CHAPTER II : MINISTRY OF COMMERCE AND INDUSTRIES

Department of Commerce

2.1 Price Stabilization Fund Scheme

The Department of Commerce (DoC) launched the Price Stabilization Fund Scheme (PSFS) in April 2003 for a period of 10 years with the objective to provide financial relief to 3.42 lakh small growers of tea, coffee, rubber and tobacco, having operational holdings of land up to four hectares, when the prices fell below specified level, without resorting to the practice of procurement operations by Government agencies. The Price Stabilization Fund Trust (PSFT) was the Nodal Agency for operationalization of the Scheme. The PSFT was registered on 11th September 2003 with National Bank for Agriculture and Rural Development (NABARD) as the settler. Under the Scheme, a Corpus of ₹ 500 crore was to be kept in Public Account of Government of India. The fund was proposed to be created from the Government Contribution of ₹ 482.88 crore and growers' contribution (towards entry fee) of ₹ 17.12 crore. Interest[1] earned on Corpus would be given to the PSFT for implementation of the scheme. Keeping the Corpus fund undisturbed, interest earning alone was to be utilised for operationalizing the scheme. DoC constituted (April 2003) a High Powered Committee (HPC) for operating and monitoring PSFS. The actual Government and growers' contribution as on 31 March 2013 were, however, ₹ 432.88 crore and ₹ 2.67 crore respectively.

PSFS was based on the principle of contributions from the growers and the Government depending on the normal/boom/distress years, with a provision for withdrawal, limited to ₹ 1,000 by each eligible grower during distress year. The grower member would be required to deposit ₹ 500 (non-refundable) towards entry fee which would form part of the Corpus of PSFT. Every year, a Price Spectrum Band (PSB) would be announced by HPC within the range of +/-20% of the Seven Years' Moving Average of the international prices. If the domestic price fell

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[1] As applicable to General Provident Fund, Special Deposit Scheme (SDS) from time to time

within the band, the year would be declared as 'Normal Year' and PSFT as well as the grower would deposit ₹ 500 each in the PSF SB (Saving Bank) Account of the grower. If the domestic price fell below the lower band, the year would be declared as 'Distress Year' and PSFT would be depositing ₹ 1,000 in the PSF SB Account of the grower. Likewise, if the domestic price was above the upper band, the year would be declared as 'Boom Year' and the grower alone would be required to contribute ₹ 1,000 in his PSF SB Account. By this mechanism, every year ₹ 1,000 would be credited in the PSF SB Account of the grower and at the end of the 10 year (period of the Scheme), the balance amount in the PSF SB Account can be withdrawn by the grower including the Government's contribution and the interest earnings thereon.

DoC reviewed the performance of the scheme in January 2004 and observed that the scheme had elicited poor response which led to setting up of various Committees (viz., Expert Committee in July 2004, Task Force in July 2006, Group of Ministers (GoM) in 2007, and Sub-Committee in October 2011) during the operation of the Scheme.

The Expert Committee recommended (July 2004) that under Distress year 1, each member would be granted compensation of ₹ 1,000/- and the total outgo from PSF Trust would be to the extent of ₹ 34.2 crore; Under Distress year 2, each member would be granted compensation of ₹ 5,000/- and total outgo from PSF Trust would be to the extent of ₹ 171 crore.

The Task Force had suggested (July 2006) that the growers be slowly graduated from PSF measures to Crop Insurance to IOU options and thereby to the Commodity markets. GoM recommended implementation of crop insurance scheme which was approved by the CCEA. Coming to the Sub-Committee, it discussed (December 2011) the following issues:

I. Modalities for drafting the Crop Insurance Scheme for Plantation Sector

II. Proposal for restructuring of PSF Scheme

III. Proposal for establishment of a separate Cardamom Price Stabilization Fund (CPSF) and formulated a draft Modified Price Stabilisation Fund (MPSF) 2013 scheme and a draft Plantation Crop Insurance Scheme (PCIS).

However, none of the recommendations of the Committees etc. was adopted. In the meantime, the Personal Accident Insurance Scheme (PAIS) was introduced w.e.f. 2005 on the recommendations of HPC.

