

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF
INDIA : UNION GOVT. (COMMERCIAL) PART XIV 1987

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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

UNION GOVERNMENT (COMMERCIAL)

PART XIV

1982

CENTRAL INLAND WATER TRANSPORT
CORPORATION LIMITED

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1982

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| Page No. | Reference | For | Read |
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| (iv) | 2nd line from bottom | held on | held in |
| 3 | 5th line from top | fraudulant | fraudulent |
| | 11th line from bottom | Tihrtly | Thirty |
| 7 | 5th line from bottom | matters should | matters which should |
| 18 | 16th line from top | wing | owing |
| 19 | 6th line from bottom | Tonnages | tonnage |
| 22 | last line | a cash | no cash |
| 25 | 8th line below table | Rs. 5.11 | Rs. 7.11 |
| 26 | 20th line from top | Rs. 7.15 lakhs | Rs. 7.15 lakhs) |
| 33 | last line | over the | over of the |
| 35 | 16th line from top | operated | opened |
| | Sub-para b(1) against Sl. No. 2 | 1971—73 | 1972-73 |
| 36 | <i>Table</i> against Haldia-Calcutta, under column 6 | 10,672 | 10,772. |
| 46 | Col. 3 heading | laid up/repair not licensed | laid up/repair/not licensed |
| 49 | <i>Table</i> Col. 3 against 1971-72 | 6.00 | 1.00 |
| 50 | 20th line from top | per month | per annum |
| 51 | 6th line from top | Delete the word 'respectively' | |
| 69 | Against Sl. No. 8 under column No. 8 | 222.84 | 225.84 |
| 70 | 3rd line from top | three | six |
| 71 | 10th line from top | Rs. 22.26 | Rs. 22.26 lakhs. |
| 74 | <i>Table</i> Sl. No. 1 under Col. 2 | 27-5-1971 | 27-8-1971 |
| 76 | 7th line from top | we | We |
| 82 | <i>Upgraded Castings</i> against 1981-82 under Col. 5 | 55.78 | 5.78 |
| 92 | 3rd line from bottom | down in of | down of |
| 93 | 7th line from bottom | 187.03 | 181.53 |
| 99 | 2nd line from top | criteria policy | criteria/policy |
| 101 | 5th line from bottom | Administration | Administrative |

| Page No. | Reference | For | | | Read | | |
|----------|---|---|---------------|----------|------------------------|---------------|----------|
| 103 | <i>Table</i> Against Sl. No. 7 under Col. 5 | 9 | | | 7 | | |
| 106 | 3rd line from bottom | revealed the | | | revealed that the | | |
| 107 | Heading of table Table (1st column) | Paint (in liters) | | | Paint (in litres) | | |
| | | 1 Inspection launches | | | 1 Inspection launch | | |
| | | 2 passenger launches | | | 2 passenger launches | | |
| | | Pipe carrying | | | Pipe carrying | | |
| | | Pantoon | | | Pontoon | | |
| | | Steel Pilot launch | | | Steel Pilot launch | | |
| | | Band value 200/06/05 | | | Band value 200/06/052 | | |
| | | <i>Actual</i> | <i>Excess</i> | | <i>Actual</i> | <i>Excess</i> | |
| | Against 2 Work Barges, under Paint | 89 | 280 | | 589 | 289 | |
| 111 | 13th line from top | Delete the word 'a' appearing before 'clear'. | | | | | |
| 114 | Against Depreciation under 1977-78 | 203.02 | | | 205.02 | | |
| 115 | 2nd line from bottom | Delete the words "plus reserves" | | | | | |
| 116 | <i>Table</i> Against 1(i) under 1978-79 under 1980-81 Against total : under 1978-79 under 1981-82 | (—) 240.55 | | | (—) 241.55 | | |
| | | (—) 279.24 | | | (—) 279.34 | | |
| | | (—) 461.54 | | | (—) 431.54 | | |
| | | (—) 524.18 | | | (—) 544.18 | | |
| 117 | Against 2(iii) under 1981-82 | (—) 53.81 | | | (+) 53.81 | | |
| | Against 2(iv) 1976-77 | 1979-80 | 1980-81 | 1976-77 | 1979-80 | 1980-81 | |
| | | (—)0.23 | (—)28.28 | (—)27.29 | (+)0.23 | (—)28.28 | (—)27.79 |
| | | | | | (Including Port Blair) | | |
| | Against 2(v) | (Including Port Blair) | | | — | — | — |
| | Under 1979-80 | | | | | | |
| | Against Grand Total | (—)852.07 | | | (—)852.17 | | |
| | Against Total 1981-82 | (—)650.77 | | | (—)605.77 | | |
| 120 | 9th line from top | Effort | | | Efforts | | |
| 121 | Second Table Against 1 Against 3 | 80.82 | | | 80.83 | | |
| | | 228.77 | | | 288.77 | | |
| 123 | 5th line from top 10th line from top | forwarded | | | forward | | |
| | | Management | | | Manager | | |

| Page No | Reference | For | | Read | |
|---------|--|--|--------------|--|--------------|
| 124 | 5th line from top | April 1969 | | April 1968 | |
| 126 | 7th line from bottom last line | were a good completion | | were of good completion | |
| 127 | 9th line from top 11th line from bottom | as September | | was September | |
| 131 | 13th line from top 10th line from bottom 16th line from bottom | Rs. 66.67 crores availalbe a capital | | Rs. 66.70 crores available capital | |
| 133 | 10th line from top | 1982 | | 1983 | |
| 134 | 2nd line from top | in and | | to and | |
| 135 | 15th line from top | vessels | | vessels construction | |
| 136 | 11th line from top | outputs-planned | | Outputs planned | |
| 137 | 4th line from bottom | drawn | | done | |
| 140 | 7th line from bottom 3rd line from bottom | stated has | | started had | |
| 142 | 7th line from bottom 9th line from bottom | Delete the word 'a' Ordes | | Orders | |
| 156 | Table—Col. 1 | Chibassa | | Chaibassa | |
| 158 | Annexure VII (sub-heading) | 6.06 (iii)(b) | | 6.05 (iii)(b) | |
| 159 | Column 1 under 1977-78 | Chaibansa | | Chaibassa | |
| 162 | Annexure VII Against R. Bramha- putra under column 6 | 2 | | 1 | |
| 163 | Annexure VIII Heading | as wall as | | as well as | |
| 164 | Item No. (5) under 1980-81 | 3.76 | | 3.75 | |
| | Item No. (6) against 1976-77 | <i>Non- operative</i> | <i>Total</i> | <i>Non- operative</i> | <i>Total</i> |
| | | 28.82 | 28.82 | 23.32 | 23.32 |
| | <i>Against grant total under 1976-77</i> | | | | |
| | Normal wages/salaries | 64.39 | 187.03 | 58.89 | 181.53 |
| | Percentage of overtime to normal wages/ salaries | 14.25 | 11.48 | 15.59 | 11.83 |
| 166 | Annexure IX Last line—4th col. | 193.97 | | 153.97 | |

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL
OF INDIA

UNION GOVERNMENT (COMMERCIAL)

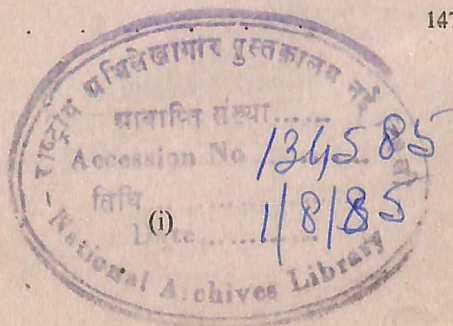
PART XIV

1982

CENTRAL INLAND WATER TRANSPORT
CORPORATION LIMITED

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PREFATORY REMARKS

The Central Inland Water Transport Corporation Limited was selected for Comprehensive Appraisal by Audit Board. This part contains results of the appraisal of the Company undertaken by Audit Board. In this case the Audit Board consisted of the following :

- (1) Shri T. Rengachari Chairman, Audit Board & Ex-officio Additional Deputy Comptroller & Auditor General (Commercial) upto 28th February 1980.
- (2) Shri P.P. Gangadharan Chairman, Audit Board & Ex-officio Additional Deputy Comptroller & Auditor General (Commercial) from 1st March 1980.
- (3) Shri R.C. Suri Chairman, Audit Board & Ex-officio Additional Deputy Comptroller & Auditor General (Commercial) from 10th June 1982.
- (4) Shri K.P. Joseph Member, Audit Board & Ex-officio Director of Commercial Audit, Calcutta upto 28th February 1981.
- (5) Shri A.P. Sinha Member, Audit Board & Ex-officio Director of Commercial Audit, Calcutta from 28th February 1981.
- (6) Shri S.Y. Govindarajan Member, Audit Board & Ex-officio Director of Commercial Audit, Hyderabad from 2nd Sept. 1982.
- (7) Shri S.D. Nargolwala Part-time Member, Audit Board.
- (8) Shri B.N. Khosla Part-time Member, Audit Board upto 17th July 1979.
- (9) Rear Admiral A.G. Dastidar Part-time Member, Audit Board from 24th November 1982.

2. After consideration of the Report by the Audit Board at its meeting held on 6th and 7th October, 1982, the Report was issued to the Ministry of Shipping & Transport (Inland Water

(iv)

Transport Directorate) on 28th February, 1983 for acceptance of the facts and comments, if any. The replies of the Ministry to the Report were received in May 1983.

3. The Meeting of the Audit Board with the representatives of the Ministry and the Company was held on 9th August, 1983.

4. The Report was finalised by the Audit Board after taking into account :

(a) Replies of the Ministry furnished in May 1983.

