annexure III. Out of 75 cases selected, 56 belonged to the first category, 15 to the second category and 4 to the third category of applications referred to in

para 23 above. The D.G.T.D.'s files containing these cases were deficient in several respects and it was rather difficult to reach any firm conclusions. Nevertheless an attempt was made to assess the total time taken in the issue of licences in respect of the different categories of applications. The average time taken was as follows :—

	Cases processed through C.G. Committee	Cases processed through <i>Ad hoc</i> C.G. Committee	Other cases where no reference to either main Commit- tee or to <i>Ad hoc</i> Commit- tee was necessary
1. Average time taken in obtaining C.G. Committee's decision.	71·6 days	(on the basis of 51 cases)	77·5 days (on the basis of 11 cases)
2. Time taken in communicating C.G. Committee's recommendation to C.C.I & E.	54·6 days	(on the basis of 48 cases)	
3. Average time taken in issuing import licences.	80·3 days	(on the basis of 27 cases)	85·6 „ (on the basis of 9 cases)
	TOTAL	206·5 days	163·1 days
			97·5 days

It was not possible to make further analysis of the above time lags as copies of letters issued by the Department of Industry and the C.C.I. & E. and other relevant documents were not available on most of the D.G.T.D.'s files. It was, however, noticed that in 8 cases back-references were made to the D.G.T.D. by the C.C.I. & E. the concerned Administrative Ministries. The references made sought information about targets, licensed capacity, installed capacity, estimates of savings in foreign exchange likely to accrue from the import of capital goods and similar other matters. In 2 out of 8 cases the firms were advised to contact indigenous producers. The D.G.T.D. took, on an average, 18·7 days per case for replying to these references.

26. *Applications for amendments & revalidations.*—In all 20 applications were received—18 for amendments and 2 for revalidations. The amendment applications sought for changes in the names of licence-holders/suppliers, description and quantity of items, as also for inclusion of new items. Since the amendments proposed did not result in increasing the amount of foreign exchange, all of them were accepted by the D.G.T.D. without making a reference to the C.G. Committee and the applications passed on to C.C.I. & E. for making necessary changes in the licences already issued. Decisions on these applications were taken at the following levels :—

I.A.	1
D.O.	15
A.D.O.	2

27. Of the 2 revalidation cases, one was necessitated because the licence was received late and the other because the manufacturers needed more time for supplying the equipment. In both the cases applications were supported by D.G.T.D. One of these applications was disposed by I.A. and the other by D.O.

28. *Representations.*—Six representations were received from the applicant firms. 3 of these representations were against Govt's decisions not to allow the firms to import certain items, 2 were against the inadequacy of foreign exchange sanctioned and one was against the condition stipulated in the licence that foreign exchange needed for the import should be found by further loan from IFC/ICICI. All the three representations which were against the decision not to allow certain imports were accepted and the CCI&E requested to amend the licences. As no additional foreign exchange was involved, no reference was made to the C.G. Committee in these cases. The other 3 representations were also supported but they were remitted to C.G. Committee because of additional foreign exchange involved. Only one out of the six representations was disposed of at I.A.'s level, the remaining 5 having been decided at the D.O.'s level.

APPENDIX—XI

Note on the modifications suggested to Form 'E' —Form of Application for the Import of Capital Goods and Heavy Electrical Plants together with the revised Form.

1. The importance of the form of application for the import of capital goods cannot be over-emphasized. After the grant of an industrial licence, the application for the import of capital goods constitutes a very important step in the establishment of an industrial undertaking. When a licence, for the import of capital good is granted to a party, Government commit themselves to the provision of a certain amount of foreign exchange. A licence for capital goods is valid for two years and it is often required to be extended. If, therefore, a party is not in a position to import capital goods, but still manages to secure a licence for the purpose, then the foreign exchange to that extent unnecessarily remain locked up, whereas it could otherwise have been utilised for a better purpose. In view of the acute shortage of foreign exchange, it is essential that the Government should make sure that the party has taken the necessary steps required for the implementation of the industrial licence and would, therefore, be in a position to import the capital goods required by it. The application for the import of capital goods is the only instrument through which the Directorate General of Technical Development are enabled to satisfy themselves that the undertaking applying for the import of capital goods is really in need of the item and that it has reached a ripe stage for seeking the installation of capital goods. To enable the Directorate General of Tech. Development to play this role, it is essential that reasonably complete information should be called for at this stage.

