सत्यमेव जयते

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1987

NO. 11 OF 1988

UNION GOVERNMENT

(OTHER AUTONOMOUS BODIES)

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PREFATORY REMARKS

This Report of the Comptroller and Auditor General of India, containing reviews on 'Rubber Board, Kottayam', 'Marine Products Export Development Authority, Cochin' and 'New Mangalore Port Trust', has been prepared for submission to the President under Article 151 of the Constitution of India.

2. The points mentioned in the reviews are those which came to the notice in the course of test audit under the various provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3. Chapter I gives an 'Overview' of the Report bringing out the significant Audit findings.

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CHAPTER I

Overview

1. This Audit Report contains three reviews. The points highlighted in the Report are summarised below:

1.1 Rubber Board.—Besides advising the Government of India on all matters relating to development of rubber industry in India, the Rubber Board undertakes and assists or encourages scientific and technological research, training in improved methods of plantation, cultivation, spraying and manuring, etc. to the rubber growers. As against the target of planting of rubber in 20,600 hectares during the periods 1980-81 to 1986-87 the achievement was only 7,027 hectares. Against the provision of Rs. 2018.90 lakhs for Rubber Plantation Development Scheme during the Sixth Plan period, the Board could utilise only Rs. 1373.26 lakhs resulting in a shortfall of 38.87 *per cent*. Only 74 *per cent* of the anticipated increase in production during the Sixth Plan period was achieved. Short fall in spraying resulted in an estimated crop loss of Rs. 12 crores during 1983. Yield stimulants costing Rs. 1.41 lakhs remained unutilised and had to be written off. The failure of the Board to limit reimbursement of cost of planting material upto Rs. 450 per hectare resulted in an additional expenditure of Rs. 79.03 lakhs.

The value of the estimated shortfall in rubber production (683 tonnes) due to inadequate infrastructural facilities in Rubber Research cum Development Station at South Andamans amounted to Rs. 102.15 lakhs during the period 1977-78 to 1985-86. In Rubber Research Institute of India, due to non-renewal of bank guarantee the mobilisation advance of Rs. 2.20 lakhs plus interest could not be recovered from the contractor. The production of a film on rubber to educate the rubber growers commenced in September 1980 incurring an expenditure of Rs. 3.61 lakhs till September 1983 has not been completed so far. Capital amounting to Rs. 31.64 lakhs has been blocked due to delay in construction of Head Office building and payment of rent of Rs. 3.60 lakhs *per annum* is being made for the hired building.

(Paragraph 1)

1.2 *Marine Products Export Development Authority*.—Marine Products Export Development Authority, Cochin, was established to promote the development of marine products industry and to increase exports. Against a target of 10,000 hectares to be brought under prawn culture during 1978-79 to 1984-85, the achievement was only 1,860 hectares (19 *per cent*) and against a target of 5,000 tonnes of production of prawn, the achievement was only 1,358 tonnes (27 *per cent*). The export of marine products registered an increase of 13 *per cent* only during 1980-81 to 1986-87.

A scheme for assistance for construction of fish landing platforms was abandoned in September 1983 after evaluation and consequently no arrangement was evolved to verify the proper utilisation of 49 platforms for which an assistance of Rs. 23.91 lakhs was given. A 500 tonne frozen storage at Cochin remained inoperative since November 1984 and expenses amounting to Rs. 10.41 lakhs were incurred on the idling plant during the last 2 years. A 300 tonne frozen storage at Calcutta due to be completed by September 1979 has not been completed so far and an expenditure of Rs. 92.63 lakhs had been incurred on the work against the original estimate of Rs. 31.54 lakhs and this delay had thus resulted in an estimated loss of revenue of Rs. 30.38 lakhs upto December 1986. A dried fish storage at Tuticorin proposed to be run by the Authority was constructed at a cost of Rs. 10.85 lakhs in January 1984. However, it was handed over to Tamil Nadu Fisheries Corporation in December 1984 without finalising the terms and conditions of transfer and thus no revenue accrued to the Authority. A scheme for registration for upgradation of peeling sheds was discontinued in 1985 after incurring an expenditure of Rs. 62.29 lakhs on 724 units (against the financial target of Rs. 25 lakhs) though 441 units remained to be upgraded. An unauthorised payment subsidy for installation of generating sets amounting to Rs. 13.40 lakhs was made during October 1980 to March 1984 when the scheme was not in operation. An amount of Rs. 48.37 lakhs on internal and Rs. 252.73 lakhs on external publicity was paid during the period 1980-81 to 1986-87 without making any evaluation of its effectiveness on boosting the exports.

(Paragraph 2)

1.3 New Mangalore Port Trust.—The return on the capital employed ranged between 0.60 and 6.92 *per cent* during the last 7 years ending 1986-87 as against the rates of return of 9 to 12 *per cent* recommended by the Commission on Major Ports. The traffic carried by the Port railways ranged between 0.66 and 1.87

lakh tonnes per annum during the last 3 years ending 1986-87 against the capacity of 6.14 lakh tonnes per annum resulting in under utilisation of capacity and loss of revenue. The utilisation of iron ore berth and oil jetty varied from 7 to 52 and 31 to 65 *per cent* respectively during the last 3 years ending 1986-87. Cargo handling equipments were utilised to the extent of 1.29 to 13.12 *per cent* during the last 3 years ending 1986-87 due to lack of demand. There was a loss of revenue of Rs. 41.60 lakhs due to incorrect application of wharfage charges for heavy lifts during February 1983 to December 1984. Rent of warehouses and transit sheds to the extent of Rs. 19.70 lakhs upto March 1987 remained unrecovered. Injudicious purchase of stock materials resulted in blockage of funds amounting to Rs. 73.71 lakhs in March 1987. In August 1985, the Port Trust appointed a technical consultancy team to examine and suggest measures to make the workshop at the port viable but the report had not been received till June 1987.

(Paragraph 3)

CHAPTER II

Ministry of Commerce

1. Rubber Board, Kottayam

1.1 *Introduction.*—The Rubber Board, Kottayam was established under the Rubber Act, 1947 (hereinafter referred to as Act) as a Corporate body to promote the development of rubber industry in India. Besides advising the Government of India on all matters relating to the development of rubber industry the Board is empowered, with the previous approval of Government of India, to import rubber or to purchase rubber in the internal market at such prices as the Government of India may fix. It also undertakes measures to provide for:

(a) undertaking, assisting or encouraging scientific, technological and economic research;

(b) training students in improved methods of planting, cultivation, manuring and spraying;

(c) the supply of technical advice to rubber growers;

(d) improving the marketing of rubber;

(e) collection of statistics;

(f) securing better working conditions, etc.

1.2 *Scope of Audit.*—The Audit of the accounts of the Rubber Board is being conducted by the Comptroller and Auditor General of India under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

1.3 *Organisational set up.*—A Chairman appointed by the Government of India and 25 other members (eight members representing the State of Kerala, two members representing the State of Tamil Nadu, ten members nominated by Government of India, three members of Parliament, the Executive Director and the Rubber Production Commissioner) constitute the Board.

The Board has 2 zonal offices, 27 regional offices, 1 central nursery, 16 regional nurseries, 4 tappers training schools, 7 sub-offices/liaison offices, 107 extension/field offices located in different regions in the country.

1.4 *Highlights*

— **There was no relation between the amount of cess remitted to the Consolidated Fund of India and the amount of grant released by the Government.**

— **Except for a significant increase in Plan expenditure during 1985-86, there was under utilisation of budget provision during 1981-82 to 1984-85 under Plan expenditure. However, during 1986-87, there was increase in expenditure under Non-Plan and Plan from General Fund.**

— **As against the target of planting of rubber in 13,500 hectares during the Sixth Plan period and 7,100 hectares in 1985-86 and 1986-87 in non-traditional areas, the achievements was as low as 3,840 hectares and 3,187 hectares respectively.**

— **The failure of the Board to limit the reimbursement of cost of planting materials to Rs. 450 per hectare, resulted in an additional expenditure of Rs. 79.03 lakhs to the Board.**

— **Against the provision of Rs. 2018.90 lakhs for Rubber Plantation Development Scheme during the Sixth Plan period, the Board could utilise only Rs. 1,373.26 lakhs during the years 1980-81 to 1984-85 resulting in a shortfall of 38.87 per cent. Against the provision of Rs. 97.37 lakhs for covering Board's overhead charges for the five year period, the actual expenditure was Rs. 158.87 lakhs (63 per cent excess). Against the net addition of 189 officers and staff envisaged, 204 posts were created and filled up.**

— **The shortfall in spraying resulted in an estimated crop loss of Rs. 12 crores during 1983.**

— **Against the anticipated increase in production of 51,530 tonnes of rubber during the Sixth Plan period the actual increase in production was only 37,980 tonnes which was only 74 per cent of the anticipated increase in production.**

— **The production of a film on rubber to educate the rubber growers commenced in September 1980 incurring an expenditure of Rs. 3.61 lakhs till September 1983 has not been completed so far (July 1987).**

— **Due to the non-renewal of bank guarantee the mobilisation advance of Rs. 2.20 lakhs plus interest could not be recovered from**

the contractor, in connection with the construction of a silver jubilee memorial block at Rubber Research Institute of India.

- **Against the financial outlay of Rs. 450.75 lakhs for the World Bank aided scheme, the Board spent Rs. 568.50 lakhs up to March 1987.**

- **In the Rubber Research-cum-Development Station at South Andamans, the value of the estimated shortfall in production of rubber (683 tonnes) during the period 1977-78 to 1985-86 amounted to Rs. 102.15 lakhs.**

- **Delay in commencement of construction of Head Office building in the land acquired for the purpose resulted in blocking up of funds to the extent of Rs. 31.64 lakhs and also in payment of rent of Rs. 3.60 lakhs per annum for the hired building.**

- **Non-observance of the terms and conditions by 28 private institutions to whom grants amounting to Rs. 14.41 lakhs were paid by the Board resulted in non-implementation of labour welfare schemes.**

- **Yield stimulants costing Rs. 1.41 lakhs remained undistributed and had to be written off.**

1.5. *Finance and Accounts*

1.5.1 Under section 9(2) of the Act, the Board maintains two funds namely the General Fund and the Pool Fund. The General Fund is credited with grants given by the Government of India under Section 12(7) of the Act and other receipts of the Board. The Fund is utilised to meet the expenses of the Board and the cost of various measures undertaken by it, including appropriation of sums to the Pool Fund. The Pool Fund is credited with amounts realised by sale of rubber imported or purchased and the sums transferred from the General Fund with the approval of the Government of India. This Fund is utilised for the rehabilitation of small growers. As per the Act, the Board prepares only Receipts and Payments Accounts in respect of both the funds. Even though the necessity of preparing Income and Expenditure Account and Balance Sheet as at the end of each year so as to make the annual accounts adequate to bring out the actual financial position of the Board was specifically mentioned in the Separate Audit Reports of the Board for earlier years, the Board had not prepared the Income and Expenditure Accounts and Balance Sheet so far (July 1987). The Board stated (March 1987) that they had already requested the Government to amend the relevant provisions in the Act and Rules to enable preparation of Income and Expenditure Account for the Board.

1.5.2 A summary of the receipts and payments account relating to the General Fund and Pool Fund for the years 1981-82 to 1986-87 is given below :

GENERAL FUND

Receipts	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
				(Rupees in lahhs)		
Opening Balance	36.04	74.49	54.61	59.06	192.40	45.01
Grant from Government of India	611.07	803.04	913.13	1201.71	1266.58	2048.98
Sale of rubber	21.84	28.97	45.76	45.76	39.08	39.37
Licence fees	4.66	4.49	4.36	4.60	10.05	7.74
Cess on rubber	602.86	641.20	691.73	756.91	962.59	941.91
Pool Fund adjustment account	8.76	5.24	20.55	—	20.99	—
Advance to employees recovered	6.06	7.16	8.01	9.49	11.13	9.41
Other receipts	48.49	10.95	16.26	19.02	33.43	67.85
Total :	1339.78	1575.54	1754.41	2096.55	2536.25	3160.27
Payments						
Cess remitted to Consolidated Fund of India	607.92	641.01	690.77	758.23	943.28	923.16
Administration	85.33	85.44	124.76	109.89	116.14	167.70
Development	401.62	612.56	695.59	815.28	1209.53	1582.51
Research	85.29	100.07	141.96	138.14	157.09	239.55
Rubber processing	9.94	29.84	11.52	9.39	22.70	19.46
Transfer to Pool Fund	45.54	44.50	29.00	36.00	—	72.15
Pool Fund Adjustment account	—	—	—	37.22	—	—
Other payments	29.65	7.51	1.75	—	42.50	94.60
Closing Balance	74.49	54.61	59.06	192.40	45.01	61.14
Total :	1339.78	1575 54	1754.41	2096 55	2536.25	3160.27

Note :—The figure of Rs. 72.15 lakhs against transfer to pool fund in 1986-87 includes Rs. 32.98 lakhs relating to 1985-86 and shown under closing balance in the Pool Fund Account for 1985-86 under "Suspense Payments" receivable and actually transferred to the Pool Fund in 1986-87.