(b) The results of discussions held on 9th August 1983 with the representatives of the Ministry and the Company.

(c) The additional information furnished by the Ministry in October 1983.

5. The Comptroller & Auditor General of India wishes to place on record his appreciation of the work done by Audit Board and acknowledges with thanks the contribution, in particular, of Part-time Members, who were not the officers of the Indian Audit and Accounts Department.

NOTE : Shri S.Y. Govindarajan did not attend the meeting of the Audit Board held on October 1982 and Rear Admiral A.G. Dastidar did not attend the meeting held in August 1983.

1. Introduction

1.01 The Central Inland Water Transport Corporation Limited (C.I.W.T.C.) was incorporated on 22nd February 1967 to take over the assets and certain liabilities of the River Steam Navigation Company Limited (RSN Company) under a Scheme of arrangement which was approved by the Calcutta High Court on 3rd May 1967. On the same day the RSN Company closed down its business without winding up and the new Company took over all its assets including its fleet in Assam and certain liabilities. The C.I.W.T.C. started functioning as an independent Company with effect from May 1967 and commenced its business from 5th June 1967.

1.02 According to the scheme approved by the Calcutta High Court in May 1967 mentioned in paragraph 1.01 above, the assets and certain liabilities of RSN were to be taken over by the Corporation. A comparison of the certified accounts of RSN as on 3rd May 1967 with the accounts of the C.I.W.T.C. for the year 1967-68 disclosed that assets to the extent of Rs. 100.93 lakhs had not been taken over by the Corporation. An amount of Rs. 31.41 lakhs has since been adjusted in the accounts of the C.I.W.T.C. Besides, adjustments to the extent of Rs. 2.26 lakhs were also made in the liabilities taken over. Reasons for not handing over the assets to the extent of Rs. 69.52 lakhs, which included bank balances amounting to Rs. 42.83 lakhs by the R.S.N. to C.I.W.T.C. were not ascertainable from the records of the Corporation.

The Ministry stated (October 1983) that the amount of Rs. 42.83 lakhs was retained by RSN Company for payment to surplus staff.

1.03 The Corporation inherited 286 vessels (excluding 55 vessels which were impounded during Indo-Pakistan hostilities in 1965) from the RSN Company. Subsequently, the Corporation acquired 32 vessels and sold 156 old vessels upto November 1982.

As on 31st March 1982, the Corporation had a fleet of 153 river vessels—48 powered crafts, 89 dumb flats/barges and 16 miscellaneous blocks. It has also a dockyard at Rajabagan whose main activities are maintenance and repairs of the Corporation's fleet of inland vessels and also construction of new vessels as and when required, particularly, for augmenting or rehabilitating the fleet. Besides, the Corporation also owns one marine workshop in Calcutta, one each at Pandu (near Gauhati) and Port Blair and another in Calcutta (New Alipore) for body building and repairs of automobiles.

1.04 Review Committees on the functioning of the Corporation

The various aspects of the working of the Corporation have been reviewed by a number of Committees and consultants from time to time as per details given below :—

| Sl. No. | Year of the Report | Committees/Consultants | Aspects covered |
|---------|--------------------|---|---|
| 1. | 1968 | Bose Committee | Development of Rajabagan Dockyard. |
| 2. | 1970 | Bhagwati Committee | Assam River Services. |
| 3. | 1971 | Baveja Committee | Working of the Corporation. |
| 4. | 1972 | Baveja Committee (River Services Committee) | River Services in Eastern India. |
| 5. | 1972 | Consulting Engineering Services. | Development of Rajabagan Dockyard. |
| 6. | 1972 | Corporation's Study Team. | Development of Rajabagan Dockyard. |
| 7. | 1974 | Fernandes Committee (Bureau of Public Enterprises) | Working of the Corporation |
| 8. | 1975/76 | National Productivity Council. | (i) Rajabagan Dockyard Organisation, Production Planning & Control Material management and Costing System. (ii) Economics of River Services. |
| 9. | 1976 | Bazle Karim Committee (Adviser, Bureau of Public Enterprises) | Performance of the Corporation. |
| 10. | 1978 | Tata Consulting Engineers | Rajabagan Modernisation and Development. |

1.05 The working of the Corporation was also examined by the Committee on Public Undertakings. The recommendations of the Committee are contained in the following reports :—

1. Second Report (Sixth Lok Sabha—April 1978)—
Reckless and fraudulent sale of numerous vessels.
2. Fifth Report (Sixth Lok Sabha—April 1978)—
Procurement of Vacuators under mysterious circumstances, lightering and stevedoring operations.
3. Seventh Report (Sixth Lok Sabha—April 1978)—
Objectives and River services.
4. Ninth Report (Sixth Lok Sabha—April 1978)—
Mismanagement in organisation, administration and financial matters.
5. Fifteenth Report (Sixth Lok Sabha—August 1978)—
Utility of Rajabagan Dockyard and other related matters.

Action taken by Government on the recommendations made by the Committee on Public Undertakings in the above reports and further observations of the Committee on Public Undertakings are contained in their Twenty-Sixth, Thirty-Sixth, Eighteenth, Nineteenth and Thirty-Ninth Reports (Sixth Lok Sabha, March-April 1979) respectively.

2.0 Objectives

2.01 The principal objective of the Corporation was to establish, maintain and operate water transport services. It was, however, observed that in the course of time, the Corporation had diversified its activities and the focus of activities had drifted from the running of river services to stevedoring, lightering, etc. As a result, the Corporation failed to achieve the objective of operating inland water transport for which it was set up. This was also adversely commented upon by the

Committee on Public Undertakings in paragraph 2.6 of its Seventh Report (Sixth Lok Sabha)—April 1978.

2.02 Consequent on the acceptance of the recommendations of the Administrative Reforms Commission, the Ministry of Finance, Bureau of Public Enterprises in their office memorandum of 3rd November 1970 requested all the Ministries to initiate action to lay down the objectives and obligations—both financial and economic, of each public enterprise under their administrative control.

The objectives and obligations of the Corporation in terms of the above office memorandum have not been laid down by the Corporation so far (May 1983).

The Ministry of Shipping & Transport stated (May 1983) as under :—

“.....a separate incorporation of objective and application in the light of Bureau of Public Enterprises' guideline though not done was in no way affecting the working of the Corporation in achieving the objective. It may be mentioned that Government of India had made it very clear to the Corporation that primarily its objective is to run the river services on a viable basis supported by its captive unit at Rajabagan Dockyard for construction and repair of its own vessels.”

3.0 Organisational set up and delegation of powers

3.01 Organisational set up

The Management of the affairs of the Corporation vests in the Board of Directors which consists of a Chairman-cum-Managing Director and such other Directors (not less than two and not more than twelve) as the President may appoint from

time to time, and is represented by nominees of the Ministry of Shipping & Transport, Indian Railways, Governments of West Bengal and Assam and other non-official Directors. Upto the middle of June 1975, the Corporation had a part-time Chairman and a full time Managing Director. The post of part-time Chairman was made full time from 16th June 1975 and from January 1976 the posts of the Chairman and the Managing Director have been combined. The Committee on Public Undertakings in Paragraph 1.96 of its Ninth Report (Sixth Lok Sabha)—1977-78 had observed that the Board of Directors of the Corporation had been most ineffective in managing the affairs of the Corporation efficiently.

3.02 *Delegation of Powers*

The Board had delegated certain limited powers to the Managing Director and other Senior Officers in January 1969 and February 1971 which were enhanced in July 1975. The enhanced powers were given retrospective effect from 16th June 1975 *i.e.* the date on which the incumbent of the post of part-time Chairman was made a full time Chairman. Most of the powers delegated upto July 1975, remained centralised with the Chairman-*cum*-Managing Director (CMD). The Board authorised the CMD in March 1977 to redelegate his powers to subordinate authorities. No redelegation of powers to subordinate authorities was done by the CMD. In December 1979, the Board approved revised delegation of administrative and financial powers under which certain limited powers were conferred on the Heads of Departments in regard to contracts, works, purchases and capital expenditure. In the revised delegation of powers it was also contemplated that :

- (i) the powers delegated to the Chairman may be re-delegated by him to another officer of the company to such extent on such terms and conditions and for such period as the Chairman-*cum*-Managing Director may think fit ;

- (ii) wherever it is prescribed that a particular power may be exercised by an authority in consultation with the Financial Adviser and Chief Accounts Officer (FA & CAO), such consultation may be made with an officer of the Accounts Department as may be nominated by the FA & CAO and as prescribed in the Accounts Manual.

In April 1982, the powers of the CMD were enhanced in respect of contracts and purchase of capital items. In July 1982 :

- (i) the CMD sub-delegated powers in regard to the purchase of revenue stores and capital stores ;
- (ii) all powers on establishment, recruitment, promotion and other allied matters as delegated to Heads of Departments and other officers were withdrawn by the Board and conferred on the Chairman with the authority to sub-delegate these to any of the Heads of the Departments to the extent considered necessary.

No sub-delegation in this respect had been made (November 1982).

It will be seen from above that the Heads of Departments and other officers enjoyed very limited powers.

In this connection it may also be mentioned that in September 1970 the Bureau of Public Enterprises had also recommended that the system of delegation of powers throughout the managerial hierarchy upto the lowest level of the enterprise should be reviewed on a comprehensive basis in order to ensure that, at all levels, the centres of responsibility corresponded exactly with the centres of power.