The status of enrolment in PSFS as on March 2013 was as under:

Particulars	Commodity				
	Rubber	Coffee	Tea	Tobacco	Total
No. of growers targeted	1,97,461	71,949	42,619	30,317	3,42,346
Total Enrolment as on 31.3.2013	18,919	11,594	15,730	0	46,243
Percentage	9.6	16.1	36.9	0	**13.5**
No. of eligible growers to whom financial assistance has been released	5,482	4,474	507	0	10,463
No. of defaulters/growers to whom assistance is pending	13,433	7,034	15,223	0	35,690
Percentage of defaulters against enrolment	71.00	60.67	96.78	0.00	77.18
Percentage of participating members	2.8	6.2	1.2	0.0	**3.1**

Due to unattractive features[2] of the scheme, enrolment of only 46,243 growers i.e. 13.5 *per cent* had been achieved (March 2013) against the initial target of 3.42 lakh growers. Besides this, growers who had been enrolled in the scheme had defaulted in payment of contribution year after year. Audit observed that though initially enrolment in the Scheme had been to the extent of 13.5 *per cent* of the targeted number, participation in the Scheme had dwindled to a mere 3.1 *per cent* by 31 March 2013. Audit also observed that all the three commodities (as there was no enrolment in Tobacco), fell mainly under 'Normal Year' or 'Boom Year' category **(Annex I)** which revealed that growers' contribution was more than Government outflow.

Out of total expenditure of ₹ 8.21 crore made up to March 2014 by DoC, ₹ 6.23 crore had been incurred on administrative expenses of PSFT

[2] Demand of entry fees, low level of financial assistance, restriction on withdrawal, low rate of interest, unfit design of price spectrum band

(75.88 *per cent*) and only ₹ 1.98 crore (0.40[3] *per cent*) [₹ 1.53 crore (0.31[4] *per cent*) on PSFS and ₹ 0.45 crore (0.09 *per cent*) on PAIS] of the total interest accrued amounting to ₹ 490.25 crore, as on 31 March 2014 had been utilized for the intended beneficiaries.

Due to non-implementation of recommendations of the Committees, neither any modified scheme was approved till July 2014 nor was the erstwhile Scheme extended after completion of stipulated period i.e. March 2013. Further, in spite of advice of Department of Expenditure/Planning Commission to credit the amount lying in Corpus funds into Consolidated Fund of India, no action has been taken by DoC till July 2014. It was also noted that the administrative structure of PSFT is still in existence and continuously incurring expenditure in this regard.

2.1.1 Audit Findings

Following lacunae were found in the scheme due to which it proved a non-starter and failed to achieve its intended objectives:

1. Conception and formulation of PSF scheme

The scheme remained a non-starter, and purpose of creation of Corpus was defeated as only 0.40 *per cent* of the interest accrued had been utilized for providing assistance from the scheme during normal/distress years (March 2014), due to the following deficiencies in its conception:

- **Quantum of Assistance**

No analysis was done to determine the quantum of assistance of ₹ 1,000 on the basis of costs of production of the commodities. Further, DoC did not evolve any mechanism to account for inflation corresponding to the Consumer Price Index.

As an illustrative case, Audit noted, on the basis of 2000-01 prices of Coffee Robusta, that a steep drop of 20 *per cent* in prices (distress year) would result in reduction in income of ₹ 9,381.20 per hectare (₹ 37,524.80 for four hectares) as well as an actual loss of ₹ 1,367.70 per hectare (₹ 5,470.80 in respect of four hectares). Thus, the financial assistance of ₹ 1,000 provided under the scheme was inadequate to

[3] ((₹ 1.53 + ₹ 0.45) X 100) ÷ ₹ 490.25
[4] (₹ 1.53 X100) ÷ ₹ 490.25

compensate both the huge reduction in income as well as the actual loss suffered by the grower.

- **Design of Price Spectrum Band (PSB)**

  - **Opting the concept of Moving Average of past prices instead of cost of production**

Most growers and Commodity Boards were in favour of basing the PSF scheme on cost of production of plantation commodities and PSF was not seen as a solution by the growers. However, National Council for Applied Economic Research (NCAER) study and Operational Modalities Committee (OMC) concluded that it was practically impossible to fix a price that would cover the cost of production of each and every farmer and recommended the concept of moving average of past international prices. Audit, however, noted that small growers were concentrated **(Annex II)** at a few particular places in the country. Consequently, the factors/conditions affecting only these small growers could have been considered as reliable indicators for working out cost of production, revenue/income realization of small growers etc.