POOL FUND

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
			(Rupees in lakhs)			
Receipts						
Opening Balance	19.60	35.97	47.11	55.04	70.42	52.14
Transfer from General Fund	45.54	44.50	29.00	36.00	—	39.17
Sale proceeds of planting materials	9.31	12.71	13.18	17.35	5.73	—
Adjustment of subsidised cost of fertilisers	20.97	27.90	18.41	12.95	10.37	5.84
Recovery of loans	8.48	7.65	5.82	16.16	5.63	4.67
Other receipts	10.59	12.96	11.80	3.59	9.47	5.64
Total :	114.49	141.69	125.32	141.09	101.62	107.46
Payments						
Loans paid	10.15	25.25	10.55	17.50	3.03	22.66
Cost of planting materials	15.34	18.73	20.27	23.90	5.73	5.86
Cost of fertilisers	47.43	43.21	31.08	19.52	10.82	42.62
Subsidies	0.81	0.53	0.26	0.12	0.05	1.83
Other payments	4.79	6.86	8.12	9.63	29.85	29.69
Closing Balance	35.97	47.11	55.04	70.42	52.14	4.80
Total :	114.49	141.69	125.32	141.09	101.62	107.46

1.6. *Receipts*

1.6.1 The cess being duty of excise on all rubber produced in India, levied under Section 12 of the Act is collected by the Board. The Act provides for levy of cess at a rate not exceeding 50 paise per kg. of rubber produced. The Board is required to credit the proceeds after deducting cost of collection, to the Consolidated Fund of India, against which grants are paid by the Government of India to the Board.

The grants released by the Government of India had been more than the cess collections credited to Government during 1981-82 to 1986-87 as shown below :—

Year	Cess remitted to Government account	Grants paid by Government of India
	(Rs. in lahhs)	
1981-82	607.92	611.07
1982-83	641.01	803.04
1983-84	690.77	913.13
1984-85	758.23	1201.71
1985-86	943.28	1266.58
1986-87	923.16	2048.98

Proposals to amend Section 12 of the Act, suggesting enhancement of the limit of 50 paise per kg. (levied from 24th August, 1984) to Rs. 1 per kg. have been sent to Government by the Board in July 1984 and orders are yet to be issued by Government (July 1987).

1.6.2 The arrears of cess pending collection at the end of March 1986 amounted to Rs. 155.38 lakhs in 4,129 cases, of which Rs. 72.35 lakhs pertained to 2,243 cases dating from 1961-62 to 1979-80. The Board stated (June 1987) that the very old cases had been taken up for revenue recovery with the Revenue authorities. The statement of demand, collection and balances for 1986-87 had not been compiled by the Board (June 1987).

1.7 *Budget and Actuals*—The details of budget provision and actual expenditure during 1981-82 to 1986-87 are shown below :

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
					(Rupees in lahhs)	
General Fund-Non-Plan						
Budget Provisions	188.08	236.69	278.92	303.27	534.49	609.47
Expenditure	179.23	201.53	255.44	251.59	495.70	687.50
Savings(—)/Excess(+)	(—)8.85	(—)35.16	(—)23.48	(—)51.68	(—)38.79	(+)78.03
General Fund-Plan						
Budget Provision	459.76	766.76	769.94	1330.43	986.80	1478.00
Expenditure	447.82	670.08	742.51	856.93	1051.46	1488.47
Savings(—)/Excess(+)	(—)11.94	(—)96.68	(—)27.43	(—)473.50	(+)64.66	(+)10.47
Pool Fund						
Budget Provision	93.06	104.75	153.61	137.86	54.41	71.46
Expenditure	78.49	94.48	70.19	70.66	49.48	102.67
Savings(—)/Excess(+)	(—)14.57	(—)10.27	(—)83.42	(—)67.20	(—)4.93	(+)31.21

Except for a significant increase in Plan expenditure during 1985-86, there was under utilisation of budget provision during 1981-82 to 1984-85 under Plan expenditure. However, during 1986-87 there was increase in expenditure under Non-Plan and Plan from General Fund.

1.8 *Rubber Plantation Schemes*

1.8.1 Under the Rubber Plantation Development Scheme for planting rubber in non-traditional areas, a target of 13,500 hectares was fixed for the Sixth Five Year Plan period. The achievement was, however, very low as indicated below :

Region	Target (Hectares)	Achievement	Percentage of achievement
Goa and Maharashtra	3000	98	3
Tripura	5000	3343	66
Assam	5000	389	8
Other States/Union Territories	500	10	2
Total :	13500	3840	28

The shortfall was attributed mainly to non-availability of adequate planting materials, delay in developing basic infrastructure and political disturbances in Assam and Tripura hampering developmental activities.

The Rubber Plantation Development Scheme Phase-II was approved by the Government of India in February 1987 for implementation during the Seventh Five Year Plan period. The scheme was launched by the Board in 1985-86 itself (in anticipation of the approval of Government) as a succeesor scheme to the Rubber Plantation Development Scheme, implemented during the Sixth Five Year Plan period. The targets fixed for non-traditional areas for the years 1985-86 and 1986-87 were 2900 hectares and 4200 hectares respectively. Against these, the achievements (region-wise) were as below :

Region	Targets (Hectares)		Achievement (Hectares)		Percentage of achievement of target	
	1985-86	1986-87	1985-86	1986-87	1985-86	1986-87
Tamil Nadu	250	200	185.11	104.78	74	52
Karnataka	700	800	588.97	380.12	84	48
Tripura	1300	2000	662.92	927.19	51	46
Assam	300	500	60.98	106.26	20	21
Other North Eastern States	200	300	—	44.08	—	15
Orissa	—	100	—	—	—	—
Goa and Maharashtra	100	200	54.68	55.31	55	28
Andaman & Nicobar Islands	50	100	4.15	12.96	8	13
Total :	2900	4200	1556.81	1630.70		

The achievement fell short of the target by 46 *per cent* during 1985-86 and by 61 *per cent* during 1986-87.

1.8.2. *Rubber Plantation Development Scheme* 1980

(a) The Rubber Plantation Development Scheme (an integrated development scheme covering the principal objects of the earlier schemes) was approved in January 1981 for implementation during the Sixth Five Year Plan period. The Scheme aimed at accelaration of the expansion of rubber cultivation and rehabilitation of old and un-economic rubber plantations. Under the scheme subsidy would be given by the Board and loan arranged through nationalised banks under the programme of NABARD for development of rubber plantations. The average cost of new planting/re-planting and maintenance during immaturity period of 7 years was estimated to be Rs. 15,000 per hectare and the maximum extent of credit was, therefore, limited to Rs. 15,000 reduced by the total amount of cash subsidy and input subsidy as applicable to each category of growers. The cash subsidy, input subsidies and bank loans are disbursable in 7 annual instalments based on each year's investment requirement. The assistance sanctioned in the scheme to growers owning upto 6 hectares of rubber doing new planting/re-planting comprised Rs. 5,000 (cash subsidy), Rs. 1,980 (input subsidies) and Rs. 8,020 (Bank Loan). The scheme also envisaged payment of interest subsidy at 3 *per cent*. The input subsidy included reimbursement of (i) cost of planting materials at the rates laid down by the Board and (ii) 50 *per cent* of the cost of manure and of soil conservation work. According to the approved scheme, the break up of the input subsidy (Rs. 1,980) payable was as under :

1. Cost of Planting materials.	:	Rs. 450 per hectare 1st year.
2. Cost of manure (50 *per cent*)	:	Rs. 1,380 per hectare 1st to 7th year.
3. Soil conservation	:	Rs. 150 per hectare 1st year
Total :		Rs. 1,980

A review of the transactions during the years 1980-81 to 1985-86, however, revealed that the limit of Rs. 450 per hectare for reimbursement of cost of planting materials was not enforced by the Board. Consequent on the increase in the cost of planting materials year by year and as a result of the introduction of poly bag planting materials which cost more the amount reimbursed towards cost of planting materials ranged upto Rs. 4,400 per hectare against the limit of Rs. 450 per hectare.

The optimum planting density recommended by the Rubber Research Institute of India is 420-425 plants per hectare in the case of buddings. However, the Board did not enforce any maximum limit in this regard.

The number of planting materials, the cost of which was reimbursed ranged from 500 to 575 per hectare. During 1980-81 to 1985-86 a sum of Rs. 370.82 lakhs was reimbursed as cost of planting materials for a total area of 64,842 hectares. The failure of the Board to limit the reimbursement to Rs. 450 per hectare resulted in an additional expenditure of Rs. 79.03 lakhs. 80 *per cent* of the demand for planting materials was met by private nursery owners and they were thus the main beneficiaries of the scheme. The Board stated (November 1984) that it had the authority to fix the rates of reimbursement of planting materials from time to time. This is not tenable as the Board has no authority to increase the quantum of subsidy, over and above the limit sanctioned by Government of India.

(b) The following shortfalls and lapses were noticed in implementing the scheme :

(i) Against the total outlay of Rs. 2,246.32 lakhs proposed for implementation of the scheme during Sixth Five Year Plan period, the provision made by the Government was Rs. 2,018.90 lakhs out of which the Board could utilise only Rs. 1,373.26 lakhs during the years 1980-81 to 1984-85 resulting in a shortfall of 38.87 *per cent* of the total outlay. The Board stated (November 1986) that the shortfall was mainly due to the procedure that payments were released only on satisfactory completion of cultural operations by the growers and inspection of the same by the officers of the Board.

(ii) Against the sanctioned provision of Rs. 97.37 lakhs for covering Board's overhead charges for the five year period, the actual expenditure was Rs. 158.87 lakhs (63 *per cent* excess). The excess expenditure is not commensurate with the achievement in implementation. The excess was attributed (November 1986) by the Board to increase in salaries and establishment cost, expenses on vehicles, rent of office building etc.

(iii) The Scheme envisaged a net addition of 189 officers and staff for implementation. However, 204 additional posts were created and filled up.

(iv) In the proposals for spill over to Seventh Five Year Plan submitted to the Government, the Board admitted that there were serious slippages in the implementation schedule. As the inspection work fell heavily in arrears, vehicles were hired and used by field staff in 1985-86 at a cost of Rs. 1.32 lakhs in addition to the Board's vehicles numbering 32. The extra expenditure on hiring of vehicles could have been avoided if the Board had implemented the scheme as scheduled. The Board stated (October 1986) that there was acute shortage of staff during earlier years of the implementation of the schemes and hence engagement of additional vehicles during 1985-86 was unavoidable.

1.8.3 (i) With a view to maximising rubber production, the Board launched a scheme during 1982-83 to popularise measures to guard small holdings from rain by providing 50 *per cent* subsidy on the cost of materials required for the purpose. Against the physical target of 15,000 hectares and financial target of Rs. 29.13 lakhs for the three years (1982-83 to 1984-85) the achievements were only 3,830 hectares and Rs. 7.70 lakhs respectively. The Board stated (July 1984) that implementation of the Scheme was difficult and time-consuming as far as traditional rubber growers were concerned and tangible results could be expected only after sustained efforts. The achievement during 1985-86 was only 1316 hectares against the reduced target of 1750 hectares. A total expenditure of Rs. 7.54 lakhs was incurred on the scheme during 1985-86 without obtaining the sanction of Government. The scheme envisaged payment of subsidy for purchase of rain guarding materials by small growers through the primary co-operative societies. The subsidy was paid to the Kerala State Co-operative Rubber Marketing Federation Ltd. on the basis of the invoices for sale collected by it from the Societies. While the Board fixed the quantum of subsidy at 50 *per cent* of the cost of rain guarding materials with reference to the local market prices, the societies charged exorbitant rates with the result that the amount of subsidy worked out as low as 30 *per cent* of the actual cost.

(ii) The Board approved (May 1983) a scheme for providing subsidy to meet 50 *per cent* of the cost of sprayers in order to popularise the use of low volume power operated sprayers amongst small rubber growers through Rubber Marketing Co-operative Societies for the control of abnormal leaf fall disease of rubber. The scheme was implemented during the year 1983-84 to 1985-86, subsidising the purchase of 115 sprayers.