The Ministry stated (May 1983) as under :

- “(i) The Management has considered further redelegation of Financial Power to the Heads of Department of the Units with a view to inducting flexible management and quick implementation of the various decisions. The Management has prepared a fresh schedule of delegation of Powers of the Heads of Department and also to the Officers of the lower level upto the rank of Class I Officer and different Managers etc.....
- (ii) In the area of powers to the Heads of Department on establishment, recruitment, promotion and other allied matters, a Committee was formed to formulate the authority to be re-delegated to various Heads of Departments and other officers.
- (iii) The committee has since submitted its report and same was placed to the Board of Directors in its meeting held on 11-5-1983 and was accepted with minor modifications.”

3.03 After accepting the recommendations of the Committee on Public Undertakings contained in their Fifteenth Report (Fourth Lok Sabha—April 1968), the Bureau of Public Enterprises issued in May 1969, broad guidelines defining the main functions, responsibilities and powers of the financial heads of the public sector undertakings. The guidelines, *inter alia*, provided that the Board of Directors should lay down detailed powers and functions of the Financial Adviser, particularly in regard to matters should be reserved :

- (i) for concurrence of the Financial Adviser ;
- (ii) for consultation with the Financial Adviser ;
- (iii) those on which Financial Adviser need not be consulted.

Although the system of obtaining concurrence of the finance was in vogue, the detailed powers of the Financial Adviser and Chief Accounts Officer in terms of the aforesaid guidelines had not been laid down by the Board.

The Ministry stated (May 1983) as under :

“In the meeting of the Board of Directors held on 11-5-1983 the Board has defined the main functions and responsibilities of the General Manager (Finance) prescribing therein the priority to which emphasis is to be given currently. The Board has also approved the Organisation Structure of Finance Division of CIWTC so that the said responsibilities of the Finance Division can be performed efficiently. It was further discussed in the said meeting that in the next Board Meeting the financial powers and authorities of General Manager (Finance) would be formulated and reconsidered for properly discharging his responsibilities.”

4. Capital Structure

The authorised capital of the Corporation was increased from Rs. 4 crores to Rs. 10 crores in December 1972, and to Rs. 20 crores in May 1979. The approval of the President to the increase in the authorised capital to Rs. 20 crores as required under its Articles of Association sought for by the Company in February 1980 was awaited (December 1982).

The paid-up capital of the Corporation as on 31st March, 1982 was Rs. 1889.96 lakhs (Rs. 1861.96 lakhs contributed by the Central Government, Rs. 11 lakhs by the Government of West Bengal and the balance of Rs. 17 lakhs by the Government of Assam).

In addition to the share capital, the Central Government has also advanced secured and unsecured loans (including loans advanced to erstwhile RSN Company) to the extent of Rs. 362.02

lakhs and Rs. 3660.96 lakhs respectively as per details given below :—

| Purpose of loans and period during which drawn | Amount drawn (Rs. in lakhs) | Term of repayment of loan | Period of moratorium (in years) | Rate of simple interest (in per cent per annum) |
|---|-----------------------------|----------------------------|---------------------------------|---|
| 1 | 2 | 3 | 4 | 5 |
| (a) For rehabilitation, repairs and construction of vessels RSN Co's Loans | 53.02* | Quarterly | Nil | 8 (compound) |
| 1967-68 to | | | | |
| 1975-76 . . . | 16.00 | 5 years | 4 | 9 |
| 1977-78 . . . | 30.00 | Yearly | Nil | 15 |
| 1978-79 . . . | 70.00 | Yearly | Nil | 12 ¹ / ₂ |
| | <u>169.02</u> | | | |
| (b) For ways & means (including for river service operation and payment of employees' dues) : | | | | |
| RSN Co.'s loans | 357.50* | Monthly/ Half Yearly | Nil | 8 to 9 (Compound) |
| 1967-68 to | | | | |
| 1975-76 . . . | { 45.00 513.26 240.00 | Quarterly Yearly 5 | Nil Nil 4 | 9 9 to 12 ¹ / ₂ 7 ¹ / ₂ to 10 |
| 1976-77 . . . | 58.95 | 1 | Nil | 12 ¹ / ₂ to 15 |
| 1977-78 . . . | 82.48 | 1 | Nil | 15 |
| 1978-79 . . . | 206.00 | 1 | Nil | 12 ¹ / ₂ |
| 1979-80 . . . | 95.00 | 1 | Nil | 12 ¹ / ₂ to 15 |
| | <u>1598.19</u> | | | |

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---------|---|-----|--------------------------------------|
| (c) To meet loss on river services & DGS&D | | | | | |
| Contracts : | | | | | |
| 1967-68 to | | 90.04 | 1 | Nil | 9 to 12 ¹ / ₂ |
| 1975-76 | | 85.60 | 5 | 4 | 7 ¹ / ₂ to 10 |
| 1976-77 | | 290.53 | 1 | Nil | 12 ¹ / ₂ to 15 |
| 1977-78 | | 54.92 | 1 | Nil | 15 |
| 1978-79 | | 257.66 | 1 | Nil | 12 ¹ / ₂ |
| 1979-80 | | 340.89 | 1 | Nil | 12 ¹ / ₂ to 15 |
| 1980-81 | | 580.00 | 1 | Nil | 15 |
| 1981-82 | | 120.00 | 5 | 4 | 15 |
| | | 436.13 | 5 | 4 | 15 |
| | | 2255.77 | | | |
| TOTAL | | 4022.98 | | | |

NOTE : — *Represents balance of loans advanced to RSN Company upto 1966-67 after writing off of Rs. 151.50 lakhs by Government in June 1973.

The loans have not been repaid by the Corporation (December 1982). The interest outstanding on these secured and unsecured loans amounted to Rs. 841.66 lakhs and Rs. 1,711.30 lakhs respectively as on 31st March, 1982. Owing to default in repayment of loans and payment of interest on due dates, the Corporation has become liable to pay penal interest. The debt equity ratio of the Corporation during the six years ended 31st March, 1982 was as follows :

| | |
|-------------------|----------|
| 1976-77 | 2.31 : 1 |
| 1977-78 | 2.56 : 1 |
| 1978-79 | 2.52 : 1 |
| 1979-80 | 2.52 : 1 |
| 1980-81 | 2.47 : 1 |
| 1981-82 | 2.13 : 1 |

In view of the adverse debt equity ratio and mounting losses, the Corporation has from time to time been submitting to Government proposals for re-structuring of its capital, including conversion of accumulated losses into subsidy. The latest (May 1983) proposals prepared by the Ministry for restructuring

of the capital of the Corporation for the purpose of consideration and approval of the Bureau of Public Enterprises and Government of India envisaged the following :

- 7 years' moratorium on interest on ways and means loans.
- Capital investment to be in the ratio of 1 : 1—debt and equity.
- Rate of interest to be 5.5 per cent on investment on fleet acquisition and 11 per cent on other investment including Rajabagan Dock Yard investment.
- No interest holiday on capital investment on the above proposals.

Decision of the Government on the above proposals is awaited.

The Ministry stated (May 1983), *inter alia*, that a proposal for restructuring of the capital and increasing the authorised capital of the Corporation to Rs. 40 crores which became essential with the sanctioning of the Scheme for capital investment of Rs. 34.20 crores in the share capital of the Corporation, was under consideration of the Government.

5. Modernisation and Development

5.01 River Services

(i) In May 1967 when the Corporation started functioning with the principal objective of carrying on river transport of erstwhile RSN Company, the inland navigation between Assam and Calcutta through erstwhile East Pakistan (now Bangladesh) had already been closed after the Indo-Pakistan hostilities in September 1965. With the emergence of Bangladesh, the river services on Calcutta-Assam and Calcutta-Bangladesh routes restarted in November 1972. In the intervening period, the Corporation had been running only Calcutta lighterage and ferry services in the Hooghly River and minor river services in Assam.

The River Services Committee in its report of 1972 had recommended enlargement of the fleet capacity of the Corporation by acquisition of pusher tugs/dumb barges at a cost of Rs. 18 crores. In addition, the Committee had also recommended replacement of existing dilapidated barges at a cost of Rs. 4 crores. As against this, the Corporation had incurred an expenditure of Rs. 138.73 lakhs from 1972-73 on the acquisition of vessels (22 second-hand and 1 new) upto 1980-81.

In addition, an expenditure of Rs. 11.26 crores was incurred upto 1980-81 on the capital repairs of the existing vessels.

While adversely commenting upon the decline in traffic of river services of the Corporation since 1972 and closure of certain river services (Calcutta-Cachar, Calcutta-Assam, Calcutta-Bangladesh) in June 1977, the Committee on Public Undertakings in their Seventh Report (Sixth Lok Sabha—April 1978) had recommended that the inland water transport, which was very essential from the economic, social and strategic points of view and also being the cheapest mode of transport, should not only be revived but also expanded in phases and that the Corporation should find ways and means to repair and modify the vessels in their dockyard. The Committee also recommended that, pending improvement of the waterways after proper surveys and conservancy works, steps should be taken to design/modify the vessels to suit present channel dimensions.

In pursuance of the above recommendations of the Committee on Public Undertakings, the Company submitted from time to time proposals to the Government for acquisition and capital repairs of vessels, improvement to Rajabagan Dockyard and creation of infrastructural facilities. The Government approved the above proposals in December 1980 involving a capital expenditure of Rs. 3,420 lakhs as per details given below :

| | Rs. in lakhs |
|--|--------------|
| Acquisition of 9 tugs, 13 self propelled barges and 27 dumb barges | 2342 |
| Capital repairs to 48 vessels | 333 |
| Improvement to Rajabagan Dockyard | 500 |
| Infrastructural facilities | 245 |
| | 3420 |

The programme was to be undertaken in a phased manner and completed by 1986-87 as under, and envisaged creation of a carrying capacity of 11.63 lakh tonnes to cater to the available cargo of 8.74 lakh tonnes by 1985-86.