  - **Fixing of wider Price Spectrum Band**

Selection of an ideal band was very important as the price band should reflect ideal normative as well as efficiency considerations. NCAER, however, noted that narrower bands cost more to Government and vice versa. Audit observed that annual anticipated interest from the Corpus as envisaged by OMC was sufficient for providing assistance to all targeted growers even in the event of all the years being distress years. Thus, inappropriate fixing of a wide price band resulted in under-utilization of funds in PSFS.

- **Provision of a single quantum of assistance and a single bandwidth of 40 *per cent* for all commodities**

NCAER, in its study report, stated that the unit cost of production of these commodities varied widely and there was no single cost of production because it varied according to farm size, region and other factors such as type of soil, land, fertilizers and pesticides, labour etc. However, OMC did not take into consideration the above mentioned variations and recommended a single quantum of assistance of ₹ 1000 for all commodities. Though the NCAER study depicted that the average intra-year price variation (during 1980s and 1990s) in rubber and tobacco ranged between 20 and 30 *per cent* whereas that of tea and coffee ranged between 35 and 47 *per cent*, a single bandwidth of 40 *per cent* was recommended for all commodities instead of separate treatment for provision of financial relief for growers.

- **Cyclical rise and fall of prices**

Analysis of price data of tea, coffee Arabica, coffee Robusta and rubber (details given in **Annex III**) during the last 19 years (1994-2012) revealed that there were frequent fluctuations in prices from year to year. It was observed that a period of rise in prices of 4-5 years was almost always followed by drops in prices for a comparable period. Thus, the variations in prices of these commodities were cyclical in nature. Drop in prices were noticed to be followed by steep increase in prices. As such, the losses (due to price fall) suffered by growers during period of price falls could be recouped in the subsequent years of steep increases in prices. Also, rise in price trends occurred more frequently compared to drops in prices.

DoC accepted (December 2014) that it was aware from the initial stage itself of the deficiencies in the conception of the scheme. Regarding opting for the concept of moving average of prices over cost of production, DoC only stressed on the simplicity of adoption of moving average concept. DoC also stated that Expert Committee had suggested lowering the PSB from 20 *per cent* to 5 *per cent* /15 *per cent* in 2005 which was also incorporated in the MPSF proposal. In respect of single bandwidth and single quantum, it has been stated that there was a need to take an indicative data best representing the requirement. However, in spite of such awareness, Audit noted that no efforts had been made to conduct any analysis in DoC to sort out the shortcomings of the scheme.

2.1.2 Implementation of PSF scheme

- No data of defaulters was maintained by the PSF Trust. Audit also did not find any evidence of receipt of quarterly returns from Commodity Boards which was to contain information regarding refund of amount of default by Banks. Audit observed that many growers/members had defaulted in depositing their contribution in the

PSF accounts resulting in payment of ₹ 468.32 lakh[5] pending for release with PSFT.

- In contravention of Para 7 of scheme guidelines, the Commodity Boards of tea and rubber for the financial year 2011-12 had not maintained any separate bank account for PSF. In its absence, the actual utilisation/disbursement of PSF releases could not be verified in Audit.

- On the expiry of the scheme, PSFT issued directions (May 2013) to the Commodity Boards to allow for withdrawal of the entire balance of PSF savings bank accounts of the growers without ensuring non-withdrawal of Government assistance and remittance into Government account in respect of defaulters.

- As per the approved Accounting Procedure, there was a shortfall of ₹ 13.50 crore in PSF Corpus as of 31st March 2014.

- The PSF scheme expired in March 2013. However, DoC extended the registration of the Trust for another period of 10 years in spite of the fact that neither was the PSF Scheme 2003 extended nor was any new/modified scheme in place to transfer the Corpus fund. As a result, PSFT was still in existence and during the period from April 2013 to March 2014, an expenditure of ₹ 58.73 lakh had been incurred on administrative purposes.