2. Some part of the delay occurring in the disposal of applications can be traced to the fact that some of the entries in the application form as presently worded do not elicit complete or precise information with the result that it becomes necessary for the Directorate General of Tech. Development to seek clarification or to call for more information. It would, therefore, greatly expedite the disposal of the applications if the form of the application is made sufficiently comprehensive so as to call for all the information likely to be required for the consideration of an application.

3. The main difficulty experienced in clearing the items of machinery from the point of view of indigenous availability is that the information given in the application in respect of such items is not adequate or precise enough to enable the Directorate General of Tech. Development to distinguish them for the purpose of assessing if indigenous potential for the items exists. It would, therefore, obviate the necessity for back references to the applicants and even representations from the latter if the applicants furnish complete description together with specifications of the items to be imported and, as far as possible, support their applications with manufacturers' pamphlets.

4. Taking the above and other relevant aspects, as also the recommendations made by the Swaminathan Committee into account, a revised form has been prepared and is enclosed. The important modifications made in the revised form have been explained below :—

(1) The following has been added on the top of the form :—

“Code Number—.....
(In the case of industrial undertaking borne on the list of the D.G.T.D.)”

- (2) The present form provides that application should be submitted in triplicate. All present, two of these copies are sent to the C.C.I. & E. As, however, CCI&E requires only one copy, it would, therefore, suffice if an undertaking submits the application in duplicate. The form has been amended accordingly.
- (3) It has been provided in the form that in the case of industrial undertakings borne on the books of the D.G.T.D., the import applications should be submitted through the D.G.T.D.
- (4) In order to obtain information as to the particular factory where the capital goods would be installed, Serial No. 3 has been introduced in the revised form.
- (5) It has been considered more appropriate to bring Serial Nos. 5 to 10 together. Moreover, Serial No. 6 gives the impression as if the information asked for there in is required only in respect of machine tools. On the other hand, this information is required in respect of the other capital goods also. Serial No. 5 to 10 have, therefore been replaced by Serial No. 6 of the revised form.

- (6) Serial No. 11 of the existing form has been amplified to obtain more details which would enable the essentiality of the capital goods to be imported to be adjudged. The amplified item appears at Serial No. 7 of the revised form.
- (7) Serial No. 12 of the existing form has been covered by Serial No. 3 of the revised form.
- (8) It is necessary to obtain information as to whether the capital goods applied for would be adequate *vis-a-vis* industrial licence granted to a party. Serial No. 14 of the existing form has, therefore, been amplified and appears at Serial No. 9 of the revised form.
- (9) The information asked for in Serial Nos. 13, 15 and 16 of the existing form is considered necessary and these items have been retained at Serial Nos. 8, 10 and 11 of the revised form.
- (10) Serial No. 17 of the existing form is not considered necessary and has been omitted.
- (11) Serial No. 18 has been amplified to indicate that enquiries have to be made only from the indigenous suppliers included in the Hand-book of manufacturers published by the DGTD. The amplified item appears at Serial No. 12 of the revised form.
- (12) Serial Nos. 19(a) and 19(c) have been omitted.
- (13) Serial Nos. 20, 22 and 23 have been omitted as they are not considered necessary.
- (14) Note No. 7 at the end of the existing form has been omitted because an application under the Industries (Development & Regulation) Act, 1951 precedes an application for the capital goods licence.

APPENDIX XI

FORM 'E'

Form of application for import of capital Goods and Heavy Electrical Plant.

The application should be sent in duplicate to:—

- | | |
|---|---|
| a. Joint Chief Controller of Imports & Exports
(Capital Goods) Bombay. | For all Textile Machinery other than Jute and Hemp machinery. |
| b. Joint Chief Controller of Imports & Exports
(Capital Goods) Calcutta. | For all Jute and Hemp Textile machinery and machinery for coal mining and tea industry. |
| c. Chief Controller of Imports & Exports
(Capital Goods) New Delhi. | For other Capital Goods. |

(Applications from units borne on the books of the Directorate General of Technical Development should be sent through the D.G.T.D. The applications from Small Scale Industries should be sent through the sponsoring authority concerned and the Development Commissioner, Small Scale Industries, New Delhi.