(Rupees in lakhs)

| | | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1986-87 | Total |
|------------------------------|---|---------------|----------------|---------------|---------------|---------------|---------------|--------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1. | Acquisition of vessels . | 200.00 | 831.00 | 400.00 | 445.00 | 320.00 | 126.00 | 20.00 | 2342.00 |
| 2. | Capital repairs to vessels . | 146.00 | 123.00 | 64.00 | .. | .. | .. | .. | 333.00 |
| 3. | Infrastructural facilities . | 5.00 | 40.00 | 100.00 | 100.00 | .. | .. | .. | 245.00 |
| 4. | Repairs and improvement to Rajabagan Dockyard . | 15.00 | 85.00 | 250.00 | 100.00 | 50.00 | .. | .. | 500.00 |
| GRAND TOTAL | | 366.00 | 1079.00 | 814.00 | 645.00 | 370.00 | 126.00 | 20.00 | 3420.00 |

As against the above, the details of funds required by the Corporation, those released by the Government and the expenditure incurred during 1980-81 to 1982-83 (upto November 1982), are given in Annexure I.

In this connection, the following observations are made :

- (1) As against the sanctioned cost of Rs. 34.20 crores of the project, the Board of Directors of the Company was informed in April 1983 that the present estimated cost would be to the extent of Rs. 42.89 crores thereby indicating an increase of Rs. 8.69 crores over the estimates as per details given below :

(Rs. in crores)

| | Original cost | Revised cost | Cost over-run |
|--|---------------|--------------|---------------|
| (i) Acquisition of vessels | 23.42 | 31.08* | 7.66 |
| (ii) Capital repairs | 3.33 | 1.70 | (—)1.63 |
| (iii) Infrastructural facilities | 2.45 | 3.00 | 0.55 |
| (iv) Development of Rajabagan Dockyard | 5.00 | 7.11** | 2.11 |
| TOTAL | 34.20 | 42.89 | 8.69 |

*Excluding Excise Duty of Rs. 1.08 crores on the construction of vessels at Rajabagan Dockyard, if payable.

**This was further revised to Rs. 7.72 crores (October 1983).

The details of the increase of Rs. 500.37 lakhs in the cost of the acquisition of the vessels upto May 1983 *vis-a-vis* the

proposals approved by Government are indicated in the table given below :

| Particulars | Government Sanction | | | | Committed expenditure | | | | | |
|-----------------------|---------------------|---|----------------------------|---------------------|-----------------------|--|---------------------------------|----------------------------|---------------------|-----------------------------------|
| | Number | Capacity (in tonnes) | Total capacity (in tonnes) | Cost (Rs. in lakhs) | Particulars | Number | Capacity (in tonnes) | Total capacity (in tonnes) | Cost (Rs. in lakhs) | Increase over cost (Rs. in lakhs) |
| Tugs | 9 | — | — | 990.00 | Tugs | 9 (3 imported at a cost of Rs. 6.01 crores) (6 indigenous) | — | — | 1285.02 | 295.02 |
| Self propelled barges | 13 | 10 × 500 = 5000 2 × 200 = 400 1 × 800 = 800 | 6,200 | 521.00 | Self propelled barges | 10 | 9 × 600 = 5400 1 × 800 = 800 | 6,200 | 603.39 | 82.39 |
| Dumb barges | 27 | 750 | 20,250 | 831.00 | Dumb barges | 27 | 750 | 20,250 | 953.96 | 122.96 |
| | | | | <u>2,342.00</u> | | | | | <u>2,842.37</u> | <u>500.37</u> |

One of the reasons for increase in the cost (Rs. 2.71 crores) was on account of purchase of three imported tugs at a cost of Rs. 6.01 crores as against Rs. 3.30 crores approved by Government for purchase of indigenous tugs. The import was necessitated, *inter alia*, in view of non-availability of proven design for the tugs indigenously, non-materialisation of Ministry's efforts for obtaining the same from the Federal Republic of Germany and quickest possible delivery for providing more carrying capacity.

2. According to the proposals approved by Government in December 1980, the Corporation was to create a cargo carrying capacity of 11.63 lakh tonnes on different routes by 1985-86, against which the cargo available was estimated at 8.74 lakh tonnes. From the Ministry's reply of May 1983, it is, however, seen that the total carrying capacity and achievable capacity by 1985-86 will be only to the extent of 9.17 lakh tonnes and 6.13 lakh tonnes respectively.

The details of projections in regard to capacities and available cargo made in the proposals approved by Government in December 1980 and those indicated in the Ministry's reply of May 1983 are given in Annexure II.

3. The Ministry also stated in May 1983 that the Corporation has decided to complete the investment approved by Government in December 1980 within 1984-85 (as against 1986-87 contemplated earlier). This has to be viewed in the light of the following facts :

(i) Although the scheme was sanctioned by the Government in December 1980, the creation of a separate project cell for its implementation was approved by the Board only in May 1981. In March 1982, the constitution of the cell was reviewed by the Board and it was decided to have separate project implementation and monitoring cells with a Senior Naval Architect for project implementation and a Statistical Supervisor for project monitoring. These posts were yet (November 1982) to be filled in.

(ii) The implementation of the programme was lagging behind the schedule as would be evident from the following facts :—

- (a) As the Comprehensive programme was approved by the Government only in December 1980, the programme envisaged for 1980-81, by and large, could not be implemented.
- (b) The programme for the year 1981-82 envisaged an expenditure of Rs. 994.00 lakhs. The Corporation approached the Government in October 1980 for release of funds of Rs. 1,177 lakhs which was later revised to Rs. 466.32 lakhs. The Government released funds to the extent of Rs. 435.60 lakhs in March 1982 against which the Corporation incurred an expenditure of Rs. 395.80 lakhs only.
- (c) There was virtually no progress in the installation of infrastructural facilities. A firm of consulting engineers was appointed in January 1981 for preparation of a Detailed Project Report on such facilities. The draft Project Report was submitted by the consultants in July 1981/October 1981. However, on account of fresh assessment of requirements for cargo handling, particularly for heavy over sized and bulk cargo and containers, the consultants were requested in July 1983 to work out the kind of equipments and facilities to be installed. The report was awaited.
- (d) Order for construction and delivery of the three tugs was placed on M/s. Mitsubishi Corporation of Japan in June 1982. In October 1982, the Corporation appointed M/s. Bureau Veritas of Bombay, which had a permanent office in Japan, to monitor the progress of work and to supervise the construction of these tugs on behalf of the Corporation on a continuous and regular basis at a fee of Rs. 5.25 lakhs payable in Japanese Yens.

However, official trials of the tugs conducted in April 1983 in Japanese waters revealed a number of defects and deficiencies. As against the maximum draft of 1.6 metres prescribed in the agreement, the actual maximum draft registered was around 1.7 metres. In May 1983, the Board of Directors noted that except the defect of the excessive loaded draft, other defects could be rectified by the firm. Since the performance of the tugs did not meet the requirement of the maximum permissible draft prescribed, the Chairman-cum-Managing Director was authorised to negotiate for the quantum of compensation with the firm and enforce Bank Guarantee of 20 per cent as per the contractual stipulation in the event of the firm not agreeing to any such compensation provided they rectify the other defects. The three pusher tugs were delivered to the Corporation in July 1983.

The Board was also informed in May 1983 that—

- wing to the defects the basic objective of the technology transfer contemplated in the contract was seriously affected; the hull lines and the weight distribution in particular will have to be *modified* for the six similar indigenous tugs, the contract for construction of which had recently been finalised;
 - the Corporation had approached the Naval Architecture Department of IIT, Kharagpur to get the basic revised designs including hull lines and structural drawing and model testing to be done.
- (e) Order for construction of 3 self propelled barges of 600 tonne capacity was placed on M/s. Chowgule & Co. Pvt. Limited in February 1981 at a cost of Rs. 59.99 lakhs each (excluding survey charges of

Rs. 0.29 lakh each). The delivery of the two vessels which had arrived in Calcutta in March/April 1983 could not be taken as on trial they were found to have a number of defects/deficiencies.

The Major deficiencies were :

- loss of dead weight tonnages of approximately 58 tonnes as per the actual loading which would result in shortfall in earnings of Rs. 0.29 lakh per round voyage or Rs. 2.61 lakhs per year per vessel. There was no clause for imposition of penalty for loss of dead weight tonnage;
- weather tightness of the freight house;
- extensive damages in under-water hull, both propellers, shaft seals, etc., in first vessel;
- steering performance found sluggish, extensive damages in port rudder, port props, one tip bent and several dents observed on under-water hull in the second vessel.

The Ministry stated (October 1983) that these vessels have since been taken over with still existing defects and deficiencies without prejudice to the Company's right of claims under the contract.

Third vessel which was scheduled to be delivered in March 1982 was still under construction (October 1983) and was expected to be delivered by March 1984.