DoC's reply is awaited (March 2015).

2.1.3 Personal Accident Insurance Scheme

- PAIS was introduced from 2005, without the approval of the competent authority i.e. Cabinet Committee of Economic Affairs (CCEA), as a social security measure for the grower members of PSF Scheme with a cover of ₹ 25,000 per grower. PAIS was also not included in the original proposals considered by the CCEA in June 2002 and February 2003. Approval of CCEA was obtained only in March 2007 for enhancement of insurance cover from ₹ 25,000 to ₹ 1.00 lakh for death and permanent disability. Thus, PAIS remained operational for a period of two years without any authorization.

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[5] Tea: ₹ 365.28 lakh; Coffee: ₹ 35.89 lakh and Rubber : ₹ 67.15 lakh

- The objectives of PAIS did not synchronize with the objectives of PSF scheme.

- Insurance schemes for labour in the rubber and tobacco sector were running concurrently with PAIS.

- It was also observed that major participation in PAIS was from the tobacco sector and no provisions had been framed in the guidelines of PAIS to ensure that compensation was not availed from other schemes in respect of claims made under PAIS.

- The scheme was modified, in December 2008, without approval of the competent authority i.e. CCEA, to enable growers in the tea, rubber, coffee, tobacco and spices sectors to become members of PSF by paying one time entry fee of ₹ 100/-, for the purpose of PAIS. Audit scrutiny, however, revealed that the Hon'ble Minister of Commerce & Industry approved (November 2007) "*the membership for Spices Sector for joining only the PAIS would be ₹ 100 for growers holding up to 4 ha of plantation and for those above 4 ha, it will be ₹ 500*". In spite of the reduction in enrolment fee, there was no noticeable achievement in membership under PAIS scheme as total membership was only 4.46 lakh (7.8 *per cent*) against the target of 57.17 lakh.

No specific reply has been furnished by DoC regarding introduction of PAIS and running of concurrent schemes. In respect of reduction in enrolment fee, DoC stated (December 2014) that reduction in enrolment fee was approved in December 2008. However, a copy of the approval is awaited (March 2015).

2.1.4 Poor monitoring

- HPC met 10 times only up to 27 March 2006 during the tenure (2003-13) of PSF Scheme. Thereafter, it was reconstituted (July 2014) after the Scheme had expired. Thus for a greater part of the operation of the Scheme, the stipulated mechanism for monitoring and for deciding on policy issues related to the Scheme was absent.

- Scheme guidelines envisaged that each Commodity Board should maintain the details of receipt of funds and prepare a quarterly return to be sent to PSFT. Audit scrutiny, however, revealed that:
  - ❖ No return was available in the records of PSFT.
  - ❖ The format of quarterly return did not call for information regarding members' contributions, the number of defaulters' accounts and amount required to be refunded against actual refund.
  - ❖ PSFT erroneously stated (September 2014) that all data was to be maintained by the Commodity Boards and there was no provision/format in the guidelines to forward such data on operation/closure of bank accounts by the Commodity Boards to PSFT.
- It was seen that there were yearly increases in the number of defaulters. However, Audit found no record in respect of default and closure of SB accounts.
- Even in the absence of basic data regarding receipt of contribution from growers, PSFT was releasing funds to the Commodity Boards, simply on their demand,
- The PSFS continued without review of its operation after five years as required under the resolution for creation of Scheme.
- Audit noted that if enrolment fee/ contributions received from growers had been taken into consideration, the size of Corpus could have been reduced at the initial stage itself to avoid idling of Corpus funds amounting to ₹ 432.88 crore[6] for a period of eight years.
- The bottlenecks identified in PSFS as well as in its operational procedure, though studied in comprehensive manner by various Committees, were never sorted out.
- PSFS expired in March 2013; however, DoC extended the registration of the Trust for another period of 10 years while still

[6] Total Govt. contribution

retaining PSF Corpus amounting to ₹ 918.53 crore (as of March 2014). Audit noted that a new insurance premium subvention scheme proposal was at a consultation stage. In such a scenario, the retention of the Corpus fund with PSFT was not justified.

No specific comments have been furnished in reply of DoC (December 2014).