- | | |
|---|-----------------------------|
| d. Chief Controller of Imports and Exports
(H.E.P.) New Delhi. | For Heavy Electrical Plant. |
|---|-----------------------------|

[The applications should be sent through the C.W.&P.C. (Power Wing) Government of India, Bikaner House, Shahjahan Road, New Delhi.]

r. Particulars of the applicant:

- (a) Name
 - (b) Full Postal address:—
 - (i) House/Shop No.
 - (ii) Name of Street/Road
 - (iii) Name of Locality
 - (iv) Name of State
 - (c) Telegraphic address
2. Names of Directors or proprietor or partners of the concern for which the goods are required.
 3. (i) Name and location of the industrial undertaking for which capital goods are required.
 - (ii) Place where the goods are to be installed/used.
 4. Registration Number allotted to Income tax Verification Certificate or exemption therefrom by the Licensing authorities.

5. Details of Treasury Challan or bank certificate under which the requisite application fee prescribed under the late Commerce & Industry Ministry's Order No. 17/55 dated 7th December, 1955 as amended from time to time has been deposited (Treasury Receipt to be attached).
6. Detailed description of goods. Two statements, duly attested, one for Capital Goods other than machine tools and the other for machine-tools, giving the following particulars should be furnished:—
 - (i) Serial No.
 - (ii) Description of Capital Goods/Machine-tools with full specifications. As far as possible manufacturers' illustrated descriptive pamphlets giving detailed specifications should be furnished.
 - (iii) Quantities.
 - (iv) Manufacturer's name and address.
 - (v) Supplier's name and address.
 - (vi) Country/Countries of origin (in the order of preference), and shipment, respectively.
 - (vii) Manner of financing the imports.
 - (viii) CIF value of goods in rupees. (Satisfactory documentary evidence from foreign suppliers *e.g.* the proforma invoice, etc. in support of the value declared should be submitted).
 - (ix) (a) For machine-tools—Code Number as appearing in the code book. "Classification machine-tools types".
(b) For other capital goods—Part and serial No. of the Import Trade Control Schedule.

7. Purpose for which goods are required:—

- (a) Replacement of existing machinery and/or maintenance of existing plant without involving substantial expansion of capacity; if so, when was the plant installed or when was the machinery in question last repaired.
- (b) Additions in the nature of supplement to the existing plant for the purpose of rationalisation/modernisation or for improvement in the quality of the products without involving substantial expansion; if so—
 - (i) What is the capacity of the existing plant and what will be the capacity after these additions?
 - (ii) Whether the additional machinery/equipment would necessitate the import of any new raw material or any increase in the amount of the existing raw material; if so, give the description of the raw-materials, annual requirements and the approximate CIF value.

(c) New undertakings or substantial expansion of the existing undertakings or manufacture of new articles; if so—

(i) Indicate the number and date of the industrial licence issued under the Industries (Development & Regulation) Act, 1951 or the number and date of the communication in which the approval of the sponsoring authority has been given.

(ii) What was the requirement of the foreign exchange for importing plant and equipment indicated in the application for the industrial licence or in the application for obtaining the approval of the sponsoring authority and, if that value is different from the one given in this application give reasons therefor?

8. Do the goods covered by this application form a complete order or only in instalment? If the latter, state:

(a) the extent of the instalment,

(b) the extent of the full order.

(c) the date of any connected application for import licence, and No. and date of any licence issued.

9. (i) Will the goods covered by this application ensure the production of all the articles specified in the industrial licence/approval of the sponsoring authority; if not, indicate the articles covered.

(ii) Will the goods covered by this application result in a capacity higher or lower than that licensed under the Industries Act or approved by the sponsoring authority? If so, indicate the extent of difference and reasons therefor.

10. Is any issue of capital involved for the purpose of importation of these goods? If so, has the consent of Government been obtained, and in the name of what Company? Also state what are the amounts of the present capital and the proposed expanded capital?