- (f) Order for construction of three, 600 tonne self-propelled barges was placed on Mazagon Dock Limited in January 1981 at a cost of Rs. 60.47 lakhs each (excluding survey charges of Rs. 0.29 lakh each). The formal agreement for the work has not been entered into with Mazagon Dock Limited as yet (May 1983). The vessels were scheduled to be delivered by March 1982. The Board of Directors of the Corporation was informed in May 1983 that the first vessel launched in March 1983

met with an accident and according to the Corporation's technical team and specification surveyors, a major damage had been observed. Although the Corporation has advised Mazagon Dock Limited to renew the entire damaged sections as per requirements, the specification surveyors have informed (March 1983) that it is practically impossible for the Builders to take the vessel up the slip-way for having the damaged portions renewed. The Builders have, however, carried out temporary repairs in afloat condition at their own instance. From classification point of view the specification surveyors considered these temporary repairs to be sufficient until the vessels can be dry docked after one year when these could be specially examined and dealt with as found necessary at that time.

The remaining two vessels have not been delivered so far (May 1983). The Board of Directors of the Corporation was informed (April 1983) by the Chairman-cum-Managing Director that the performance of Mazagon Dock Limited has been extremely disappointing and that none of the three vessels ordered on them is likely to be delivered before October 1983.

- (g) The progress of construction of the remaining three self-propelled barges being constructed in Corporation's own yard is also far behind the schedule. According to the order placed in January 1981, the vessels were scheduled to be delivered in June 1983, September 1983 and October 1983; the progress of construction of the vessels upto May 1983 was only to the extent of 53 per cent, 46 per cent and 48 per cent respectively. As against the estimated cost of Rs. 51.77 lakhs per vessel, the revised cost was estimated at Rs. 60.79 lakhs per vessel.

- (h) Capital repairs of only 24 vessels had been done upto October 1983 at a cost of Rs. 135.28 lakhs as against 48 envisaged to be repaired by 1982-83.
- (i) Year-wise programme for acquisition of vessels etc. matched with phasing of expenditure, if any, was not produced to Audit.

The Ministry stated (May 1983) *inter alia* as under :

“The savings in expenditure from the allotted funds relating to capital repairs and acquisition of vessels occurred due to :—

- (a) Delay in finalisation of terms of advance with the Private Party, M/s. Chowgule and Company with whom order was placed for construction of 3 numbers self-propelled barges as also M/s. Mazagon Dock Limited with whom a dispute had arisen about the specification of the vessels to be completed by them.
- (b) Difficulty encountered by the Corporation in finalising the tenders for construction and supply of Dumb Barges.
- (c) The scheme for capital repairs of overaged vessels included in the PIB proposals have been examined afresh as desired by the Board in its meeting in view of the rise in cost of repairs
.....

The Corporation has decided to complete the PIB investment within 1984-85.....

Regarding development of infrastructural facilities at river terminals in Assam and Calcutta it may be stated that a firm of Consultants [Consulting Engineering Services (India) Private Limited] who were appointed in January 1981 had given a project report in July 1981 and after a detailed re-examination

of the Report submitted by them, the developmental work relating to infrastructural facilities are going to be revised.....

Project implementation job has now been taken up on a well co-ordinated manner.

The main reasons for delay in construction and delivery (self-propelled barges) have been lack of adequate expertise in quickly settling important technical specifications and in approving the design and drawings.....

Although as per the scheme approved by the PIB..... all the vessels to be acquired under it, were to be manufactured indigenously, As the technology to construct shallow draft vessels has not developed in India, it was decided to import 3 tugs alongwith design and specifications to manufacture the remaining 6 indigenously."

In regard to the Capital repairs of vessels and development of infrastructural facilities, the Ministry stated (October 1983) as under :—

- (a) It has been decided by the Board that further repairs would require prior approval of the Board on the basis of economic justification of each repair.
- (b) As against the sanction of Rs. 245 lakhs, a sum of Rs. 21.97 lakhs has already been spent on the development of infrastructural facilities.

In the meeting of the Audit Board held in August 1983, the Ministry was requested to furnish a note indicating as to when the Corporation was expected to break-even.

The Ministry, *inter alia*, stated (October 1983) as under :

"As per our assessment made for profitability of River Service Division the break-even can be struck in 1985-86 when there will be a cash loss.....

Acquisition of vessels as per PIB Scheme investment would be completed within 1984-85 and hence it is estimated that the achievable capacity generated would be fully utilised in 1985-86..... However, in view of certain new developments affecting the operation, a further study is being made to take stock of the position and take necessary corrective steps to stick to the target date of completion of PIB scheme during 1984-85 and projection as above. There may be cost escalation of the Project but completion of physical acquisition as per programme will be maintained within the period.

Due to adjustment of timing of acquisition of vessels etc. may result in a marginal slippage in achieving the operating target which is not likely to affect the economics materially. Hence it may be expected that break-even will be achieved by the year 1985-86. The cost escalation would be absorbed by high freight rates.....”

5.02 *Rajabagan Dockyard*

The main activities of the Rajabagan Dockyard are maintenance and repairs of the Corporation's fleet of inland vessels and also construction of new vessels as and when required, particularly, for augmenting or rehabilitating the fleet.

The Bose Committee which was set up in June 1967 to report on how best the Dockyard could be developed, in its report of June 1968 had recommended replacement and/or improvement of obsolete assets at a total cost of Rs. 300 lakhs. The implementation of the recommendations of the Committee resulted in increase in the capacity of Foundry and Pattern shops from 25.70 tonnes to 32 tonnes per month, Hull and Smithy shops from 40 tonnes to 75 tonnes per month and Machine shop from 71 tonnes to 150 tonnes per shift. Meanwhile, in 1972 the Corporation prepared a revised project report for the development of the Dockyard entailing an investment of Rs. 10.82 crores, (including Rs. 3 crores referred to above)

which was considered by the Government and was tentatively agreed to (Rs. 10.44 crores) by the Planning Commission. In May 1974, the Government desired the Corporation to revise the project cost and accordingly, another revised project report entailing an investment of Rs. 768 lakhs (including Rs. 300 lakhs referred to above) was submitted by the Corporation to the Government and considered by the Planning Commission in March 1976. At the instance of the Ministry, the project was considered by the Board in September 1976 and it was decided that the same be got examined by some outside experts. Accordingly a firm of Consultants was engaged (August 1977) by the Corporation for preparation of a feasibility report based on demand analysis for vessels after making market surveys. In the meanwhile (February 1977) the Corporation sent to the Ministry of Shipping & Transport a feasibility report for construction of a building dock at Rajabagan Dockyard. In September 1977, the Ministry asked the Corporation to send a memorandum for Expenditure Finance Committee (EFC) for this proposal costing Rs. 189 lakhs as also for the expenditure of Rs. 300 lakhs already incurred in pursuance of the Bose Committee's report. The Corporation sent the memorandum to the Ministry of Shipping and Transport in August 1978. In November 1978 the Corporation requested the Ministry to treat the memorandum as superseded, as in the meanwhile (May 1978) the consultants had submitted their report which envisaged an outlay of Rs. 30.64 crores in four phases.

On the basis of the recommendation of the Consultants, the Corporation submitted proposals to the Ministry in May 1979. As the Ministry had reservations regarding the capacity of the Corporation to undertake a huge development programme successfully and efficiently and considering the uncertainty about availability of orders for manufacture of large vessels, the Corporation submitted to the Ministry in November 1979 a revised proposal for the development of the Dockyard, involving an estimated expenditure of Rs. 860 lakhs (later revised to Rs. 500 lakhs in September 1980). In December 1980, Ministry sanctioned a sum of Rs. 500 lakhs for the development

of the Dockyard, to be incurred over a period of 5 years as under :

| Year | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1984-85 | Total |
|---|---------|---------|---------|---------|---------|-------|
| Estimated expenditure (Rs. in lakhs) | 15 | 85 | 250 | 100 | 50 | 500 |

A firm of consultants was appointed in January 1981 for preparation of a detailed project report and construction supervision. The draft project report submitted by the consultants in July 1981 and further revised in October 1981 envisaged two alternate proposals, spread over 30 months from the date of approval of the project report. The estimated cost for development of the Dockyard was revised to Rs. 5.62 crores in April 1982 and Rs. 5.11 crores in May 1983.

From the above, the following points emerge :

- (i) The Corporation/Government had taken long time in arriving at a decision on the scope and parameters of the development of Rajabagan Dockyard. Even the revised proposals sanctioned by the Government do not envisage comprehensive development of the Dockyard.
- (ii) As against the estimated expenditure of Rs. 100 lakhs envisaged to be incurred during 1980-81 and 1981-82, the Corporation has incurred an expenditure of Rs. 3.89 lakhs only upto 31st March, 1982 on the development of the Dockyard.
- (iii) The progress of the repairs/improvements of the Dockyard was slow.

6.00 Performance appraisal

At the time of its formation, the activities of the Corporation were confined mainly to passenger ferry services in Calcutta and internal river services in Assam, in addition to ship repairing, construction of small river and harbour crafts, general engineering jobs, automobile servicing and repairs and lighterage, etc. Presently, in addition to above, the Corporation operates river traffic services to and from the North Eastern Region through

Bangladesh and on shorter routes on Hooghly. It has also undertaken stevedoring and dredging operations.

The details of vessels inherited by the Corporation from the erstwhile RSN Company, vessels acquired and disposed of after formation of the Company and the strength of its fleet as on 31st March 1982 are given in Annexure III.

The age-wise analysis of the vessels of the Corporation as on 30th November, 1982 given in Annexure IV reveals that 58 per cent of the vessels were over 30 years old; Only 14 per cent of vessels were less than 20 years old.