Thus, the purpose for which the PSF scheme was launched was defeated as it did not attract growers on account of deficiencies in its concept i.e. insufficient quantum of assistance, design of Price Spectrum Band, single bandwidth and quantum for all commodities etc. which resulted in unfruitful expenditure of ₹ 8.21 crore, incurred primarily on administration of the scheme, and idling of funds amounting to ₹ 918.53 crore as of 31 March 2014.

Export Inspection Council of India

2.2 Avoidable expenditure due to non-collection of service tax

Indecision of the Export Inspection Council of India in timely directing the Export Inspection Agencies for collection of service tax on inspection and certification services from the exporters of notified commodities resulted in a loss of ₹ 9.98 crore.

Export Inspection Council of India (EIC) was set up on 1st January 1964 by Government of India (GoI) under section 3 of The Export (Quality Control and Inspection) Act, 1963 (the act) to ensure sound development of export trade of India through quality control and inspection and for matters connected therewith. EIC is assisted in its functions by the Export Inspection Agencies (EIAs), set up under section 7 of the act and located at Chennai, Delhi, Kochi, Kolkata and Mumbai. The mandate of EIC is to advice the Central Government regarding measures for the enforcement of quality control and inspection in relation to commodities intended for export. Work of inspection, testing and certification is carried out by EIAs, for which they charge such fees as may be prescribed by the Government. EIC exercises supervision and administrative control over the employees, accounts and records of the EIAs.

The Finance Act 2003 levied service tax on seven new items of services including *'technical testing & analysis; technical inspection and certification',* from a date to be notified later on. Subsequently, Government of India, Ministry of Finance, Department of Revenue vide notification No. 7/2003-Service Tax dated 20 June 2003 appointed 1st July 2003, as the date from which the levy of Service Tax on the above services came into effect. Thus, services of inspection and certification being provided by the EIAs came within the ambit of service tax with effect from 01 July 2003. Resultantly, the service tax authorities had been raising demand of service tax and penal interest thereon from EIAs and their sub-offices. However, the Ministry of Commerce & Industry (administrative Ministry of EIC) vide its letter (November 2004) addressed to Chairman, Central Board of Excise and Customs (CBEC), sought exemption from applicability of service tax for EIC/EIAs on the plea that inspection and certification service being offered by the EIAs to exporters of notified commodities were statutory in nature. It was further argued that these services were being provided by Agencies at the notified rates/fees, which could not be modified by them and thus the Agencies were not liable to collect and pay service tax as their statutory obligations could not be construed as taxable services. In response, Chairman, CBEC clarified (March 2006) that the service tax was being levied, depending on the nature of the service provided and not on the basis of the status of the service provider and hence the Council and its field formations could not be exempted from levy of service tax. In view of the clarification of the CBEC, the Ministry of Commerce & Industry directed (April 2007) the EIC to find ways for collection of service tax. EIC, accordingly, decided in its 101st meeting (December 2007) to start collection of service tax from users of services of EIC/EIAs with effect from 01 October 2007. The EIC, however, started collection of service tax from exporters with effect from 01 December 2013. EIC also paid (September 2014) an amount of ₹ 9.98 crore[7], on behalf of EIAs, towards service tax for the period from 01 December 2012 to 30 November 2013, though the amount of service tax for the period was not collected from the exporters.

[7] EIAs Delhi ₹ 2.01 crore, Mumbai ₹ 2.13 crore, Chennai ₹ 2.07 crore, Kolkata ₹ 1.90 crore, Kochi ₹ 1.87 crore.

Audit observed that in-spite of the clarification given by Chairman, CBEC, directions given by the administrative ministry and the decision taken by EIC in its 101st meeting, the EIC kept on postponing its liability towards service tax for almost 10 years. Thus, in absence of any directions from EIC, the EIAs did not collect service tax from the exporters.

Management while confirming (October 2014) the facts and figures contained in the audit observation, admitted its service tax liability from 01 July, 2012 onwards.

Reply of the management is not acceptable because, in-spite of its admittance about EIAs liability to collect and deposit service tax on inspection and certification services with effect from 01 July 2012, EIC did not give necessary directions to EIAs. Consequently, EIC had to deposit service tax of ₹ 9.98 crore on behalf of EIAs, out of its own pocket, for the period from 01 December 2012 to 30 November 2013.