11. Is the importation of goods to be made against any foreign share capital? If so, furnish evidence to show that the terms and conditions of foreign collaboration have been approved by the Government of India?

12. Have you made enquiries from all indigenous suppliers of items included in the application, mentioned in the D.G.T.D.'s published list as suppliers of items?

NOTE: Copies of correspondence with suppliers to be enclosed. Where no replies have been received within one month, this fact may also be mentioned."

13. Whether the machinery to be imported is—

(a) Second-hand and reconditioned, or

(b) New.

If (a), a certificate from the suppliers or a firm of Consulting Engineers should always be furnished to indicate the age of machinery, its present condition and probable unexpired life."

14. Applicants for H.E.P. should supply the information on the following points:—

- (i) What is the total requirement for a particular project or scheme for which the import is applied for;
- (ii) Date(s) by which the stores are required to be in position or on site and whether any staggering is possible.
- (iii) Date of advertising the Public tenders.
- (iv) Details of prices and deliveries offered by the indigenous manufacturers and also by the importers;
- (v) Details of orders placed on indigenous manufacturers; and
- (vi) Ground on which imports are asked for.

15. The Customs House where the import licence, if granted, will be registered.

16. 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.)

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 statements 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 statement of facts therein are incorrect and false.

Signature

Name in Block Letters.....

Designation

Date.....

Residential Address.....

(1) Applicants are advised to read the licensing instructions for the current period carefully before filling up the Application Form for import licence.

(2) The information required against the various items in the form should be given legibly and complete in all details to avoid correspondence and delay in the disposal of their applications the licensing authorities have discretion to reject an application if the application is not complete in all respects.

(3) Documentary evidence as asked for should be sent along with the application.

(4) Any special reasons in support of the application may, if necessary, be explained in a covering letter attached to the application.

(5) Applications should be signed by the proprietor, partner or managing director of the firm or by any person duly authorised to sign any legal declaration on behalf of the firm. The position held by the person signing the application should be clearly stated.

(6) Any applicant supplying false or incorrect information may be liable to have his licence cancelled and in addition may be debarred from the grant of an import licence in future.

APPENDIX XII

Case Study Report on Indigenous clearance for the Import by public sector and departmental undertakings, etc.

This report is based on the study of 100 cases selected from amongst the applications received by the D. G.T.D. from the various Government Undertakings and Public Sector Project Authorities seeking clearance from indigenous angle in connection with the import of raw materials, capital goods etc. The break-up of the cases studied, is as follows :—

Industry-wise :

Key industries	44 (44%)
Non-key industries	56 (56%)

According to the type of equipment required.

Raw materials/components/major assemblies	85 (85%)
Capital goods	15 (15%)

According to the applicants.

From Government Deptt.	54 (54%)
From Public Sector Project Authorities	35 (35%)
From Universities, Municipal Corporation & other local/autonomous bodies	11 (11%)

Procedure for according indigenous clearance—

2.1 Applications for obtaining indigenous clearance are made separately only by Departmental Undertakings, Public Sector Project Authorities, Municipal Corporation etc. who after getting necessary foreign exchange from the concerned Administrative Departments apply direct to CCI&E for import of stores, equipment and other materials. The items to be cleared fall into the following 3 broad categories :—

- (a) Operational and maintenance items of stores & spares ;
- (b) Raw materials/components/major assemblies ;
- (c) Capital items.

2.2 It is not necessary for the project Authorities etc. to obtain clearance from indigenous angle from the DGTD in respect of maintenance stores and spares. The Project Authorities are required to scrutinise their indents with reference to the 'Hand-book of Indigenous Manufacturers' brought out by the DGTD and restrict their imports only to such items as are not available indigenously. In cases where the items are produced within the country but delivery of which cannot be affected within the required period, the Project Authorities should certify the urgency of their requirements and the inability of the indigenous producers to arrange supplies by the required data and take further action for getting the release of foreign exchange/ import licences etc. Immediately after placement of orders for imports, the Project Authorities are required to furnish a list of such items to the DGTD who is expected to scrutinise the items proposed to be imported and send his comments or advice, if any, to the Project Authorities concerned for their future guidance. As will be seen from the above break-up, none of the cases selected for the case studies belonged to this category of applications, Perhaps there are not many cases of this type.