Out of 160 vessels with the Corporation in November 1982, 113 were under operation; 35 vessels could carry cargo all the year round and 32 vessels could carry cargo occasionally, the rest being support vessels. 47 vessels including vessels the sale of which was cancelled in compliance with the recommendation of the Committee on Public undertakings in para 1.51 of its Second Report (Sixth Lok Sabha—1978-79) were considered for disposal being old and unserviceable in February 1982. Sale of 14 vessels (original value Rs. 13.43 lakhs and depreciated value Rs. 7.15 lakhs) was approved by the Board of Directors in their meetings held in July/September 1982.

6.01 Activity Centres

The following table indicates the periods when various activities were started/discontinued by the Corporation:—

| Sl. No. | Activity | Year in which started | Year in which discontinued, if any |
|-------------------------------|--|-----------------------|------------------------------------|
| A. Riverine Activity : | | | |
| 1. | Inland navigation | Since inception | |
| 2. | Assam internal river services | 1967 | |
| 3. | Ligherage operation in Calcutta/Haldia Ports. | 1967 | May 1979 |
| 4. | Ferry services in Calcutta on behalf of South Eastern Railway. | 1967 | May 1979 |
| 5. | Stevedoring at Calcutta Port. | December 1970 | May 1979 |
| 6. | Haldia Oil operation from Haldia to Budge Budge/Paharpur | December 1975 | |

| Sl. No. | Activity | Year in which started | Year in which discontinued, if any |
|----------------------------------|--|-----------------------|------------------------------------|
| 7. | Dredging operation at Balagarh on behalf of Calcutta Port Trust. | 1974 | |
| 8. | High sea grain lightering operations in Calcutta and Bangladesh. | 1976 | 1978 |
| B. Engineering Activity : | | | |
| 1. | Ship building, general engineering and vessel repairs at Rajabagan Dockyard. | 1967 | |
| 2. | Deep sea ship repairs in Calcutta and Port Blair workshops. | 1975 | |
| 3. | Marine Workshop at Pandu, Gauhati. | 1967 | |
| 4. | Automobile body building and Repair workshop (New Alipore) | 1972 | April 1982 |

6.02 Capacity

Riverine Services

The Corporation has not determined route-wise capacity; vessels were not earmarked route-wise and were utilised on different routes from time to time depending upon traffic offerings.

The Ministry intimated (May 1983) as follows :

- (i) The total carrying capacity and achievable capacity per annum of the riverine services after implementation of modernisation scheme is likely to be 9.17 lakh tonnes and 6.13 lakh tonnes respectively.
- (ii) During the coming 2/3 years there will be a basic structural change in the capacity of River Services Division. Some of the existing vessels will be discontinued/scrapped due to their old age and a new fleet of vessels will be gradually acquired/constructed to augment the capacity.
- (iii) By the end of 1985-86 the real capacity after completion of the acquisition and scrapping Plan will emerge.

- (iv) Bureau of Public Enterprises has also taken up a study on the capacity of River Services Division which is expected to be completed within 2/3 months.

The Corporation furnished the following data to the Ministry in March 1981 in respect of its available capacity during the years 1976-77 to 1981-82.

| Year | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 |
|--------------------------------|----------|----------|----------|----------|----------|----------|
| Available capacity (in tonnes) | 3,04,564 | 3,02,748 | 3,26,746 | 2,35,238 | 1,49,000 | 1,72,640 |

The basis on which the above available capacity was determined has, however, not been intimated to Audit.

Rajabagan Dockyard

The overall rated and attainable annual production capacity for different product-mix or activities of the dockyard has not been fixed. No assessment of capacity of various shops (except Hull Shop) has been made on a scientific basis. The table below shows the capacities for Hull Shop, Repairs to inland vessels and General Engineering works as intimated (March 1981) by the Corporation to the Ministry of Shipping and Transport. The basis of this assessment also was not made available to Audit.

| Year | Ship-building (Hull Shop) (in tonnes) | Repairs to inland vessels (Rs. in lakhs) | General engineering (in tonnes) |
|---------|---------------------------------------|--|---------------------------------|
| 1976-77 | 1100 | 225 | 688 |
| 1977-78 | 1090 | 225 | 680 |
| 1978-79 | 1090 | 225 | 660 |
| 1979-80 | 955 | 225 | 660 |
| 1980-81 | 955 | 300 | 600 |
| 1981-82 | 960 | 225 | 600 |

In August 1982, the Corporation had engaged the NPC for estimation, in particular, of the capacity of the new construction activity in Rajabagan Dockyard. In this regard the Ministry stated (May 1983) as under :

“The study of the NPC reveals that there is a basic imbalance between various Trades and the facilities available for New Constructions..... The Management has, however, taken in hand the issue of rationalisation of Trades of Workers..... as well as supplementing the capacity of Plant and Machinery with balancing equipments so that productivity increases. Unless the norms based on standard methods, machines, materials and men are fixed the productivity cannot be measured scientifically and monitoring the performance in comparison to the standard becomes very difficult. The Management has started consultation with the workers' unions to standardise the Trades and orders have been placed on various manufacturers for supplying balancing equipments for purpose of augmenting the capacity. The Organisation structure of the Rajabagan Dockyard is under finalisation.....”

Other Activities

The Corporation has also not fixed the installed/rated capacity of Deep Sea Ship Repair Workshop, New Alipore Works, Kulpi and marine workshops. According to Management (July 1981) such capacity was not determinable. The Management further stated (December 1982) that a study of the shop-wise capacity was being conducted by the National Productivity Council.

6.03 Overall performance

The table below indicates activity-wise value of production as well as the earnings of the Corporation during the last six

years ending 31st March 1982.

(Rs. in lakhs)

| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| A. Riverine Services : | | | | | | |
| (a) Freight earnings (including earnings from cement operation) | 88.07 (6) | 84.98 (5) | 133.62 (3) | 114.91 (2) | 239.79 (1) | 162.78 (1) |
| (b) Ferries and charters | 7.83 (11) | 15.72 (8) | 15.19 (7) | 7.63 (9) | 6.12 (7) | 4.14 (8) |
| (c) Lighterage | 8.93 (9) | 3.30 (12) | 1.43 (11) | 1.00 (11) | Nil | Nil |
| (d) Dredging | 18.35 (7) | 15.09 (9) | 13.74 (8) | 9.30 (7) | 16.51 (6) | 15.10 (6) |
| (e) Stevedoring | 163.48 (4) | 90.32 (4) | 80.72 (5) | 60.44 (6) | Nil | Nil |
| (f) High Sea Grain Operation | 225.91 (1) | 35.82 (7) | Nil | Nil | Nil | Nil |
| TOTAL | 512.57 | 245.23 | 244.70 | 193.28 | 262.42 | 182.02 |

B. Engineering Activities :

| | | | | | | |
|---|------------|------------|------------|------------|---------------|------------|
| (a) Repairs to inland vessels | 182.50 (3) | 161.95 (2) | 199.35 (1) | 155.72 (1) | 182.76 (2) | 70.18 (4) |
| (b) New Vessels construction | 214.99 (2) | 184.85 (1) | 154.87 (2) | 76.14 (4) | 91.78 (4) | 124.50 (3) |
| (c) General engineering | 8.44 (10) | 37.64 (6) | 35.15 (6) | 64.20 (5) | (-)-14.17 (9) | 52.65 (5) |
| (d) Deep sea ship repairs | 138.59 (5) | 123.79 (3) | 98.58 (4) | 106.71 (3) | 177.88 (3) | 159.50 (2) |
| (e) Auto Body building | 14.16 (8) | 7.32 (10) | 7.04 (9) | 9.08 (8) | 17.07 (5) | 9.03 (7) |
| (f) Auto repairs | 4.31 (12) | 4.55 (11) | 2.68 (10) | 1.54 (10) | 0.58 (8) | 0.69 (9) |
| TOTAL | 562.99 | 520.10 | 497.67 | 413.39 | 455.90 | 416.55 |
| C. Miscellaneous | 0.36 | 50.87 | 53.88 | 6.01 | 70.78 | 45.05 |
| GRAND TOTAL | 1075.92 | 816.20 | 796.25 | 612.68 | 789.10 | 643.62 |

- NOTE : 1. The number in brackets indicates the rank of the activity during the year in terms of value of production/earnings.
2. The figures against 'Miscellaneous' indicate earnings not attributable to any particular activity e.g. sale of scrap, sale of obsolete stores, rent realised, etc.
3. The figures in respect of Riverine Services and Engineering Activities represent earnings and production respectively.
4. The value of production has been taken as sales plus works-in-progress at cost or realisable value, whichever is less and includes capital jobs-in-progress.
5. The value of production of general engineering job during 1980-81 was Rs. 62.08 lakhs before adjusting loss provision of Rs. 76.25 lakhs.

The freight earnings from river services increased from Rs. 84.98 lakhs in 1977-78 to Rs. 239.79 lakhs in 1980-81 but again declined to Rs. 162.78 lakhs in 1981-82. There was a sharp decline in the earnings from repairs to inland vessels in 1981-82 as compared to earlier years. The value of production of new vessels construction showed a declining trend except that in 1980-81 and 1981-82 when there was slight improvement over the position obtaining in 1979-80.

The performance of the major activities of Corporation is discussed below :

6.04 Riverine Services

- (a) *Implementation of recommendations of the Committee on Public Undertakings (Sixth Lok Sabha), April 1978.*

While adversely criticising the Government's decision of June 1977 to close down Calcutta—Cachar, Calcutta—Assam and Calcutta—Bangladesh river services, the Committee on Public Undertakings in paragraphs 3.57 and 3.67 to 3.70 of its Seventh Report (Sixth Lok Sabha—1977-78) had recommended that the river services which had been closed down should be re-started in the following phases :—

Phase I—Services to Calcutta—Cachar, Calcutta—Assam, Calcutta—Bangladesh and Sunderbans should be restarted. Regular scheduled sailings, preferably weekly services should commence and in all places efforts should be made to have river-cum-road coordinated services so as to make them more attractive. Patna Services run departmentally should be taken over by the Corporation. A Ferry Service between Dahej (South Gujarat) and Bhavnagar (Saurashtra) should also be started.