The spraying done during the three years covered only 7589 hectares out of an area of 35670 hectares that could be sprayed. The achievement (21 *per cent*) is not commensurate with the expenditure of Rs. 4.86 lakhs by way of subsidy. In fixing the target for spraying for each year the capacity utilisation of sprayers already purchased should have been taken into account. This was however not done resulting in shortfall in achieving the target. According to the Board the short-fall in spraying had resulted in an estimated crop loss of Rs. 12 crores during the year 1983 alone. The protective measures taken to control the disease were thus quite inadequate. The Board stated (November 1986) that they had proposals to intensify efforts for distribution of more low volume power operated sprayers to improve the available facility for control of abnormal leaf fall disease of rubber. The target fixed for the year 1986-87 was to subsidise purchase of 100 sprayers. The Board stated (July 1987) that 25 applications from societies and 25 applications from individuals were received and subsidy granted.

1.8.4 The production of natural rubber in the country at the commencement of the Sixth Five Year Plan was 1,48,470 tonnes. It was anticipated that by the end of the Plan period the production would be 2,00,000 tonnes marking an increase of 51,530 tonnes over a period of five years. However, the actual production at the end of the Sixth Plan was 1,86,450 tonnes which was only 74 *per cent* of the anticipated increase in production. The shortfall occurred mainly during the first two years of the Plan period and was attributed to adverse climatic conditions.

1.9 *Delays in completion*

1.9.1 Production of a film on rubber to educate rubber growers in modern scientific methods of planting, tapping, etc. was entrusted to the Kerala State Film Development Corporation Ltd., (March 1980) at an estimated cost of Rs. 4.85 lakhs (Rs. 3.85 lakhs towards cost of production and Rs. 1 lakh towards cost of prints in five other languages). The agreement executed in September 1980 contemplated initial payment of 50 *per cent* of the cost of production as advance for taking up the work, a further advance of 25 *per cent* of the cost after preview of the rough cut and payment of the balance 25 *per cent* after delivery of the film. However, even before the agreement was executed, an advance of Rs. 2.43 lakhs (50 *per cent* of the total cost including the cost of additional prints) was paid to the Corporation in March 1980 and another advance of Rs. 0.50 lakh was paid in July 1983. The following points were noticed.

(i) No time limit was specified in the agreement for completing the work. The work has not been completed so far (July 1987). The Board stated (July 1987) that the production of the film would be completed by the end of the financial year. It was seen that after payment of the amount of Rs. 0.50 lakh in July 1983, no action had been taken by the Board in this matter.

(ii) The amount of advance paid was in excess of the amount payable as per the agreement by Rupees One lakh. The Board stated that the excess payment was done unwittingly.

(iii) To co-ordinate the work connected with the production of the film, a special officer in the scale of Rs. 700—1300 was employed by the Board at Trivandrum from 1st August 1980 to 15th September 1983 incurring expenditure of Rs. 0.68 lakh.

1.9.2 Contract for construction of a silver jubilee memorial block at the Rubber Research Institute was awarded to a firm in February 1982 for Rs. 18.65 lakhs (38 *per cent* above the estimated cost) with a stipulation for completion by January 1983. Mobilisation advance of Rs. 3.52 lakhs at 10 *per cent* interest was paid to the firm in May 1982, on execution of a bank guarantee, to be recovered at the rate of 25 *per cent* of the net amount out of each running account bill of the contractor. Though extension of time was granted upto April 1984, the contractor abandoned the work on 31st October 1983 when only about 53 *per cent* of the work had been executed. The period of validity of the bank guarantee expired on 14th January 1984 when Rs. 2.20 lakhs out of the mobilisation advance plus interest were pending for recovery. The value of the work executed by the contractor till then was Rs. 9.65 lakhs out of which only Rs. 0.09 lakh was remaining to be paid to him. The Board stated (March 1985) that the contract was terminated and action was being taken to complete the balance work by retender at the risk and cost of the original contactor and that legal action was in progress to recover the amonut of loss from him. The matter is under arbitration (July 1987).

In the meantime, permission of the Court has been obtained by the Board to resume the work of the building and the balance work has been entrusted to the Central Public Works Department (CPWD) on the basis of an estimate for Rs. 26.52 lakhs prepared by them. A sum of Rs. 23 lakhs has also been paid to the CPWD as deposit for the work. The work has been awarded to a contractor by the CPWD in April 1987 for Rs. 22.72 lakhs.

1.10 *Working of Nurseries.*—The Board is maintaining a central nursery and ten regional nurseries for the supply of high yielding planting materials. The rates for the sale of planting materials are fixed every year on a no-profit-no-loss basis.

The Board earned marginal profits during the years 1981-82 to 1983-84 but sustained a loss of Rs. 4.91 lakhs during 1984-85 planting season. However during 1985-86 there was a profit of Rs. 6.26 lakhs and the figures for 1986-87 were yet to be prepared (November 1987). The loss was mainly due to (i) low pricing of planting materials raised by the Board, (ii) low production of planting materials and (iii) uneconomic maintenance of certain nurseries.

1.11 *Unprofitable schemes/operations.*—The Pilot Crumb Factory at Puthupally was established in 1976 for undertaking research on processing Indian Standard natural rubber. The project anticipated annual profit of Rs. 1.26 lakhs. The capital expenditure upto March 1987 amounted to Rs. 18.22 lakhs.

The factory has made a marginal profit of Rs. 0.45 lakh during 1985-86, but sustained a loss of Rs. 0.03 lakh during 1986-87. The accumulated loss as on 31st March 1987 was Rs. 4.08 lakhs.

1.12 *World Bank aided scheme.*—Under the Development Credit Agreement executed in 1977 between the Government of India and the International Development Association, a scheme was launched for construction of nine crumb rubber processing factories, expansion of the Palai Crumb Rubber Factory, provision of facility for quality control and marketing, construction of six godowns, setting up of a central testing laboratory, etc. The scheme was to be completed by 1985. A total expenditure of Rs. 568.50 lakhs was incurred upto March 1987 on completion of the scheme, against the financial outlay of Rs. 450.75 lakhs.

The nine crumb rubber factories envisaged under the scheme were to be set up in three phases-two in the first phase, three in the second phase and the remaining four in the last phase. The two factories under the first phase scheduled to be commissioned in December 1978 and June 1979 were actually commissioned only in December 1983. Of the three factories under the second phase scheduled to be commissioned in December 1980 and the four factories under the third phase scheduled to be commissioned in March 1982, proposed for was dropped in March 1984 after incurrig an expenditure of Rs. 1.56 lakhs on land acquisition. Construction of the remaining three factories were completed during January-March 1987.

The expension of the Palai Crumb Factory scheduled to be completed in December 1978 was actually completed in February 1983. Delay of over one year in approval by the Government of India for appointing technical consultant, delays in getting approval from electrical inspectorate, import of machinery, shortage of cement, etc. were the reasons attributed by the Board.

The Project also envisaged construction of six godowns in six places including Cochin by 1979-80 at a cost of Rs. 56.32 lakhs but it was deferred and a revised proposal for construction of three godowns was sent to the Government of Kerala and NABARD in February 1985. It was decided (October 1985) to drop the proposal as there was not enough time to complete it within the period of the project. An amount of Rs. 4.03 lakhs was spent in 1979 for purchase of land for the godown at Cochin.

The building for central testing laboratory at Puthupally (Kottayam) was completed only in May 1985. Equipment purchased in 1978 and 1979 for the laboratory at a cost of Rs. 0.95 lakh was installed only in 1986.

1.13 *Research cum Development Station.*—The Rubber Research-cum-Development Station in South Andamans, intended to be a pilot project for development of rubber plantation in Andaman and Nicobar Islands, was transferred by the Ministry of Supply and Rehabilitation to the control of the Board in 1975.

According to the project report prepared for the scheme 'A nucleous Rubber Estate and Training Centre in Andaman and Nicobar Islands' the average yield of rubber should be 1200 kgs. per hectare. The average yield per hectare obtained in the tapped area during 1977-78 to 1985-86 ranged only between 455 kgs. and 772 kgs. The shortfall in achievement was attributed to remoteness of the area, inferior infrastructural facilities, difficult living conditions in the island, reluctance on the part of the officers/staff from the main land to work in the plantation, etc. The value of the estimated shortfall (683 tonnes) in production during the period 1977-78 to 1985-86 amounted to Rs. 102.15 lakhs. The figures for 1986-87 were not ready (November 1987).

1.14 *Delay in constructio nof Head office building.*—Government had deferred till the end of Seventh Plan period the construction of Head Office building in the land acquired for the purpose in September 1983, at a cost of Rs. 13.51 lakhs. Meanwhile the Board had to pay an additional compensation of Rs. 2.92 lakhs consequent on the amendment of the Land Acquisition Act. A further amount of Rs. 15.21 lakhs had also been deposited in the court during January-February 1987 as directed by the High Court towards decretal amount in two land acquisition appeal cases pending final disposal. The delay in constructing the building has thus resulted in blocking up of funds to the tune of Rs. 31.64 lakhs and also in payment of annual rent of Rs. 3.60 lakhs for the hired building where the head office is housed presently.

The Board stated (March 1987) that the matter of construction of Head Office building has been taken up afresh with the Ministry and orders were awaited.

1.15 *Labour Welfare Scheme.*—Under a capital grant scheme started in 1956 for constructing wards in hospitals with a view to providing facilities such as rent free accommodation, treatment at concessional rates, etc. to rubber plantation workers, the Board paid grants amounting to Rs. 12.51 lakhs to 24 private institutions upto February 1982. The grantee institutions were to furnish to the Board audited statements, utilisation certificates, details of permanent and semi-permanent assets acquired wholly or mainly out of the grant, half yearly progress reports and annual statements regarding fulfilment of the terms & conditions. A review conducted in 1981 by the Board revealed instances of non-observance of the terms and conditions by the grantee institutions. Though the Labour Welfare Committee of the Board held the view in January 1982 that the scheme was not beneficial to plantation labourers, the Board continued the scheme and paid Rs. 1.90 lakhs in March 1982 to four more institutions, in respect of which also utilisation certificates ,audited statements, statement of assets, etc. were not received (November 1986). In May 1982, the Board suspended the scheme, pending a detailed study of the benefits of the scheme to the rubber plantation workers. The study had not been conducted so far (November 1986). The Board stated (March 1987), that they had no comments to offer.

1.16 *Obsolete stock.*—Yield stimulants (ethrub and diluent) costing Rs. 2.27 lakhs were purchased in January 1981 for distribution among rubber growers at subsidised cost under a scheme for popularising the use of yield stimulants to maximise production. Out of this, stimulants costing Rs. 1.41 lakhs remained undistributed even after six years (November 1986), the normal shelf life of the bulk of the quantity had expired by January 1983. The Board stated (March 1987) that the cost of Rs. 1.41 lakhs would have to be written off under Government orders and that action was being taken in this regard to fix responsibility.

1.17 *Creation/Upgradation of posts without sanction*

(i) According to Rule 19 of the Rubber Rules, posts carrying maximum monthly pay exceeding Rs. 1,300 per month can be created by the Board only with the previous approval of the Central Government. The Board, however, created during 1985-86 six posts (2 Technical and 4 non-technical) carrying maximum pay exceeding Rs. 1,300 per month and also filled them in anticipation of amendment to Rule 19 of the Rubber Rules. Sanction/approval of the Central Government for the creation of these posts was yet to be obtained (August 1987).

(ii) While the Government of India was yet to approve a proposal submitted by the Board in September 1983 for setting up a Division of Agricultural Economics and Farm Management in Rubber Research Institute, the Board created (December 1985) a post of Deputy Director (Pay Scale : 1300—1600) which was one of the posts meant for the new division by upgrading an existing post of Economist (Pay Scale: Rs. 700—1300). The Board stated (August 1987) that sanction of Government would be obtained and communicated.

The matter was reported to Ministry in September 1986; a reply has not been received (November 1987).

2. Marine Products Exports Development Authority, Cochin

2.1 *Introduction.*—Marine Products Export Development Authority, Cochin (hereinafter referred to as the Authority) was established under the Marine Products Export Development Authority Act, 1972 (hereinafter referred to as the Act) to promote the development of the marine products industry. With a view to increasing export of marine products, the Authority has been implementing various developmental schemes, mainly for prawn farming, construction of fish landing platforms, supply of insulated fish boxes, provision of frozen and dried fish storages, refrigerated trucks, and setting up of laboratories, besides payment of subsidy for construction/improvement of peeling sheds installation of generator sets by processing units, upgradation of freezing units, etc. Besides, various schemes of market and products development and propaganda and publicity measures are also undertaken by the Authority.

2.2 *Scope of Audit.*—The audit of accounts of the Authority is being conducted by the Comptroller and Auditor General of India under Section 19(2) of the Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act, 1971. A review of the working of the Authority was conducted by Audit during February—April 1986. The findings, updated upto 31st March, 1987, are given in the succeeding paragraphs.