2.3 As regards raw materials/components/major assemblies, a Development Officer has been nominated for handling cases from each Project. Applications in respect of this category of items are required to be received in Co-ordination Directorate where they are registered and passed on to the nominated officers. The nominated officers are expected to clear as many items as possible from the list of items attached to the applications and then mark the remaining items to the other Directorates concerned. At this stage the files are required to be sent to Co-ordination Directorate for obtaining the comments of other Directorates. The Co-ordination Directorate is responsible for rotating these papers by hand and personal contacts from Directorate to Directorate and at the end of the journey send the comments of the D.G.T.D. to the Project Authorities.

In case there are any doubts in regard to some items, the cases are required to be brought up before the weekly meeting of the Development Officers. The entire procedure is to be completed within 7 to 10 days.

2.4 In so far as the last category of items, namely, capital goods are concerned, the Project Authorities are required to send their applications direct to the nominated officers who after getting them registered with the Co-ordination Directorate gives his comments and puts up the case to the Industrial Adviser concerned. The Industrial Adviser may convene a meeting of the concerned Development Officers, if necessary, before finalising his comments. The final comments are then to be forwarded to the Project Authorities through the Co-ordination Directorate.

3. In actual practice, however, the above mentioned procedure is not being followed. Case studies made have revealed that :

- (i) All cases are not being received through the Co-ordination Dte. Out of 100 cases, 7 were received by R & I Section and 10 by other Directorates. While all the 7 cases received by R & I Section were sent to Co-ordination Dte. for registration and further processing, only 3 out of 10 cases received by other Directorates were marked to Co-ordination Dte. for registration, the remaining 7 having been processed by the other Directorates themselves ;
- (ii) None of the 15 applications pertaining to capital items was received by the nominated officers direct from the Project Authorities. 11 of these applications were received by Co-ordination Directorate, 1 by D.D.G., 2 by the concerned Directorates and 1 by R & I Section;
- (iii) Not all cases involving more than one Technical Dte. were routed through the Co-ordination Dte. Out of 24 such cases, 9 did not at all pass through the Co-ordination Directorate while 4 passed through them only at certain stages. Only the remaining 11 cases passed through Co-ordination at all stages ;
- (iv) Only one case was cleared at D.O's meeting. All other cases including those requiring consultation with more than one Dte. were settled by the usual method of noting on files.

Disposal time

4.1 The actual time taken in the disposal of cases studies varies between 3 to 151 days, the average being 29.3 days per case. Following is a detailed break-up of the time taken in clearing the cases examined :—

Cases disposed of within one week	10
do. 1 to 2 weeks	14
do. 2 to 3 "	23
do. 3 to 4 "	19
do. 4 to 5 "	7
do. 5 to 6 "	10
do. 6 to 7 "	5
do. 7 to 8 "	4
Cases disposed of beyond 8 weeks	8

4.2 The average time taken at various stages works out as indicated below :—

1. Time taken by R&I Section 0.2 days (This represents "notional" time. On the basis of 7 cases which were actually received through R&I Section the actual average works out to 2.3 days per case).
2. Time taken by the Cdn. Dte.
 - (a) In referring cases to other Dtes. 6.9 days. (both initially and subsequently)
 - (b) In drafting, fair typing & despatching replies. 10.0 "
3. Time taken by other Dtes. in according clearance. 12.2 "

Role of the Co-ordination Directorate

5.1 The role of the Cdn. Dte. consists in co-ordinating action where more than one Dte. is involved, keeping track of cases and expediting indigenous clearance by arranging meetings with Development Officers. Out of 100 cases examined, 76 cases concerned only one Dte. and the remaining 24 to more than 2 Dtes, as indicated below :—

Cases where 2 Dtes. were involved	10
Cases where 3 Dtes. were involved	8
Cases where 4 Dtes. were involved	2
Cases where 5 Dtes. were involved	2
Cases where 6 Dtes. were involved	2

From these figures, it will be seen that only in 24% cases, co-ordination was involved; in the remaining 76%, Cdn. Dte. had no role to play. Even in cases which pertained to more than 1 Dte., the Cdn. Dte. did not keep track of most of these cases. Only 11 out of 24 such cases passed through Cdn. Dte. at all stages; the remaining 13 either did not pass through them at all on their journey to other Dtes. or were routed through them only at certain stages. The Cdn. Dte. did not also make any significant contribution in expediting the disposal of these cases. Only one case was brought up by them before the D.Os.' Committee and that too after a lapse of 10 days.