Phase II—Services from Calcutta to Durgapur through the Damodar Valley Corporation (DVC) Canal and Haldia—Allahabad should be started.

Phase III—River Services as recommended by the Inland Water Transport Committee (Bhagwati Committee) should commence.

Phase IV—Fresh survey of navigable waters should be carried out with a view to expanding river services wherever possible.

Action taken by the Government on the above referred recommendations of the Committee is discussed below :

- (i) The Ministry of Shipping and Transport had intimated (October 1978) the Committee on Public Undertakings that Calcutta—Cachar and Calcutta—Assam Services had been revived and that Calcutta—Bangladesh service had been continuing. The question of starting river services to Sundarbans will be examined in all aspects in consultation with the Government of West Bengal. The Government of Gujarat has included the scheme for introduction of a truck-cum-passenger service between Dehaj and Cogha in the State Plan.

In regard to the Patna Services, the Ministry stated (May 1983) as under :

“The Patna Services run departmentally by IWT Directorate of Government of India are going to be taken over by the Corporation shortly. Certain difficulties in regard to service conditions of the existing staff of the Patna services and the uneconomic operations have stood in the way of take over the services earlier”.

The river services to Sunderbans had not commenced (March 1982).

(ii) In April 1977, an Expert Committee was set up by the Ministry of Shipping and Transport (Inland Water Transport Directorate) to recommend measures for opening cargo traffic through the DVC navigation canal. The recommendations (January 1979) of the Expert Committee were accepted by Government in June 1980 and the implementing agencies—DVC, Government of West Bengal and the Corporation were asked to go ahead with implementation thereof. However, owing to non-settlement of allocation of cost among the various implementing agencies, no progress in the matter could be made upto March 1981. The Expert Committee had also recommended for preparation of a feasibility report for revitalising the DVC Canal.

In a meeting convened by the Government of West Bengal on 6th July 1981, which was attended by the representatives of the Corporation and DVC it was held unanimously that owing to technical and natural limitations, introduction of inland water transport through the canal "would not appear to be viable."

Another meeting was convened by the Ministry of Shipping and Transport on 9th July 1981 for considering the question of reactivating the DVC canal. The meeting was attended by the representatives of the Ministry of Energy, Government of West Bengal, Corporation, DVC and Coal India Limited (CIL). It was decided in the meeting that the Corporation should prepare in about a month's time a comprehensive project report for reactivating the DVC canal in consultation with CIL, DVC and Government of West Bengal, after studying the economics of operation with suitable crafts.

The Ministry stated (May 1983) that the feasibility report on re-activating the DVC canal for carriage of cargo between Durgapur and Calcutta was under consideration of the Government.

In regard to the Allahabad—Haldia Service, the Ministry of Shipping and Transport had informed (October 1978) the Committee on Public Undertakings that no through service was possible because of non-completion of navigation lock gate at Farakka.

(iii) The Committee on Public Undertakings was also informed that due to non-completion of lock gates at Farakka, river service on Ghaghra could also not be started and that provision for hydrographic surveys of important waterways had been made by Government in the Fifth Five Year Plan. There was no improvement in this position upto March 1982.

The Ministry stated (October 1983) as under :

“Regarding extension of the services towards Patna and beyond, we have already started regular services upto Farakka. Further extension of services will be made after the lock gates at Farakka are operated.”

(iv) No new river services (phase IV) had been started by the Corporation (March, 1982).

(b) *Existing River Services*

(i) The Corporation was running the following services as on March 1981.

- | | |
|---|--|
| 1. Calcutta—Gauhati—Calcutta | restarted in 1978-79 |
| 2. Assam—Bangladesh | restarted in 1971-73 (No traffic since 1977-78). |
| 3. Assam—Internal | restarted in 1972-73 (No traffic except in 1975-76 and 1979-80). |
| 4. Calcutta—Cachar—Calcutta | started in 1975-76 |
| 5. Calcutta—Bangladesh—Calcutta | restarted in 1972-73 |
| 6. Calcutta—Farakka—Calcutta | started in 1978-79 |
| 7. Sagar—Calcutta | started in 1978-79 |
| 8. Haldia—Calcutta | started in 1978-79 |
| 9. Haldia—Calcutta (Oil) | started in 1975-76 |
| 10. Diamond Harbour—Calcutta | started in 1979-80 |

(ii) *Capacity utilisation of river services*

As already mentioned earlier, the vessels were utilised by the Corporation in different routes depending upon the availability of traffic and hence route-wise capacity was not worked out. The total available capacity and the route-wise utilisation

thereof during the years 1976-77 to 1981-82 is given in the following table :—

(Figures in tonnes)

| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Capacity available | 3,04,564 | 3,02,748 | 3,26,746 | 2,35,238 | 1,49,000 | 1,72,640 |
| <i>Capacity utilised-route-wise</i> | | | | | | |
| Calcutta-Gauhati-Calcutta | 2,819 | 2,316 | 31,220 | 29,445 | 36,971 | 40,887 |
| Assam-Bangladesh | 600 | .. | .. | .. | .. | .. |
| Assam-Internal | .. | .. | .. | 428 | .. | .. |
| Calcutta-Cachar-Calcutta | 1,601 | .. | 7,456 | 6,718 | 12,658 | 10,313 |
| Calcutta-Bangladesh-Calcutta | 22,212 | 18,326 | 14,377 | 6,853 | 13,843 | 6,137 |
| Calcutta-Farakka-Calcutta | .. | .. | 767 | 3,574 | .. | .. |
| Sagar-Calcutta | .. | .. | 12,855 | .. | 20,389 | .. |
| Haldia-Calcutta | .. | .. | 1,014 | 2,825 | 10,672 | 583 |
| Haldia-Calcutta (Oil) | 1,50,981 | 1,57,016 | 1,43,413 | 94,319 | 19,846 | 17,133 |
| Diamond Harbour-Calcutta | .. | .. | .. | 7,697 | .. | .. |
| | <u>1,78,213</u> | <u>1,77,658</u> | <u>2,11,102</u> | <u>1,51,859</u> | <u>1,14,479</u> | <u>75,053</u> |
| Percentage of utilisation | 58.5 | 58.7 | 63.1 | 64.5 | 76.8 | 43.5 |

The estimated traffic and the details of commodities carried on various routes during the years 1980-81 and 1981-82 are given in Annexure V.

From the data indicated above and in Annexure V the following position emerges :

- (i) There has been sharp decline in the available capacity from 1979-80 onwards as compared to the capacity available in the previous years.
- (ii) The available capacity was not fully utilised; the utilisation of capacity ranged from 43.5 per cent in 1981-82 to 76.8 per cent in 1980-81.
- (iii) In 1981-82 (the data for budgeted traffic of which year was available) actual traffic carried was far below the budgetted traffic.
- (iv) There was a decline in the traffic on Calcutta-Bangladesh-Calcutta route mainly due to import restrictions imposed by the Government of Bangladesh and stoppage of molasses export through Khulna in Bangladesh.
- (v) On Calcutta-Assam-Calcutta route, there was decline in the traffic of cement, fertilisers and tea, etc. in 1981-82 as compared to 1980-81.

In this connection it is pertinent to note that the River Services Committee (1972) had estimated the annual traffic by river services from Assam and other North Eastern States to Calcutta and vice versa at 6 lakh tonnes and India's river-borne traffic between India and Bangladesh at about 2.5 lakh tonnes, totalling 8.5 lakh tonnes. In a note submitted to the Public Investment Board (September 1980) for revitalising the Corporation with the investment proposed in acquisition of vessels, capital repair to existing vessels and development of Rajabagan Dockyard for creation of a total cargo carrying capacity of 11.63 lakh tonnes, the cargo availability was assessed at 8.74

lakh tonnes by 1985-86 (against the total cargo potential of 51.36 lakh tonnes to be catered to by rail, road and river routes). As against this, the actual cargo carried by the Corporation during each of the 6 years ending 1981-82 was much less—maximum of 2.11 lakh tonnes in 1978-79, due to much lesser carrying capacity and under-utilisation of available capacity.

The Management attributed (March 1981) the shortfall in utilisation of the capacity to the following reasons :—

- Erratic and irregular cargo offerings causing cargo imbalance.
- Non-availability of return traffic from Assam (upto 1978-79), Bangladesh and Farakka.
- Abnormal detention of vessels for off-loading of cargo at Bangladesh stations.
- Absence of infrastructural facilities including mechanical handling facilities for quick loading/unloading of cargo and absence of adequate storage space at all the river stations operated by the Corporation.
- Stoppage of handling operations at loading and unloading points from time to time due to labour trouble.
- Operational days (138) lost due to strike by the members of the crew in 1979-80.
- Setback in cargo handling due to agitation in Assam from the 3rd quarter of 1979-80.
- Running of age-old vessels resulting in low operational efficiency.
- Irregular and inadequate receipt of bunker coal from Coal India Limited resulting in detention of prime-mover at river terminals.

- Inordinate delay in carrying out statutory and capital repairs to vessels.