2.3 *Organisational set up.*—The Authority comprises of a Chairman, appointed by the Central Government, a Director of Marine Products Export Development ex-officio, and 28 nominated members (20 nominated by the Central Government, 2 by Lok Sabha, one by Rajya Sabha and 5 representing the Ministries of Central Government dealing with Agriculture, Finance, Foreign Trade, Industry and Shipping and Transport). The Authority with its head office at Ernakulam (Kerala) has four regional offices at Bombay, Calcutta, Cochin and Madras (with 7 sub-regional offices) an Inplant Inspection Laboratory, three Prawn Farming Regional Centres at Bhubaneshwar, Cochin and Machilipatnam (with 2 sub regional offices) and a Prawn Farm Project Complex at Vallarpadam (Cochin). The Authority has also established Trade Promotion Offices in New Delhi (January 1977), Tokyo (November 1978) and New York (July 1983), the first one for maintaining liaison with the Ministries concerned and the other two (overseas offices) for collecting market intelligence and attending to trade disputes, quality problems, etc.

2.4 *Highlights*

— **The direction of the Government of India to increase the cess on marine products was not complied with though the collections of cess at the present rate were inadequate to meet the requirements.**

— **The exports of marine products registered an increase of 13 per cent only during 1980-81 to 1986-87.**

— **Against the target of 20,000 hectares fixed for survey for scientific prawn farming, the achievement was 13,197 hectares (66 per cent), against a target of 10,000 hectares to be brought under culture, the achievement was 1860 hectares (19 per cent) and against a target of 5000 tonnes for production of prawn the achievement was 1358 tonnes (27 per cent).**

— **A scheme for assistance for construction of fish landing plantforms was abandoned after evaluation of the implementation of the scheme and consequently no arrangement was evolved to verify the proper utilisation of 49 platforms for which an assistance of Rs. 23.91 lakhs was given.**

— **A 500 tonne frozen storage at Cochin remained inoperative since November 1984 and administrative expenses and contingencies amounting to Rs. 10.41 lakhs was incurred on the idling plant during the last 2 years.**

— **A 300 tonne frozen storage at Calcutta due to be completed by September 1979 has not been completed so far and an expenditure of Rs. 92.63 lakhs was incurred on the work against the original estimate of Rs. 31.54 lakhs and the last revised estimate (revised 4 times) of Rs. 75 lakhs. The estimated loss of revenue due to delay in commissioning amounted to Rs. 30.38 lakhs upto December 1986.**

— **A 'Dried Fish Storage at Tuticorin' constructed at a cost of Rs. 10.85 lakhs and completed in January 1984 was handede over to Tamilnadu Fisheries Corporation in December 1984 without finalising the terms and conditions of transfer. No revenue has accured to the Authority.**

— **A scheme for registration for upgradation of peeling sheds started in 1980-81 was discontinued at the end of 1984-85 after incurring an expenditure of Rs. 62.29 lakhs on 724 units (against the financial target of Rs. 25 lakhs) though 441 units remained to be upgraded.**

— **The scheme of extending subsidy for installation of generating sets was to be implemented from April 1984 but the Authority gave retrospective effect to the Scheme with effect from October 1980 without the specific sanction of Government of India resulting in payment of subsidy of Rs. 13.40 lakhs for the period from October 1980 to March 1984.**

— **Though an amount of Rs. 48.37 lakhs was spent on internal publicity and Rs. 252.73 lakhs on external publicity during the year 1980-81 to 1986-87, an evaluation of the effectiveness of the various measures of internal and external publicity in boosting the exports was not done.**

2.5 *Finance and Accounts*

2.5.1 Section 14 of the Act provides for levy of cess at a rate not exceeding 3 *per cent ad valorem* on all marine products exported from the country. The rate of cess had been fixed by the Central Government at 0.5 *per cent* with effect from July 1972. The receipts of cess fund and payment made therefrom to the Authority during the years 1980-81 to 1986-87 were as follows :

Year	Opening Balance	Collection of cess (Gross)	Payment to the Authority against cess proceeds	Closing Balance
			(Rupees in lakhs)	
1980-81	152.49	117.42	139.04	130.87
1981-82	130.87	143.00	187.50	86.37
1982-83	86.37	180.68	157.10	109.95
1983-84	109.95	186.51	186.40	110.06
1984-85	110.76	192.14	289.35	12.85
1985-86	12.85	199.00	327.65	(—)115.80
1986-87	(—)115.80	230.33	437.53	(—)323.00

The Ministry of Commerce directed (December 1984) the Authority to increase the cess on marine products as the collections at the present rate were inadequate to meet the requirements. But the Authority in its 42nd meeting held in June 1987 concluded that it was not the opportune time to revise the cess on marine products and resolved to request Government to defer consideration of increase in cess on marine products.

2.5.2 The Authority maintains the Marine Products Export Development Fund under Section 17 of the Act. The Fund is fed mainly by cess payment to be made over to the Authority by the Central Government, revenue from registration fees levied and collected under the Act, hire charges of refrigerated trucks and 500 tonne frozen storage and miscellaneous receipts. The receipts of the Fund for the year from 1980-81 to 1986-87 were as follows :

Head of Income	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
						(Rupees in lakhs)	
Receipt from cess	139.04	187.50	157.10	186.40	289.35	327.65	437.53
Registration fees	0.63	0.40	0.41	0.33	0.34	0.40	0.38
Refrigerated struck hire charges etc.	2.10	3.25	5.62	2.12	3.61	2.55	2.14
Hire charges from 500 tonne frozen storage	—	—	—	2.98	4.09	—	—
Miscellaneous	1.05	1.76	1.81	1.08	1.55	2.07	3.63
Total :	142.82	192.91	164.94	192.91	298.94	332.67	443.68

2.5.3 Section 19(1) of the Act envisages preparation of annual statement of accounts including the Profit and Loss Account and Balance Sheet. As the Authority is a non-trading organisation, an Income and Expenditure Account only is being prepared instead of Profit and Loss Account as provided under the Act. Consequential amendment to Section 19(1) of the Act, has been proposed (August 1985) by the Authority to the Government of India. Further development are awaited (September 1987).

2.5.4 The expenditure during the years from 1980-81 to 1986-87 is given below :

Head of Expenditure	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
					(Rupees in lakhs)		
Administration and Contingencies	27.06	35.29	42.20	55.35	62.49	59.76	79.76
Publicity & Propaganda	29.79	31.61	35.46	34.96	48.81	58.63	65.34
Development	43.55	62.43	56.27	54.58	132.76	93.26	239.26
Market and Product development	1.05	2.80	6.52	4.17	9.42	5.28	11.25
Excess of Income over Expenditure	41.37	60.78	24.49	43.85	45.46	115.74	48.07
Total :	142.82	192.91	164.94	192.91	298.94	332.67	443.68

2.6 *Retention of heavy balances in current accounts.*—Under rule 30 of the Marine Products Export Development Authority Rules, the Authority is required to keep funds in its current account only to the extent required for its current expenditure. It was, however, noticed that the Authority was keeping large balances in its current account with the bank. During 1984-85, the minimum balance in a month ranged from Rs. 16 lakhs (March 1985) to Rs. 98 lakhs (December 1984). The Authority was keeping heavy balances in its current account with the State Bank of India during certain months of the year 1985-86 as indicated below :

	(Rupees in lakhs)
April 1985	18.17
June 1985	58.81
December 1985	43.08
February 1986	34.69
March 1986	47.49

During the year 1986-87 there was an average cash balance of Rs. 40 lakhs during the period from March 1986 to September 1986.

2.7 Exports of marine products had shown a steady increase from 1972-73 (38,903 tonnes) to 1979-80 (86,401 tonnes). However, during the Sixth Plan period, the exports showed a fluctutating trend, with decreases during 1980-81, 1981-82, 1984-85 and 1985-86 as shown below :

Year	Exports (Quantity)	Increase(±) Decrease(—)	Percentage of increase(+) Decrease(—)
	(Tonnes)		
1980-81	75,571	(—)10.810	(—)12.51
1981-82	70,105	(—)5,486	(—)7.26
1982-83	78,175	(+)8,070	(+)11.51
1983-84	92,691	(+)14,516	(+)18.57
1984-85	85,187	(—)6,504	(—)7.02
1985-86	83,651	(—)2,536	(—)2.94
1986-87	85,343	(+)1,692	(+)2.02

It was stated by the Authority (August 1987) that production of seafoods depended on the catches and landings of fish, which, in turn, depended on various factors such as climatic conditions, number of fishing vessels pressed into operation for fishing purposes, etc. The exports fully depended upon the fish landings which are looked after by the Ministry of Agriculture in association with respective State Governments.

2.8 *Administration*

2.8.1 *Construction of an Administrative building for the Authority.*—For construction of an administrative building for the Authority an extent of 50 cents of land at a Panampilly Nagar was purchased from the Greater Cochin Development Authority at a cost of Rs. 7.51 lakhs. The land was taken possession of in November 1982 but the construction of the building is yet to be started (August 1987). Meanwhile, out of the to be started (August 1987). Meanwhile, out of the provisions made in the budget for 1984-85 Rs. 23.58 lakhs were deposited with the Central Public Works Department on 30th March 1985 apparently to avoid lapse of budget grant. The Authority had been paying rent for hired building for the administrative office—Rs. 3.76 lakhs in 1983-84, Rs. 2.84 lakhs in 1984-85, Rs. 4.27 lakhs in 1985-86 and Rs. 4.05 lakhs in 1986-87.

While such works were to be executed through the agency of the CPWD under the provisions of the Financial Rules, the Authority decided in July 1982 to entrust the preparation of design and estimate to a local firm of architects. They were paid Rs. 1.48 lakhs, besides Rs. 0.24 lakh to another firm of their choice for soil testing done before preparation of designs. As per the Ministry's orders of November 1983, the construction work of the building was to be got done by the CPWD. Accordingly, a preliminary estimate for Rs. 2.55 crores (plus departmental charges Rs. 25.74 lakhs) based on the designs made by the local firm was got prepared (March 1985) by the CPWD and sent to the Ministry for approval in March 1985. This was not approved by the Ministry who advised to reduce the cost of construction and a revised estimate for Rs. 1.97 crores (including departmental charges) sent to the Ministry in December 1985 was approved (July 1986).

The extent to which total expenditure of Rs. 1.72 lakhs incurred by the Authority on payment to the local firm of architects and for soil testing works was useful could not be ascertained.

2.9 *Development Schemes*

2.9.1 *Prawn farming.*—During Sixth Five Year Plan period, expenditure totalling Rs. 95.73 lakhs was incurred by the Authority on 'Prawn farming'. The expenditure covered the Headquarters and Regional Centres of Prawn Farming and the establishment of a Prawn Farm Project Complex and Hatchery at Vallarpadom (Cochin).

(a) *Headquarters and Regional Centres.*—For promotion of brackish water prawn farming in the maritime State through extension activities with the objective of augmenting production of prawn for export, the Authority set up three Regional Centres (One at Cochin in January 1979, the second at Bhubaneswar in December 1979 and a third at Machillipatnam in (January 1982) and two Sub-Reigonal Centres (Kumta in February 1982 and Canning—now Barasat—in April 1982).

According to the Authority, a total area of 19,506 hectares was surveyed and identified as suitable for prawn farming by all the centres, 1829 farmers were registered and given technical guidance on scientific prawn farming, 109 feasibility reports prepared and 1693 farmers were trained in prawn farming. The details relating to the period 1978-79 to 1984-85 sent to the Government of India in July 1985, however, indicated that the annual targets fixed for survey (1000 hectares) area to be brought under culture (500 hectares) and production of prawns (250 tonnes) were not achieved, as may be seen from the following table :

	Target	Achievement
Area surveyed (Ha)	20,000	13,197
Area brought under Culture (Ha)	10,000	1,860
Production (Tonnes)	5,000	1,358

It was stated by the Authority (August 1987) that all the centres were trying their best to co-ordinate the various agencies involved in prawn farming schemes and that land allotment policy of the State Government had not been framed in many States and once this was done, it would be possible to achieve quick results by bringing more area under prawn farming. Also according to the Authority in many cases, the farmers do not disclose the exact quantity of prawns harvested by them.

(b) *Prawn Farm Project Complex and Hatchery at Vallarpadom—Land acquisition and construction of ponds.*—An area comprising 8.91 acres (6.41 acres dry land and 2.50 acres shallow water area) at Vallarpadom (Cochin) was acquired by the Authority in March 1981 at a cost of Rs. 2.82 lakhs for setting up a prawn farm project complex with a model prawn farm, nursery and hatchery to impart training for supervisory officers of the State Governments and private entreprenures engaged in prawn culture. The water area has been converted into 2 grow-out ponds and 5 nursery ponds by putting partition dykes and sluices to demonstrate the different practices in the management of nurseries and grow-out ponds. By August 1984, it came to notice that further stocking in the ponds was not possible as the stock used to escape alongwith high tide water over the bund. To prevent this, it was proposed to raise the height of the bunds. But the Authority could not commence the work on account of labour problems. As no stocking could be made since 1983-84 the purpose for which the expenditure was incurred could not be achieved. Authority stated (August 1987) that a proposal to strengthen the farm bunds by putting permanent structures was under preparation.