5.2 To expedite disposal, it is suggested that all cases of indigenous clearance should straight-away be handled by the nominated officers instead of their being routed through the Cdn. Dte. The nominated officers should not only receive these cases directly from the Project Authorities or through the R&I Section but they should also be made responsible for obtaining the clearance of other Dtes. for bringing for-ward difficult or controversial cases before the D.Os. Committee and for sending replies to the Project Authorities. The adoption of this procedure would bring down the disposal time considerably.

5.3 If, however, this procedure is not considered feasible the following steps may be taken to speed up disposal :—

- (i) Cdn. Dte. should make simultaneous references to all Dtes. concerned instead of files being sent to those Dtes. one after the other. For this purpose, the Project Authorities etc. may be required to send applications in triplicate or even in quadruplicate;
- (ii) References to other Dtes. should be made within 24 hours of the receipt of applications in Cdn. Dte.;
- (iii) After comments of other Dtes. have been received the Cdn. Dte. should not take more than 48 hrs. to draft replies, to get them approved by the officers concerned and finally to despatch them through R&I Section. Suitable forms may be standardised for this purpose;
- (iv) Items for which responsibility is not accepted by any Dte. or items which are not cleared within a week should be brought up before the D.Os.' Committee which should regularly meet every week as prescribed in the existing procedure.

5.4 The acceptance of the above suggestions would bring down the time lag in Cdn. Dte. from 16.9 days to 3 or 4 days.

Role of the Technical Dte.

6.1 The average time of 12.2 days per case taken by Technical Dtes. in according indigenous clearance is rather on the high side considering that in 76% cases no consultation with other Dtes. was involved. In 100 cases studied, 149 Technical Dtes. were involved and the average time taken by each Dte. works out to 8.1 days per case.

6.2 The process of according indigenous clearance is a fairly simple one and should not normally take more than a day if the 'Hand-book of Indigenous Manufacturers' and other relevant records are kept up-to-date. In cases where more than one Dte. is involved references should be made simultaneously and not one after the other. With proper supervision, the Technical Dtes. should be able to give their comments on indigenous clearance cases within 3 days of their receipt.

6.3 Under the existing procedure, all applications for capital items are required to be cleared at I.A.'s level. No specific instructions seem to have been issued in regard to raw materials and

other stores. Case studies have shown that 100 applications which were to be considered by 149 Dtes. were cleared at the following levels.

Level at which cleared	No. of cases	
	Capital items	Other items
A.D.O.	8	24
D.O.	13	101
I.A.	2	..
D.D.G.	1	..
	24	125 = 149

It will be observed that (i) no uniform procedure is followed in the disposal of indigenous clearance cases ; (ii) Most of the cases pertaining to capital items were cleared at A.D.Os & D.O's. level and not at the prescribed level of I.A. ; (iii) All applications other than those for capital items were disposed of at the level of D.O. or A.D.O. It is suggested that levels of decision should be specified both for raw materials and C.G. applications depending on the nature of applications

Representations and Appeals.

7. In all, 11 representations/appeals were received, of which 1 was rejected and 10 were accepted. Amongst the 10 cases in which the applicants' contentions were finally accepted and clearance accorded, 5 cases related to items which were of a special or proprietary nature and could not be obtained in India while the remaining 5 involved items which were either not manufactured in the country or the indigenous manufacturers were unable to supply within the stipulated time. In one case where the applicants' contention was not accepted, the applicant was referred to another manufacturer.

8. The representations were made after a lapse of 44 days, on an average, The average time taken in their disposal worked out to 27.2 days per case.