Thus indecision of EIC, in timely directing EIAs to collect service tax from the exporters of notified commodities, on inspection and certification services, resulted in avoidable payment of ₹ 9.98 crore by EIC for the period of 01 December 2012 to 30 November 2013 on behalf of the exporters. EIAs also have not recovered service tax for the period prior to 01 December 2012, for which contingent liability to the extent of ₹ 28.99 crore has been disclosed in the books of accounts of EIC for the year 2013-14. There is a possibility that EIC may also have to pay this amount.

The matter was reported to the Ministry (January 2015); their reply was awaited as of February 2015.

Tea Board of India

2.3 Unfruitful Expenditure of ₹ 7.27 crore on running of Tea Centres of Tea Board of India for Domestic Promotion of Tea

Tea Board continued the operations of various Tea Centres set up for domestic promotion of tea despite huge operational deficit over the years and non-fulfilment of intended objective.

Tea Board (Board) set up under Section 4 of the Tea Act 1953, is the apex body that plays a pivotal role for overall development of tea industry in India. The activities of the Board include extending financial and technical assistance for cultivation, manufacture and marketing of tea, aiding research and development activities and carrying out promotion activities by increasing consumption of tea in domestic and international markets.

Domestic market promotion and enhancing consumption of tea amongst the masses is planned by the Board through participation in domestic fairs and exhibitions and insertion of advertisements in print and visual media. Apart from this, the Board also operates seven Tea Centres[8], one each at Parliament House, Udyog Bhawan, Ministry of Finance and Yojana Bhawan in New Delhi, Chennai Secretariat and CMBT-Koyambedu at Chennai and Tirumala in Tirupati in South India where tea is served at very nominal rate to popularise its consumption. For day to day operation of these Centres, regular funds under both Non-Plan and Plan budget are provided by the Board.

It was observed in Audit that for a long time, the Board's tea serving units functioning at various places of New Delhi and South India were selling tea at subsidized rates with sale prices of tea remaining stagnant. The Board maintained the tea service by providing funds from its limited budgetary resources. However, due to soaring prices of ingredients like tea, milk, sugar and other variables in addition to increase in establishment expenses, the Board found it extremely difficult to run its Tea Centres.

It was further observed in Audit that:

- The Tea Centres were hardly contributing to domestic promotion of tea. The per capita consumption of tea during 2008 to 2012 ranged between 701 grams per head and 738 grams per head. On the one hand, production of tea in India had stagnated with limited scope of expansion of tea growing areas due to constraint of land and labour while on the other hand, there was only 5.28 *per cent* increase in per capita consumption of tea among Indians.

[8] Centre includes Bar/Buffet/ Nook/Room

- Tea Centres had restricted impact on increasing domestic consumption as it mainly served tea to government employees, dignitaries and guests in various Ministerial buildings. Except Tea Centres located at Tirumala and CMBT in Chennai, all other Tea Centres mainly served tea at nominal rates not to the general public but to the same regular customers i.e. Government departments employees. Thus the benefit of good quality tea at nominal price was not made available to the wider section of the society through these Centres.

- All Tea Centres experienced recurring operational deficit every year for which a significant amounts of plan and non-plan fund were spent by the Board. During the period 2008-09 to 2012-13, an amount of ₹ 11.47 crore (including ₹ 3.97 crore for ingredients and ₹ 7.50 crore for establishment) was spent for operating the seven Tea Centres. In return, a sum of ₹ 4.20 crore only was realized by the Board by way of sale proceeds of tea. Thus, there was an operational deficit of ₹ 7.27 crore during 2008-09 to 2012-13 for running the seven Tea Centres of the Board.

- The recurring operational deficit was mainly due to cost of ingredients, rising establishment cost and non-revision of price of tea at periodical intervals.