2.9.2 *Fish landing platforms.*—The authority has been rendering financial assistance to the maritime State Governments from the year 1977-78 onwards for construction of fish landing platforms meant for hygienic handling of marine products landed. Such assistance was paid in advance on receipt of plan and estimates from the State Governments, which were to be in confirmity with standard designs prescribed by the Authority and the platforms were to be completed by the State Governments within a period of 6 months from the payment of assistance. Upto end of 1980-81 Rs. 18.05 lakhs were paid for the construction of 41 platforms but only 13 platforms (Assistance Rs. 5.35 lakhs) were completed and commissioned in various States by July 1981. A review by the Authority of the usefulness of the schemes with particular reference to the utilisation of the platforms already completed, conducted during January—March 1981, revealed that the purpose for which the platforms were constructed had not been fulfilled and that the facilities were either not put to use for the intended purpose or were not adequate. It was a also seen that 7 out of 13 platforms constructed were found defective/inadequate. The evaluation pointed to the desirability of modifying the scheme for all round development of landing centres instead of providing landing platforms alone. Accordingly a scheme for integrated development of fish landing centres was prepared by the Authority in March 1982 and got approved by the Ministry in March 1983.

The Authority decided in September 1983 that they need not take up such schemes as the Ministry of Agriculture had already got a scheme for funding such developmental programmes. However, follow up action in respect of platforms which were under different stages of construction was continued. Their present position (March 1987) as reported by the Authority is as follows :—

(1) Number of platforms for which assistance was given	49
(2) Total amount paid to State Governments	Rs. 23.91 lakhs
(3) Number of platforms already completed	41
(4) Number of platforms under completion	8

In one case (Mota Salaya in Gujarat) the platform for which assistance of Rs. 0.36 lakh was paid by the Authority collapsed and in three other cases, as shown below, the amount paid by the Authority was to be got refunded by the State Governments.

	(Rupees in lakhs)
(i) Varsova (Maharashtra)	0.57
(ii) Suraj Bain (Gujarat)	0.45
(iii) Gokhurkuda (Orissa)	0.52
Total :	1.54

The Authority stated (August 1987) that they do not intend to evolve any arrangement to verify the proper utilisation of the platforms already completed with their assistance as the scheme has been abandoned.

Construction of frozen storages

(a) 500 *tonnes frozen storage at Cochin.*—Mention was made in paragraph 2(a) of the Report of the Comptroller and Auditor General of India for 1984-85 Union Government (Civil) Volume III about the construction of Frozen Storage at Cochin. The plant was closed in November 1984 for civil rectification works and remained inoperative throughout 1985-86 and 1986-87 and earned no revenues. The expenditure incurred on the plant, by way of administrative expenses and contingencies, was Rs. 5.35 lakhs during 1985-86 and Rs. 5.06 lakhs during 1986-87. Though it was stated by the Authority (July 1986) that the staff of the plant was deployed on other duties as far as possible, the administrative expenses and contingencies showed only a marginal decrease (0.05 *per cent*). The Authority recommended (April 1986) the handing over of the plant to an outside agency of the industry subject to the approval of the Government of India. Further developments are awaited (August 1987).

(b) 300 *tonnes frozen storage at Calcutta.*—The construction of the frozen storage at Calcutta was sanctioned by the Government of India in August

1977 at an estimated cost of Rs. 31.54 lakhs and revenue of Rs. 4.05 lakhs (annual turn over Rs. 7.09 lakhs less operational cost Rs. 3.04 lakhs). The agreement executed with National Dairy Development Board (NDDB) in September 1977 provided for payment of a service fee to it at the rate of 7.5 *per cent* of the overall cost of the project based on audited accounts to be furnished by it.

According to the detailed project report prepared by the Board the estimate was revised to Rs. 55.70 lakhs in 1979, Rs. 61.80 lakhs in 1981, Rs. 68 lakhs in March 1983 and Rs. 75 lakhs in January 1985 mainly due to increase in the cost of construction materials, labour and transportation, alterations in designs to suit site conditions, addition of certain items which were not envisaged in the project report, etc. Expenditure on the project to end of March 1987 amounted to Rs. 92.63 lakhs, including Rs. 73.93 lakhs as advance payments made to NDDB. The work which was due for completion by September 1979 remained incomplete (August 1987). Though the work on refrigeration plant was completed in February, 1986 many defects were noticed on a trial run and rectification works were in progress (August 1987).

The loss of revenue due to delay in completing and commissioning the storage computed at the estimated net revenue of Rs. 4.05 lakhs per annum amounted to Rs. 30.38 lakhs upto December 1986. The Ministry approved in December 1986 transfer of the storage to the National Dairy Corporation/NDDB at a cost of Rs. 90.53 lakhs. The transfer has not been effected and further developments were awaited (July 1987).

Dried fish storage at Tuticorin.—With the object of developing infrastructure for export of dried fish, the Authority prepared in July 1976 a feasibility report for setting up a Dried Fish Storage at Tuticorin (Tamil Nadu) at a cost of Rs. 6.12 lakhs. The storage was proposed to be run by the Authority and an annual turnover of Rs. 1.31 lakhs, was expected from it. The scheme was approved by the Ministry in August 1987.

Tuticorin Port Trust declined to spare the land on lease for construction of the storage. The Government of Tamil Nadu agreed (March—April 1979) to make available 1.65 acres of land free of cost for setting up the storage subject to the condition that the storage would be handed over to Tamil Nadu Fisheries Development Corporation Ltd., for management which was agreed to by the Authority in May 1979.

The work of construction of the storage was completed by January 1984. Expenditure to end of March 1985 amounted to Rs. 10.85 lakhs. The storage was handed over to Tamil Nadu Fisheries Corporation Ltd. in December 1984.

The storage on which Rs. 10.85 lakhs have been spent by the Authority stands on land not belonging to it and the Government of Tamil Nadu is reported to be not agreeable to transfer the title of the land to the Authority. No revenue had accrued to the Authority even after the transfer as the terms and conditions of the transfer still remain to be finalised (August 1987).

It was stated by the Authority (August 1987) that a proposal to hand over the storage to Tamil Nadu Fisheries Development Corporation Limited was under correspondence.

Scheme for subsidising the cost of construction/improvement of peeling sheds.—One of the measures adopted by the Authority in the Sixth Five Year Plan period for tightening quality control at different stages of pre-processing and processing of marine products was the compulsory registration of all peeling sheds and enforcement of certain minimum hygienic standards. Under a scheme approved by the Ministry in August 1980 for implementation during the Sixth Plan period at a cost of Rs. 25 lakhs, subsidy up to 20 *per cent* of the cost of construction/improvement subject to a maximum of Rs. 10,000 per shed was payable to units attaining the minimum standards and registered under the Act. By December 1982, there were 1,172 applicants for subsidy, out of whom 1,165 (peeling shed owners) were given provisional registeration for upgradation of their sheds. The actual number of sheds registered and expenditure incurred was as follows :

Year	Financial Target	Actual Expenditure	No. of Units registered
	(Rupees in lakhs)		
1980-81	7.50	3.72	51
1981-82	12.50	17.89*	158
1982-83	2.50	7.89	109
1983-84	1.50	6.81	103
1984-85	1.00	25.98	303
Total :	25.00	62.29	724

*Includes Rs. 6.20 lakhs paid for setting up 3 community peeling centres.

While 441 units out of 1,165 units which were given provisional registration remained to be upgraded, the Authority decided to discontinue the scheme of payment of subsidy after 31st March 1985.

To an Audit enquiry as to how the hygienic standards prescribed by the Authority could be kept up in the event of the sheds remaining without upgradation, it was stated by the Authority in April 1986, that the scheme had been in operation for more than 5 years to enable all those actively in business to avail of the benefit and upgrade themselves for registration and there was no point in keeping this assistance available for indefinite period. The Authority could not ensure that raw material from registered peeling sheds only are brought by the processors. It was stated in September 1987 that a system of monitoring the source of supply of raw materials through introduction of delivery slips was being experimented.

Subsidy for installation of generating sets.—A scheme for extending subsidy to sea food processing units, registered with the Authority, for installation of diesel generating sets was approved by the Ministry in April 1984. According to the scheme, only one generating set per unit was to be subsidised by the Authority and the amount of subsidy will not exceed 15 *per cent* of the cost of the generating set or Rs. 40,000 whichever is less. A sum of Rs. 18.09 lakhs was paid as subsidy during 1984-85, Rs. 4.46 lakhs during 1985-86 and Rs. 1.35 lakhs during 1986-87.

No mention was made in the order of the Ministry for implementation of the scheme with retrospective effect. However, the Authority wrote to the Ministry in September 1984 that the scheme was announced to the industry as applicable to all cases of installation of generating sets on or after 8th October 1980. Although there was no further communication from the Ministry, subsidy of Rs. 13.40 lakhs was paid with retrospective effect in 42 cases.

The Committee constituted for scrutiny of subsidy applications decided in its first meeting held on 6th December 1984 that in cases where a unit has installed more than one generating set and the total capacity of the generating sets is well within the captive power requirement of the unit, subsidy can be worked out on the basis of the total cost of the generating sets. This was in contravention of the orders issued by the Ministry and their approval for the deviation has not been obtained.

2.10 *Publicity and Propaganda.*—The authority has been incurring expenditure on various measures for publicity, both internal and external. The expenditures incurred during 1980-81 to 1986-87 was as follows :

Year	Expenditure	
	Internal	External
	(Rupees in lahhs)	
1980-81	5.73	22.91
1981-82	6.72	23.65
1982-83	6.43	27.89
1983-84	5.93	29.04
1984-85	6.45	42.37
1985-86	8.11	50.52
1986-87	9.00	56.35
Total :	48.37	252.73

Part of the expenditure has been incurred on advertisement and publications, exhibitions and trade fairs. Besides, expenditure has been incurred on Trade Promotion Offices in New Delhi, Tokyo and New York and on sending sales team and delegations to foreign countries and on invitation of overseas technical experts/importers. To an Audit enquiry as to whether any evaluation has been made of the effectiveness of these measures in boosting the exports, the Authority stated that while it may be difficult to quantity in specific terms as to how far the publicity programmes had helped in boosting the exports, they had generally helped in sustaining the interest for Indian marine products in the traditional markets and generating interest for new products and in new markets.

The matter was reported to Ministry of Commerce in August 1986; a reply has not been received (December 1987).

CHAPTER III

Ministry of Surface Transport

(Ports Wing)

3. New Mangalore Port Trust

3.1 *Introduction.*—The construction of the New Mangalore Port was taken up by the Government of India as a Central Project (Mangalore Harbour Project) in 1962. It was commissioned in 1974 and now it is a 9.15 M. draught all-weather port with the facility of bringing bulk carriers of 60,000 DWT to the mechanised Iron Ore berth of 12.5 M. draught for the export of Iron Ore concentrates of Kudremukh Iron Ore Co. Ltd. New Mangalore Port Trust is the 10th Major Port Trust in the country.

3.2 *Accounts and Audit.*—The Port Trust maintains its accounts and prepares the annual statement of accounts, including balance sheet, in the form prescribed by the Government in consultation with the Comptroller and Auditor General of India. The accounts are audited by the Comptroller and Auditor General of India.

3.3 *Organisational set up.*—With effect from 1st April 1980 administration of the Port was entrusted to the Port Trust constituted under the Major Port Trust Act, 1963. The administration is vested in a Board of Trustees consisting of a Chairman, Deputy Chairman and not more than 17 persons appointed by the Central Government.

3.4 *Highlights*

— **The return on the capital employed ranged between 0.60 and 6.92 per cent during the last 7 years ending 1986-87 as against the rates of return of 9 to 12 per cent recommended by the Commission on Major Ports.**

— **The traffic carried by the Port Railways ranged between 0.66 and 1.87 lakh tonnes during the last 3 years ending 1986-87 against the capacity of 6.14 lakh tonnes per annum resulting in under utilisation of capacity and loss of revenue.**

— **The utilisation of iron ore berth and oil jetty varied from 7 to 52 and from 31 to 65 per cent respectively during the last 7 years ending 1986-87. Cargo handling equipments were utilised to the extent of 1.29 to 13.12 per cent during the last 3 years ending 1986-87 due to lack of demand.**

— **There was a loss of revenue of Rs. 41.60 lakhs due to incorrect application of wharfage charges for heavy lifts during February 1983 to December 1984.**

— **Rent of warehouses and transit sheds to the extent of Rs. 19.70 lakhs remained unrecovered.**

— **Delay in acceptance of tender for constructing cat walk for connecting the two mooring dolphins of the oil jetty resulted in extra expenditure of Rs. 1.29 lakhs.**

— **Extra expenditure of Rs. 8.87 lakhs was incurred due to entrustment in piecemeal of bridging all the five gaps in the ore berth to a contractor.**

— **Injudicious purchase of cement, steel and bitumen resulted in blocking of funds amounting to Rs. 73.71 lakhs in March 1987 and a loss of Rs. 6.75 lakhs in ultimate disposal of bitumen. Disposal of surplus uniform cloth entailed a loss of Rs. 1.48 lakhs in October 1986. Irregular payment of Rs. 1.56 lakhs was made for purchase of paints in April 1982 without having a valid proof of despatch and the amount had not been recovered from the firm (October 1987).**

— **Unnecessary retention of a barge since March 1981 and its disposal after 5 years resulted in a loss of Rs. 3.96 lakhs.**

— **In August 1985, the Port Trust appointed a technical consultancy team to examine and suggest measures to make the workshop at the port viable. The report has not yet been received (June 1987).**

3.5 *Capital and Revenue Accounts*

3.5.1 A summary of the Capital and Revenue

Accounts of the Port Trust from 1980-81 to 1986-87 is given below :

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
				(Rupees in lakhs)			
A. Assets at the end of each year							
1. Capital assets at cost							
Gross block	4144.19	5048.80	7450.20	7502.52	7970.49	8993.15	9309.42
Less depreciation	187.47	137.52	222.24	291.95	373.48	473.62	568.87
Assets at Depreciated value	3956.72	4911.28	7227.96	7210.57	7597.01	8519.53	8740.55
2. Works-in-Progress	2924.52	2954.59	665.94	1158.11	1539.79	905.68	1157.98
3. Investments	18.00	28.00	278.99	62.28	72.04	84.54	107.57
4. Current Assets	373.49	750.38	815.66	1106.28	1353.74	1317.12	1380.71
Total Assets :	7272.73	8644.25	8988.55	9537.24	10562.58	10826.87	11386.81
B. Liabilities at the end of each year							
1. Capital Liabilities.							
(i) Capital reserve Government	6516.47	6516.47	6516.47	6516.47	6516.47	6516.47	6516.47
(ii) Other Sources	—	118.80	188.11	314.26	490.47	583.62	929.66
2. Current Liabilities	221.33	442.55	246.19	221.81	315.99	368.03	366.86
3. Borrowings : Loans from Government	499.00	1515.00	1972.00	2412.00	3149.00	3249.00	3464.05*
4. Revenue reserves, pension and provident Fund	35.93	51.43	65.78	72.70	90.38	109.75	109.77
Total Liabilities :	7272.73	8644.25	8988.55	9537.24	10562.58	10826.87	11386.81
C. Revenue and Expenditure							
1. Revenue Income	352.13	606.58	718.80	935.14	1201.01	1411.06	1915.36
2. Revenue Expenditure :							
(i) Cost of rendering Services	188.05	288.56	428.31	490.41	586.48	770.72	834.56
(ii) Management & General Administration	132.45	145.66	173.37	188.29	258.24	270.97	285.47
(iii) Finance & Miscellaneous Expenditure	21.95	48.97	43.05	129.04	178.57	275.24	470.87
Total :	342.45	483.19	644.73	807.74	1023.29	1316.93	1590.90
Surplus (+) Deficit(—)	(+)9.68	(+)123.39	(+)74.07	(+)127.40	(+)177.72	(+)94.13	(+)324.46

*includes Rs. 92.00 lakhs given by Bombay Port Trust.

3.5.2 *Valuation of Capital Assets.*—At the time of formation of the Port Trust no revaluation of assets was made by the Government of India and the book values of the assets exhibited in departmental records at their original cost of acquisition/construction without charging off depreciation were adopted as opening balance on 1st April 1980. The acceptable valuation of assets taken over from the Government of India as well as the terms and conditions governing the repayment of the capital (Rs. 65.16 crores) has not been determined by the Government of India under Section 31 of the Major Port Trusts Act, 1963, and as a result, the liability towards interest on capital has not been provided for in the accounts of the Port Trust so far. The Port Trust initiated action only in November 1985 to reconstruct its Capital Property Register after actually identifying the direct and indirect items of expenditure connected with particular assets created. However, this work had not been completed (February 1988). The Ministry stated in October 1987 that their final decision would be intimated after ascertaining the position obtaining in other similar Port Trusts.

3.5.3 *Surplus in Revenue Account.*—The accounts of the Port Trust exhibited revenue surplus during all the seven years from 1980-81 to 1986-87. The surplus was however overstated for the following reasons :

(i) Depreciation on the Kudremukh Scheme and 11 other completed works amounting to Rs. 22.04 lakhs and Rs. 67.12 lakhs was not charged in the accounts for 1980-81 and 1981-82 respectively. The Port Trust stated (January 1983) that depreciation was not provided as the Kudremukh Iron Ore Berth had not become "fully operational" although the berth had become operational from 1st August 1980 as intimated by the Port Trust to the Government of India.

(ii) Depreciation to the extent of Rs. 7.99 lakhs was not charged in the accounts for 1984-85 on certain works as those works were exhibited under "Works-in-progress" though completed. The Port Trust stated (August 1985) that the Engineers in charge had not certified that the works had been completed.

(iii) Depreciation to the extent of Rs. 28.84 lakhs and Rs. 44.17 lakhs were not charged in the accounts for 1982-83 and 1983-84 respectively on capital dredging. During 1983-84, an expenditure of Rs. 10.55 lakhs incurred on maintenance dredging was wrongly capitalised instead of being debited to Revenue accounts. The Port Trust stated (August 1984) that during 1982-83 and 1983-84 the dredging level was maintained at its original level by maintenance dredging, which was charged to the Revenue account and as such it was not necessary to provide for depreciation on "Capital dredging". However, Government of India clarified in December 1984 that such a provision had to be made. Consequently, during 1984-85, 1985-86 and 1986-87 provisions of Rs. 44.18 lakhs, Rs. 45.05 lakhs and Rs. 45.12 lakhs respectively were made for depreciation on "Capital dredging", but were withdrawn and utilised for "Manitenance dredging" by showing the amounts as deduction under expenditure on "Maintenance dredging". The Ministry clarified (October 1987) that the procedure adopted by the Port Trust was not in order and that they should provide for depreciation on "Capital dredging" and the amount thus provided should not be utilised for "Maintenance dredging" in future.

(iv) Government of India had granted (February 1983) moratorium up to 31st March 1984 for payment of interest on loans received for Kudremukh Scheme up to 31st March 1982. In December 1986, Government extended the period of moratorium for another two years upto 31st March 1986 covering the entire loan paid up to 31st March 1985, further stipulating that the arrears of interest amounting to Rs. 444.93 lakhs would be payable in five equal instalments commencing from 1986-87. Although, the first instalment of repayment of arrears of interest had been made during 1986-87 alongwith the regular payment of interest, provisions to the extent of Rs. 36.53 lakhs on account of arrears on accrual basis had not been made in the accounts.

(v) Interest accrued on the investment made out of specific reserve like "Depreciation Fund" and "Capital Replacement Reserve" were treated as revenue of the Port Trust instead of increasing the corpus of those earmarked funds/reserves, by transferring those investments to the cash and bank balance during 1983-84 contrary to the provisions contained in Section 90 of the Major Port Trust Act, 1963. The interest amounts treated as revenue during 1982-83 to 1986-87 were Rs. 4.63 lakhs, Rs. 34.59 lakhs, Rs. 42.76 lakhs, Rs. 41.37 lakhs and Rs. 26.45 lakhs respectively. The Ministry stated (October 1987) that the provision made towards reserve fund such as Depreciation, Renewal Reserve, etc., were only provisions and because of the need for meeting plan expenditure from these reserves from time to time they could not be funded. However, in this case, the Port Trust had invested an amount of Rs. 237.74 lakhs out of the balances lying under "Depreciation Fund" and "Capital Replacement Reserve" during 1982-83 and therefore the interest accrued thereon should not have been treated as revenue.

(vi) A sum of Rs. 5 lakhs was added erroneously to the accrued income on rentals resulting in overstatement of income to that extent during 1986-87. The Port Trust agreed (August 1987) to carry out the adjustment during 1987-88.

3.6 *Return on Capital Employed.*—According to recommendations of the Commission on Major Ports, Mangalore Port should obtain a return of not less than 6 *per cent* within 5 years from the commissioning of the Port, not less than 9 *per cent* within the next 3 years and not less than 12 *per cent* another two years, on the capital employed. The Port was commissioned on 4th May 1974.

These recommended rates of return on the capital employed were not achieved by the New Mangalore Port during the period 1980-81 to 1986-87 as shown below :

Year	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Capital employed (Rs. in lakhs)	4083.13	5182.87	7751.87	8045.07	8578.99	9406.16	9680.90
Gross Operating Surplus(—)	34.09	68.46	46.65	158.98	222.49	272.49	670.39
Rate of return prescribed	9%	9%	12%	12%	12%	12%	12%
Rate of return achieved	—	1.32%	0.60%	1.98%	2.59%	2.89%	6.92%

Note : Capital employed represents net fixed assets plus current asset less Provident Fund and other current liabilities.

The Port Trust stated (August 1986) that there was a steady increase in the return of capital employed and that the non-realisation of traffic potential of Kudremukh iron ore concentrates mainly contributed to the low return.

A cost analysis of the several services rendered by the Port Trust revealed that the revenue surplus achieved under operations like "Cargo handling and storage" and "estate management" had registered a steady increase especially in the last 3 years in view of the major revision of wharfage rates and of fees for use of landing places made with effect from 15th November 1984. However, "Port and Dock facilities" and "railway services" were consistently running in deficits as detailed below :

Year	Port and dock facilities (including pilotage)			Railway Services		
	Income	Expenditure	(—)Deficit (—)Surplus	Income	Expenditure	(—)Deficit (—)Surplus
			(Rupees in lakhs)			
1980-81	71.99	111.81	(—)39.82	0.26	0.68	(—)0.42
1981-82	112.29	193.69	(—)81.40	1.95	3.85	(—)1.90
1982-83	130.00	325.43	(—)195.43	1.43	4.00	(—)2.57
1983-84	172.15	376.72	(—)204.57	1.70	1.51	(+)0.19
1984-85	247.84	452.68	(—)204.84	2.89	2.91	(—)0.02
1985-86	350.26	594.16	(—)243.90	2.36	5.18	(—)2.82
1986-87	448.13	650.93	(—)202.80	3.84	7.73	(—)3.89

The main reasons for the deficits in "Port and dock facilities" in spite of the upward revision of rates for pilotage fees effective from November 1984 and for "Port Fees" from January 1985, were due to larger expenditure on maintenance dredging from 1982-83 onwards and on hiring of tugs for operation like berthing, unberthing and shifting of vessels in the absence of Port's own tugs.

The Port Railway lines were constructed at a cost of Rs. 71.66 lakhs with an annual traffic potential of 8.14 lakh tonnes, out of which the Port Trust was entitled to utilise upto 6.14 lakh tonnes, the remaining being allotted to Mangalore Chemicals and Fertilisers. As against the capacity of 6.14 tonnes per annum, the traffic carried by rail during the last three years from 1984-85 to 1986-87 was only 1.87, 1.03 and 0.66 lakh tonnes respectively. Consequently, the revenue realised did not cover the expenditure incurred by the Port Trust towards maintenance of the Railway line and cost of staff deputed by the Railways for operation of the Port Railways.

The Ministry agreed (October 1987) with the views of the Port Trust that all services in the Port might not yield proper return and cross subsidisation between remunerative and non-remunerative services was necessary.

3.7 *Cargo Traffic handled.*—The table given below shows the cargo traffic handled by the Port Trust through its five general cargo berths, one iron ore berth and one oil jetty.

Name of Berth	Total Capacity	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
					(Tonnes in lahhs)			
General cargo berths (One berth added in February 1984)	10	6.52	7.32	7.99	12.58	11.68	9.50	9.11
Kudremukh iron ore berth	75	—	5.47	11.22	12.31	17.27	22.60	38.73
Oil jetty	10	3.10	3.64	3.51	3.48	4.87	4.76	6.47
Total :	95	9.62	16.43	22.72	28.37	33.82	36.86	54.31

While the general cargo berths were utilised almost fully, the percentage of utilisation of the Iron Ore Berth and Oil Jetty, however, varied from 7 to 52 and from 31 to 65 respectively. The Ministry stated (October 1987) that the Kudremukh Iron Ore Co. Ltd., had been trying to find markets for the iron ore and that the capacity utilisation of the Oil Jetty would increase with the setting up of the proposed Oil Refinery in the joint sector.