- Tea was served at very nominal rate, even less than the ingredient cost (e.g. in Parliament House, Udyog Bhavan and Ministry of Finance). The price of per cup of tea served was ₹ 0.88 since 1989 at Tea Centres of Udyog Bhawan and Ministry of Finance, ₹ one since 2001 at Parliament House and ₹ five since 2009 at Planning Commission. Against the above, the establishment cost at Tea Centres ranged between ₹ 3.93 and ₹ 17.77 per cup and ingredient cost ranged between ₹ 2.55 to ₹ 4.02 per cup of tea.

- The Board closed down the Tea Centre in Planning Commission and the same was reopened at the request of Planning Commission after enhancing the price of tea from ₹ 2.25 per tray (2 cups) to ₹ 10.00 per tray (2 cups) with effect from May 2009. Had similar approach been adopted for other Tea Centres, the Board could have mitigated its operational deficit to some extent.

- It was only in March 2011 that, based on the recommendations of its Tea Promotion Committee, the Board decided to revise the rate of tea sold at various Tea Centres in order to recover a part of Board's operational costs and generate additional internal resources. The price of tea served at various Tea Centres in South India was revised with effect from July 2011/October 2012 while the same remained unrevised for more than 24 years at the Tea Centres of New Delhi.

- Price of tea served in Udyog Bhawan, Ministry of Finance and Parliament House in New Delhi was not revised since 1989/2001 as the same was pending approval of Ministry. However, Ministry clearly opined (March 1988 and October 1989) that the Board had to take a decision on increasing the prices at its level with due regard to the reasonableness of rates.

- The Public Accounts Committee (PAC) in their Report (107th Report of 1987-88) recommended that unfruitful expenditure on Tea Centers should be discontinued immediately and resources made available thereby in terms of money, material and manpower be deployed more profitably in other productive activities without any further delay. However, the Board took no initiative to comply with the recommendation of PAC.

- PAC, in its sixty-fifth report (15th Lok Sabha) (January 2013), again voiced its concern regarding diversion of funds by the Board from Plan to Non-Plan expenditure, inadequate internal generation of funds, total dependence on Government support for every activity, weak financial management and internal controls. PAC, inter-alia, recommended that dependence on subsidies and other Government support should be taken as temporary alleviative measures which ought to be phased out eventually, moving towards a more profitable regime.

The Board stated (July 2013) that Tea Centres served the purpose of creating awareness about high quality of Indian tea at a highly affordable price to the people serving in Government Offices and also for visitors. The subsidized price acted as an inducement towards developing a healthy habit of drinking tea. Hence, it was essential to continue the practice of serving tea at subsidized rate in order to sustain the good work of educating consumers about good taste. The Board intended to increase the price gradually in order to match the increasing cost.

The statement of the Board needs to be viewed against the fact that per capita domestic consumption of tea remained almost static at less than 750 gram per head over the years. Moreover, the impact of subsidized price in Tea Centres did not reach the common man. The decision of the Board to enhance the price of tea sold at Tea Centres was forwarded for approval to the Ministry only in June 2011, to recover a part of Board's operational deficit. The revision of price at the Tea Centres of New Delhi is yet to be implemented (June 2014) despite a lapse of more than three years.

While accepting the audit observations, the Board finally stated (November 2013) that the need to redesign its efforts to promote wellness benefit of tea amongst the wider cross section of the society, keeping the cost of operation of Tea Centres minimum, increasing the price of tea served at various Tea Centres and critically evaluating the role and effectiveness of the Tea Centres for domestic promotion of tea, has been taken in the right spirit and immediate steps were being taken to address the concerns of Audit. A three member committee has been formed (November 2013) (i) to conduct an in-depth study on the functioning and current status of all the Tea Centres and recommend necessary steps to keep the cost of operations of Tea Centres minimum; (ii) to recommend the optimum price increase of tea to reduce the recurring operational deficit of the Tea Centres; and (iii) to submit a report on the role and effectiveness of the Tea Centres for domestic promotion of tea in the light of the recommendations of PAC. Though the Committee was asked to submit its report by 29 January 2014, the same was awaited (August 2014).

The role of Tea Centres for domestic promotion of tea thus needs to be reviewed urgently and appropriate decision taken, keeping in view the recommendations of PAC and the persistent deficit of non-plan fund on account of high cost of operation of Tea Centres.

The matter was reported to the Ministry (October 2014); their reply was awaited as of February 2015.