3.8 *Utilisation of Cargo Handling Equipments.*—As on 1st April 1981, the Port Trust had a fleet of 8 wharf cranes, 6 mobile cranes, 5 fork lift trucks and 2 pay loaders. Two more fork lift trucks were added to the fleet in February 1986. The Port Trust disposed of two pay loaders in January 1987 on the ground that their model was outmoded.

During the three years 1984-85 to 1986-87 the extent of utilisation of these equipments varied between 1.29 *per cent* and 13.12 *per cent*. The under-utilisation was attributed by the Port Trust to lack of demand of these equipments by the shipping agents. The Ministry stated (October 1987) that all Port Trusts had been asked to conduct critical examination to find out the available, required and surplus equipment, which may be disposed of.

3.9 *Working of Floating Crafts.*—As on 1st April 1986, the Port Trust had 10 floating crafts. These were utilised only to the extent of 0.2 to 14.2 *per cent* during the last three years 1984-85 to 1986-87 and were stated to have been maintained for providing essential services, whenever required.

The Ministry clarified (October 1987) that all the crafts available were the absolute minimum required by the Port except the 5 ton tug, which was being considered for disposal

3.10 *Loss of revenue due to lower rates of wharfage charges for Heavy Lifts.*—For the use of Wharf, the Port Trust collected prior to 15th November 1984, wharfage from clearing agents at the rates notified by the Central Government effective from 15th March 1977 and amended from time to time. They indicated the rate for "Machines and machinery not otherwise rated and parts and accessories thereof" at Rs. 22.10 per tonne (Rs. 14.30 per cubic metre). However, they also included another item "Heavy Lifts", prescribing higher rates ranging from Rs. 26 to Rs. 52 per tonne/cubic metre, irrespective of the nature of the items but depending on the weight of each individual package, requiring heavy lifts. Besides, the Port's wharfage rules also specified that assessment of wharfage shall be made at the rate or unit more favourable to the Port. It was, however, seen that during the period February 1983 to December 1984 the Port did not apply the higher rates prescribed under "Heavy Lifts" in respect of several items resulting in short collection of Rs. 41.60 lakhs as detailed below :

Item	Period	No. of packages/ weight	Rate at which levied and collected	Extent of short collection (Rs. in lakhs)
Steel structures machinery and steel accessories	February 1983 to March 1984	2532/ 32358 cum.	Rs. 14.30 per cum.	6.60
Machinery with accessories	November 1984	181/13875 tonnes	Rs. 24 per tonne	—
Steel coils	December 1984	3946.75 tonnes	Rs. 22 per tonne	1.89
Granite stone	April 1983 to November 1984	3,70,718 tonnes	Rs. 17.20 per tonne upto 20th June 1984 & Rs. 18 per tonne thereafter.	33.11

Consequent upon revision of wharfage rates with effect from 15th November 1984 against the item "38-Granite blocks" the words "irrespective of the weight of the individual stones" were added at the end in brackets, resulting in exemption of this item granite blocks from the purview of "heavy lifts" after 15th November 1984.

The Ministry upheld the views of Audit (May 1986).

3.11 *Construction of Annexure Block to the Hospital Building.*—A proposal of the Port Trust for construction of an Annexure Block to the existing building of the Primary Health Centre was administratively approved by the Ministry in December 1982. Meanwhile, in July 1982, in anticipation of the Ministry's approval an estimate for a 20 bed hospital, as cleared by the Technical Advisory Committee in June 1982, was drawn up for Rs. 43.33 lakhs providing a plinth area of 1863 sq.m. and tenders were invited for civil portion of work estimated to cost Rs. 19.73 lakhs, fixing the last date for receipt of tenders as 17th August 1982. On 25th February 1983, the tender of a contractor, who had quoted 8.22 *per cent* above the estimated cost, was accepted and the contractor was informed about the charge of site for location of the building as well as its design with the adoption of grid flooring system instead of ordinary R.C.C. slab. Consequently in September 1983, the rates quoted by the contractor for the grid flooring were accepted and an agreement was executed by the contractor in October 1983 for Rs. 21.25 lakhs. Due to late receipt of the grid design of the building from the consulting engineer at Madras, the date of commencement of the work was reckoned as 22nd August 1983, the time allowed for completion being 15 months.

However, during December 1984, the Port Trust decided to effect a major change in the scope of the work by adding a commercial complex to the building. The area to be provided was increased from 1863 sq.m. to 4253 sq.m. at a total cost of Rs. 107.50 lakhs (civil work Rs. 85.56 lakhs) out of which 1836 sq.m. was earmarked for commercial complex leaving a balance of 2417 sq.m. for hospital purpose. Reasons for adding the commercial complex were that there were consistent demands for buildings premises from nationalised banks and other user agencies and that the Port Trust would derive regular income by letting out the commercial complex at the rate of Rs. 5 per Sq. ft. The work was got executed by the same contractor and, in addition, works of roads, compound walls and drains (costing Rs. 6 lakhs) and electric wiring (costing Rs. 2.75 lakhs) were also entrusted to him.

For the engagement of the services of a consulting engineer of Madras for the grid design of the building, sanction of the Ministry under section 26 of the Major Port Trust Act, 1963, had not been obtained (March 1987). The payment of his fees had been made at one *per cent* on the actual cost of construction. An amount of Rs. 0.79 lakh was paid to him till July 1986.

The change of site of the location of the building as well as design had resulted in considerable deviation from the original tender for the annexure block to hospital building and thereby constituted a separate work altogether. However, fresh tenders were not called for on the plea that fresh tenders might prove costlier. While proposing the change in design and scope of the building it was indicated that there would be an overall savings to the extent of 26 *per cent* on the cost of work. A comparison of estimated rates would reveal that the cost per sq.m. works out to Rs. 1058.30 in respect of conventional design as against Rs. 1830.36 per sq.m. to grid floor in respect of civil works other than roads, drains and compound walls. In actual execution cost of super structure including plinth beam works out to Rs. 615.03 to grid floor as against Rs. 349.12 per sq.m. for the departmental design. Eventually the expected reduction in cost of construction due to adoption of grid system in place of conventional concrete was not secured. Instead, the change proved costlier.

Due to increase in the scope of contracted work besides the civil works mentioned above, works of roads, compound walls, drains (costing Rs. 6 lakhs) and electric wiring (costing Rs. 2.75 lakhs) were also entrusted to the contractor. As a result extra payment to the extent of Rs. 4.78 lakhs was made to the contractor in respect of 15 items, (wherein quantities exceeded 20 *per cent* over those specified in the agreement) on the basis of Schedule of Rates (SR) for subsequent years and contractor's tender premium.

(i) While working out rates payable for supplementary items 10 *per cent* profit (instead of 2.5 *per cent* for profit and overhead) was allowed on the cost of steel supplied by the Port Trust, resulting in excess payment of Rs. 0.48 lakh.

(ii) Inclusion of royalty and 10 *per cent* profit thereon in the data rates for sand, gravel etc., resulted in an inadmissible payment of Rs. 0.07 lakh.

(iii) In the case of supplementary item alluminium partitions, the rate approved was Rs. 1218 per sq.m. as against the schedule of rates of Rs. 700 per sq.m. for 1985-86 (No SR for 1984-85 was available for this item), resulting in an excess payment of Rs. 2.96 lakhs.

(iv) Out of the plinth area of 1836 sq.m. earmarked for commercial complex, 1431 sq.m. was let out on rent in 1986-87 to three nationalised banks at Rs. 2.78 per sq.ft. as against Rs. 5 anticipated. Another 450 sq.m. area was proposed on 21st January 1987 to be let out to other commercial establishment, thereby increasing the area allotted to commercial complex to 1881 sq.m. However, no offers were received (May 1987).

(v) Sanction to the revised estimates for the proposed final expenditure of Rs. 107.50 lakhs as well as the technical sanction for the revised estimate has not yet been obtained from the Ministry (March 1987).

3.12 *Arrears in collection of rent.*—As on 31st March 1987, a sum of Rs. 19.70 lakhs was outstanding for recovery on account of the revision of rent effective from 15th November 1984 in respect of space such as transit sheds, wareshouses, etc., let out to Mazagon Dock Ltd., and Kudremukh Iron Ore Co. Ltd. The Port Administration stated (November 1987) that the matter relating to recovery of arrears was being pursued at the highest level.

3.13 *Extra expenditure on account of delay in acceptance of tenders.*—An estimate (Rs. 16.4 lakhs) for the work of providing a catwalk connecting the mooring dolphins of Oil jetty with the land was prepared and tenders invited during 1981. However, as there was likelihood of establishment of an additional oil jetty which would result in changes in the scope of this work, the work was not taken up.

In January 1983, a revised estimate for Rs. 9.17 lakhs was prepared for connection of two mooring doplins by a catwalk. On invitation of tenders for the modified work, there was no response to the first call and only one contractor submitted a tender in February 1983 on the second call, for Rs. 7.20 lakhs. The Port Trust decided that in view of the difficulty involved in executing such type of work, this single tender could be accepted after obtaining from the contractor detailed working plans and data about the type of equipment proposed to be deployed.

This process entailed delay during which the tenderer sought (July 1983) an increase of 18 *per cent* over his tendered rates on account of escalation of prices of cement and steel. This claim was initially turned down but later accepted in November 1983 by the Port Trust leading to an extra expenditure of Rs. 1.29 lakhs based on actuals. It was, however, noticed in Audit that the contractor was not entitled to any increase due to enhancement of prices of steel and cement as these were supplied by the Port Trust at specific rates notified in the invitation for tenders and incorporated in the agreement.

The Port Trust stated in September 1985 that the increase of 18 *per cent* allowed in November 1983 was not only on account of escalation in the cost of cement and steel but also other elements involved in concrete works and steel fabrications, where the average rise in costs was 13.45 *per cent* which had not been taken into account in the estimate put to tender. Besides this, the contractor was also to be compensated for the idle time of his equipment which would be necessitated when the oil tankers were berthed in the oil jetty.

The incompleteness of the tender submitted by the contractor and delay in processing it, led to an avoidable additional expenditure of Rs. 1.29 lakhs.

3.14 *Bridging the gaps in the Kudremukh Iron Ore Berth of New Mangalore Port.*—The Iron Ore loading facilities provided at New Mangalore Port (August 1980) consisted of a 300 metres long berth with five trapezoidal gap which permitted mechanical loading of iron ore into the ships, but not the loading or unloading of any other cargo from ships at this berth.

However, as there was substantial under utilisation of this berth, the Port Trust proposed (February 1983) to the Ministry of Shipping and Transport, closing of the five gaps between breasting dolphins so that the berth could be utilised for handling general cargo also. The design for this work was purchased and open tenders were invited (February 1983) for construction. The Tender Committee recommended in March 1983, the rejection of the lowest tender due to technical unsuitability, and acceptance after negotiations of the second lowest tender of contractor 'A' at the rates quoted by the lowest tenderer. Accordingly, contractor 'A' agreed to carry out the work at the lowest tendered value on the estimated quantity of work at Rs. 23.24 lakhs and the work was awarded to him in March 1983

In June 1983, Ministry of Shipping and Transport advised the Port Trust to take up the bridging of only three gaps out of the five on the ground that the work involved was of sophisticated and complicated nature. However, contractor 'A' died suddenly and in August 1983, contractor 'B' the legally constituted attorney for heirs of the late contractor 'A' was assigned the work of bridging three gaps at a proportionate cost of Rs. 13.94 lakhs on estimated quantities of work. The work was completed in March 1985 at a cost of Rs. 19.49 lakhs.

When the work was nearly complete, Ministry of Shipping and Transport and the Port Trust decided in September/October 1984 that all the five gaps should be filled up simultaneously, as it would be impossible to carry out this sophisticated engineering work at a later date. The contractor expressed his inability to take up the additional work of bridging the remaining two gaps in view of steep rise in prices. Thereafter the Port Trust invited fresh tenders in October 1984 and in response only one tender was received from contractor 'B' who was already doing the work relating to the first three gaps. The latter work was also awarded to him for a negotiated amount of Rs. 21.53 lakhs as against the estimated cost of Rs. 18.35 lakhs indicated in the tender notification. Both the works were completed (March 1985) at a total cost of Rs. 19.49 lakhs and Rs. 21.86 lakhs respectively.

Had the work on all the five gaps been awarded to the contractor in March 1983, as originally envisaged, the entire work could have been completed at a cost of Rs. 32.48 lakhs instead of Rs. 41.35 lakhs actually spent resulting in extra expenditure of Rs. 8.87 lakhs.

The Port Trust stated (July 1985) that the work being an innovative type involving great risk, the Ministry of Shipping and Transport having apprehensions in the complicated new designs and sophisticated work had advised the Port Trust to take up only 3 gaps perhaps as a trial basis (June 1983). They further stated that after completion of work on two gaps and having been satisfied completely about stability of the structure, a decision was taken by them to continue and complete all the five gaps so that the entire berth could be utilised to its full capacity.

3.15 *Reserve Stock Limit.*—The limit upto which the Port Trust can hold stock articles, is required to be fixed at the commencement of each financial year and the value of the stock held at any time during that year should not exceed the limit so fixed. Reserve stock limit for the year 1985-86 was fixed in July 1985, but the closing stock at the end of the year exceeded the limit of Rs. 120 lakhs and stood at Rs. 137.76 lakhs. The limit for the year 1986-87 was not fixed on the ground that there was no need to fix the limit as the annual stores budget which formed part of Budget Estimates, was being approved by the Board as well as the Government.

3.16 *Injudicious purchase of stock materials*

3.16.A *Cement.*—The Port Trust had taken 2500 tonnes of imported cement of ASTM quality on loan basis from Mazagaon Dock Ltd. (MDL), Mangalore Yard during the years 1983-84 and 1984-85 after making a deposit of Rs. 30.50 lakhs for execution of certain sophisticated works of the Port Trust. With a view to replacing this cement and to meet the balance requirement of sophisticated works, an indent was placed with State Trading Corporation of India (STC) in September 1984 for the supply of 3000 Tonnes of imported port-land cement without making any prior enquiries with the MDL about the acceptability of this particular quality of cement. Supply orders were issued in January 1985. An advance payment of Rs. 33.85 lakhs was also made during the period from December 1984 to October 1985. In October 1985, 2800 tonnes of of cement was supplied by STC against which 2688 tonnes only was actually recieved, resulting in shortage of 112 tonnes of cement. A claim for Rs. 1.23 lakhs, in respect of the cement received short was lodged in February 1986 with the Insurance Company as advised by the STC and the amount was yet to be realised (May 1987). On an enquiry made by the Port Trust in January-February 1986, the MDL intimated (March 1986) that the ASTM specification cement was specifically imported for them for coating pipes for subsea-pipeline and that any other kind of cement was not suitable for replacement. In September 1986, the MDL accepted the proposal of the Port Trust and agreed to treat the supply already made on loan basis as on sale basis. However, in January 1987, the Mangalore Yard of the MDL intimated the Port Trust that they had requested their Headquarters to seek permission from STC and other authorities connected with import of cement for treating the transaction as sale. As the Port Trust could not make use of the imported cement in any of its sophisticated works, 1260 tonnes of this special quality cement was issued till the end of March 1987 for construction of buildings like residential quarters and maintenance works, which do not require imported cement of such a special quality. Use of this special quality cement instead of ordinary cement normally used for building works resulted in avoidable extra expendiutre of Rs 2.05 lakhs. In March 1987, a quantity of 1300 tonnes costing Rs. 15.73 lakhs was booked under the capital Account Plan for the work "Construction of balance portion of the western side of Eastern dock" without actually issuing the material to the contractor (July 1987). In May-June 1987, 200 tonnes of cement was withdrawn from the above work and utilised alongwith the balance stock of 128 tonnes as at the end of March 1987 for certain other works.

The failure on the part of the Port Trust to ascertain before hand from the MDL the acceptability of different type to imported cement resulted in blocking up of funds to the extent of Rs. 17.28 lakhs for over eighteen months.

3.16.B *Steel.*—A huge quantity of 849 tonnes of steel of different varieties valued at Rs. 45.40 lakhs purchased by the Port Trust as far back as in 1981 and onwards was held in stock as at the end of the year 1985-86 although most of the major works undertaken by the Port Trust were completed. A review of the purchases made disclosed that they were not regulated with reference to actual requirement from time to time. During the year 1986-87 a quantity of 126 tonnes of steel was actually used up in various works and in March 1987, 475 tonnes of steel costing Rs. 25.94 lakhs was booked under the capital Account-Plan for the work of "Construction of balance portion of the Western side of Eastern dock" without actually issuing the material to the contractor (July 1987). During 1987-88, another quantity of 74 tonnes was used in departmental works leaving a balance of 174 tonnes costing Rs. 9.31 lakhs (February 1988). The purchase of steel far in excess of actual requirement resulted in blocking up of funds to the extent of Rs. 38.94 lakhs from time to time.

3.16. C *Bitumen.*—In May 1985, the Port Trust procured 459.900 tonnes of 80/100 grade bitumen from Indian Oil Corporation (IOC) when they had already in stock 154.670 tonnes of this variety. In June 1985 and in September 1985, a total quantity of 194.295 tonnes was procured from the same firm.

However, the total quantity issued for works during 1985-86 to 1987-88 was only 425.297 tonnes. During 1986-87, 172.155 tonnes and 16.180 tonnes were sold to the State PWD and N H No. 17 Division respectively as there was no prospect of using this surplus bitumen in the Port. The remaining balance 195.233 tonnes was sold in January 1988 after inviting open tenders incurring a loss of Rs. 5.23 lakhs.

Similarly, in April 1985 a huge quantity of 384.437 tonnes of 60/70 grade bitumen was purchased when there was a stock of 61.152 tonnes of this variety. During 1985-86, 269.705 tonnes of bitumen was issued to various works leaving a balance of 175.884 tonnes, costing Rs. 5.82 lahks. During 1987-88, 41.883 tonnes was used in departmental works and a quantity of 68.117 tonnes sold to Central Public Works Department. The remaining quantity of 65.884 tonnes was sold after inviting open tenders incurring a loss of Rs. 1.52 lakhs. The unnecessary holding of such huge stock of two types of bitumen resulted not only in blocking up of funds to the extent of Rs. 17.49 lakhs from time to time but also in a total loss of Rs. 6.75 lakhs in their ultimate disposal.

3.16. D *Uniform cloth.*—Terricot cloth worth Rs. 1.19 lakhs was purchased in November 1983 for supplying uniforms to the employees of the Port Trust during the year 1985-86. In addition, further purchase of cloth costing Rs. 4.09 lakhs was made during the year 1984-85, although cloth worth Rs. 2.75 lakhs was only required for issue during the year 1985-86. As the balance cloth worth Rs. 2.51 lakhs was not required for use in the near future, the Port Trust Board resolved in April 1986 to dispose it off by auction, and to take appropriate action on those who were responsible for the injudicious purchase. The entire stock costing Rs. 2.38 lakhs was sold for Rs. 0.90 lakh (October 1986) resulting in a loss of Rs. 1.48 lakhs to the Port Trust

3.17 *Irregular Payment of advance for purchase of paints.*—Based on indents placed in November 1978 and November 1979 by the Port Trust, the Director General of supplies and Disposals (DGSD) placed orders with a firm in Calcutta for supply of 3660 litres of redlead paint at a cost of Rs. 1.63 lakhs. As per the terms and conditions of supply, the firm forwarded the Railway receipts (R Rs) in proof of despatch alongwith the inspection note of the DGSD in March 1982. On receipt of the R Rs it was noticed that the goods were booked by the firm to Perambur (Madras) and not to Panambur (Mangalore) Railway station, as specified in the supply order. The R Rs were returned to the firm on 6th April 1982 with a request to rebook the goods to Panambur. However, on receipt of the debit note an amount of Rs. 1.56 lakhs was paid to the Deputy Controller of Accounts, Department of Supply, Calcutta, on 16th April 1982 covering 95 *per cent* payment and inspection charges although by that date Port Trust was aware that the R Rs were defective.

As the firm could not arrange to rebook the consignment to Panambur till the end of July 1983, the Port Trust intimated the firm in August 1983 that the consignment would not be accepted as the paint despatched a year ago might have become unfit for use. The fact was intimated to the DGSD in August 1983 with a request to recover the amount from the firm. The Port Trust also consulted their legal adviser in the matter and he opined that the Port Trust could not sue the firm as the order was placed by the DGSD and even if sued, the claim would not stand as it was time barred under the Indian Limitation Act, being more than three years old.

The question of recovery of the amount from the firm is pending for over four and a half years now (February 1988).

3.18 *Purchase and disposal of* 100 *ton steel deck barges.*—With the object of transporting general cargo from and to the ships in mooring and ships in berth, the Port authorities placed orders on a Calcutta firm, in January 1971, for supply of four numbers of 100 ton steel deck barges through the DGSD, stipulating the date of supply as 13th April 1972. Due to several reasons, extensions of time were granted and ultimately two barges were received in October 1980 and the other two in March 1981 at a total cost of Rs. 21.40 lakhs. As the barges were found to be not of much use due to cancellation of the proposed mooring berths during 1972, three barges were sold to a Public Sector Undertaking in January 1982 at the acquisition cost of Rs. 5.35 lakhs each. In June 1986, the remaining barge, which was lying idle, was also sold to a firm by accepting a single tender for Rs. 1.39 lakhs plus sales tax, as the condition of the barge had deteriorated due to high rate of corrosion and non-maintenance during the last five years.

Unnecessary retention of the fourth barge since March 1981 and its disposal after 5 years in June 1986 resulted in a loss of Rs. 3.96 lakhs. It was resolved by the Board (April 1987) to probe the matter regarding the disposal of this barge at such a low cost.

3.19 *Idling of Bollard Pull Tug.*—Provision for procurement of one number 5 ton Bollard Pull Tug was made in the original project estimate for towing 100 ton steel deck barges for transporting general cargo.

An indent for procurement of the tug was placed with the DGSD in October 1970. The DGSD in turn placed orders, on a firm in Calcutta in August 1972. Due to various reasons extensions to delivery period were granted by the DGSD and ultimately the tug was received and commissioned in October 1984 at a cost of Rs. 26.93 lakhs. By that time three barges out of the four procured had been disposed of and the fourth one, stated to have been retained for conducting lightening operations at anchorage at sea, was not put to use, as the barges were not suitable for such operations as clarified by the Merchantile Marine Department. The tug, therefore, could not be utilised fully and during the years 1984-85, 1985-86 and 1986-87, it was put to use only for 63 hours, 80 hours and 15 hours respectively. The Tug acquired at a huge cost of Rs. 26.93 lakhs is practically lying idle since its acquisition. The Ministry stated (October 1987) that the Port Trust was considering the question of its disposal.

3.20 *Workshop at the Port Trust.*—With the object of undertaking various types of jobs connected with the maintenance and repair of the floating crafts, cranes, vehicles and certain construction works and fabrication works of the Port, a permanent workshop at a cost of Rs. 12.34 lakhs was established during 1970-71 and adequately equipped with sophisticated machinery and equipment and other hand tools worth Rs. 23.03 lakhs.

A review of the work shop accounts revealed the following :

(i) After charging off the labour cost to the individual jobs undertaken on the basis of time consumed, the balance labour cost was charged to maintenance of workshop. The cost of labour charged to maintenance of workshop increased from Rs. 3.89 lakhs in 1983-84 to Rs. 10.38 lakhs in 1985-86, while that charged to the jobs decreased from Rs. 4.73 lakhs in 1983-84 to Rs. 3.21 lakhs in 1985-86. During 1986-87 also, cost of labour on workshop maintenance (Rs. 7.56 lakhs) was disproportionately high compared to the cost of material (Rs. 0.77 lakh). These indicate that there was steadily increase in the idle time of labourers.

(ii) There was no system of submission of performance report monthly to the Head of the department indicating lack of proper monitoring and control over the functioning of the workshop.

(iii) No systems were proposed for the various jobs undertaken in the workshop with the result there was no check on the utilisation of the materials and labour on individual jobs.

(iv) The log books maintained in respect of plant and machinery indicated that utilisation of their capacity was not even to the extent of 20 *per cent*. The two EOT cranes costing Rs. 5.71 lakhs were practically lying idle for want of works.

(v) While on the one hand the machinery and equipment and the skilled workers were kept idle, on the other hand Port Trust had entrusted several major as well as minor repairs to the floating cranes, plants and machinery etc., to private agencies on the plea that those jobs were specialised and not capable of being undertaken by their own workshop.

The Port Trust stated (August 1985) that the workshop was a service facility and as such it might not be possible to say that all the machinery should have complete utilisation. In August 1985, the Port Trust appointed a technical consultancy team of the Indian Ports Association to examine and suggest measures to make the workshop viable. The final report of the team was yet to be received by the Port (February 1988).

New Delhi
The 26 JUL 1988

(S. S. ROY CHOUDHURY)
Director of Audit I, Central Revenues.

Countersigned

T. N. Chaturvedi

New Delhi
The - 1 AUG 1988

(T. N. CHATURVEDI)
Comptroller and Auditor General of India.

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