The Ministry stated (May 1983) as under :

“The carrying capacity of the Corporation was reduced due to most of its vessels being over aged and not in riverworthy condition. The available carrying capacity also could not be utilised for some time due to the insufficient depths in the waterways passing through Bangladesh, non-availability of return traffic and also due to the strike by the floating staff of CIWTC Ltd. The cargo carrying capacity of the Corporation has improved consequent to their having been able to secure POL movement from Haldia to Budge Budge. Bulk quantities of urea has also been moved by the Corporation from Bangladesh to Calcutta on Nepal Government Account. Efforts are being made to secure similar bulk traffic in future also. The cargo carrying position is expected to improve further considerably with the implementation of the scheme for capital investment of Rs. 34.20 crores in the Capital of the Corporation, which *inter alia* provides for acquisition of new vessels. The Ministry of Shipping and Transport have also moved the concerned Ministries and Public Sector Undertakings with a view to secure bulk traffic for the CIWTC Limited.”

(iii) *Normal trips of vessels vis-a-vis actual trips*

Out of 28 powered crafts excluding launches, 10 to 18 crafts were utilised from time to time during the six years ended 31st March 1982 on different regular routes.

The table below indicates normal number of trips which these vessels could undertake vis-a-vis the actual number of

trips made in each year during the last 6 years upto 1981-82.

(Figures in numbers)

| Routes | Normal | | Actual | | | | | | | | | | | |
|--|--------------|-------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
| | Ves- sels | Trips | 1976-77 | | 1977-78 | | 1978-79 | | 1979-80 | | 1980-81 | | 1981-82 | |
| | | | Ves- sels | Trips | Ves- sels | Trips | Ves- sels | Trips | Ves- sels | Trips | Ves- sels | Trips | Ves- sels | Trips |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| (1) Calcutta-Assam- Calcutta | 6 | 40 | 3 | 7 | 3 | 9 | 6 | 22 | 7 | 31 | 7 | 17 | 7 | 24 |
| (2) Calcutta-Cachar- Calcutta | 3 | 9 | 2 | 10 | .. | .. | 3 | 8 | 2 | 6 | 5 | 7 | 2 | 3 |
| (3) Calcutta-Bangladesh- Calcutta | 3 | 14 | 6 | 24 | 7 | 33 | 4 | 15 | 4 | 10 | 6 | 14 | 1 | 1 |
| (4) Calcutta-Haldia/Sagar- Calcutta | 2 | 50 | .. | .. | .. | .. | 4 | 5 | 2 | 4 | .. | .. | .. | .. |
| | *14 | 113 | *11 | 41 | 10 | 42 | *17 | 50 | *15 | 51 | *18 | 38 | 10 | 28 |

*The same vessel was utilised in two or more different routes and hence this total is more than 10.

It will be seen from the data given above that the trips made by the vessels were far less than the trips which could be undertaken.

The Ministry stated (May 1983) as under :—

“The calculations shown in the appraisal are based on ideal conditions, e.g. navigability of channels, time at terminal stations, time at Customs Check Points etc. It may, however, be emphasised that for achieving the turn-round time referred to by the Audit, improvements on the above factors are first necessary. With a view to improving the position, different measures have been taken e.g. improvement of Infrastructural facilities, channel marking, 2 shift work in loading and unloading etc. and it is expected that the position will improve considerably. with the introduction of MIS in River Services, the number of trips made in a year for different categories of vessels, are now being continuously monitored. Besides, the actual time taken by these vessels in transit, for loading/unloading, repairs etc. are also being closely watched.”

(iv) *Turn-round time of vessels*

The River Services Committee, 1972 had estimated the turn-round periods of Bangladesh and Assam routes at 11 and 21 days respectively. It will, however, be observed from the details given in Annexure VI that the turn-round time actually taken by a number of vessels during the five years ending 1980-81 was far in excess of this period.

An analysis of trips made by vessels during 1980-81 and 1981-82 in (i) Calcutta—Karimganj, (ii) Calcutta—Narayanganj (Bangladesh) and (iii) Calcutta—Pandu (Assam) routes revealed that :—

- (i) actual running time of vessels on the same route varied considerably in a number of cases from trip to trip.

- (ii) detention hours due to various reasons were very high and many a time exceeded the normal turn-round time. The major detentions were at terminal points, for night halt, for customs check and en-route due to grounding of vessels, etc.

Thus, inability of the Corporation in reducing the turn-round time and accordingly in increasing the total sailings from Calcutta has also affected its traffic credibility.

In March 1981 the Corporation stated that the following measures were necessary to avoid detentions :

- Provision of infrastructural facilities at Calcutta and Assam stations.
- Maintenance of minimum navigable depth on Calcutta—Gauhati and Calcutta—Karimganj routes round the year by suitable conservancy measures.
- Measures to reduce detention of the vessels at Bangladesh Ports.
- Detention due to Customs checking at the border check posts as well as terminal stations, etc ; inadequate marking of the navigational channels specially in Bangladesh sections precluding day and night operation ; unscheduled detention by Bangladesh Rifles at the border, etc. need to be settled.
- Developing greater sense of responsibility and involvement of the workers.

The Ministry stated (May 1983) as under :—

“.....under the MIS formats for River Services operation a close monitoring on the vessels movement, utilisation, turn-round etc. are regularly prepared by obtaining reports from different sailing

stations.....a close liaison is maintained now with the Bangladesh Authorities for improving the navigability of channels as also for reducing the time taken at different Customs Check Points and Pilot Stations. The Shipping Agent appointed in Bangladesh keeps contact with the Bangladesh Inland Water Transport Authorities for smooth passage of the vessels through Bangladesh waters

(v) *Oil traffic from Haldia*

In 1975, the Corporation entered into an agreement with the Indian Oil Corporation (IOC) for transportation of furnace oil from Haldia to Budge Budge, Calcutta at Rs. 30 per tonne. It was expected that the Corporation would earn about Rs. 60 lakhs per annum on transportation of an estimated cargo of 1.63 lakh tonnes of oil. For this purpose the Corporation modified 8 barges in 1975—77 at an expenditure of Rs. 2.87 lakhs.

The rate was enhanced to Rs. 36 per tonne with effect from 1st October, 1979. The transportation of petroleum products was however, stopped from October 1979 to February 1980 due to strike by the crew of the barges.

Accordingly, tenders were invited by IOC in January 1980 for transportation of bulk petroleum products. The Corporation quoted a rate of Rs. 36 per tonne. The contract was, however, awarded by IOC to two private parties at Rs. 30 per tonne being the lowest tenderers for one year from April 1980. As a result, Corporation's capacity of about 10,000 tonnes per month was rendered idle. In September 1980 the Corporation approached the Ministry of Shipping and Transport to prevail upon the Ministry of Petroleum & Chemicals to issue necessary advice to IOC to offer their oil movement to the Corporation at Rs. 33 per tonne at which rate it was moving a small quantity of oil on account of Hindustan Petroleum Corporation Limited.

In March 1981 the Corporation approached IOC for award of the work of carriage of oil after expiry of the existing contract with the private transporters, as its capacity had remained unutilised. This was not agreed to by IOC as the private parties had already been granted extension for another one year. In June 1982, IOC agreed to offer initially 25 per cent of its oil traffic to the Corporation to be enhanced to 50 per cent after 3 months of satisfactory performance. Accordingly, from July 1982, the Corporation has been entrusted with the carriage of oil products at Rs. 30 per tonne.

In the meanwhile (March 1982) the Corporation had been able to enter into a contract with Hindustan Petroleum Corporation Limited for transportation of furnace oil and jute batching oil from Haldia to Calcutta and Budge Budge to Ramnagar. Similar contract for transportation of furnace oil was also entered into with Bharat Petroleum Corporation Limited with effect from March 1981.

The quantity of oil carried and the revenue earned by the Corporation during the years 1975-76 to 1981-82 are shown in the following table :—

| Year | Quantity carried (in tonnes) | Revenue Earned | Expenditure | Loss(—) Profit(+) |
|---------|------------------------------|----------------|---------------|-------------------|
| | | | | (Rs. in lakhs) |
| 1 | 2 | 3 | 4 | 5 |
| 1975-76 | 32,854 | 10.37 | 13.93 | (—) 3.56 |
| 1976-77 | 1,50,981 | 48.64 | 43.24 | (+) 5.40 |
| 1977-78 | 1,57,016 | 48.98 | 46.45 1.11 | (+) 1.42 |
| 1978-79 | 1,43,413 | 43.07 | 41.77 | (+) 1.30 |
| 1979-80 | 94,319 | 29.05 | 29.27 | (—) 0.22 |
| 1980-81 | 19,846 | 6.51 | 22.04 | (—) 15.53 |
| 1981-82 | 17,133 | 5.19 | * | * |

*Accounts of this activity have been merged with the accounts of 'River Services' from 1981-82, hence separate figures are not available.

The IOC had withheld (March 1980) payment of Rs. 26.16 lakhs for short delivery of 3,058 tonnes (after adjustment of permissible shortages up to 0.05 per cent). The Corporation had at the same time delivered 2,061 tonnes in excess in some other trips. Thus as against the estimated profit of Rs. 60.00 lakhs per annum on a work load of 1.63 lakh tonnes, the Corporation incurred a loss of Rs. 11.19 lakhs on carriage of 5.98 lakh tonnes of oil during the period from 1975-76 to 1980-81.

The Ministry stated (May 1983) as under :

“The traffic offered by IOC is not yet sufficient for our capacity. However, the matter is pursued with the Indian Oil Authority for getting more traffic in this regard. Regarding the amount withheld by the Indian Oil Corporation on account of alleged shortage of oil, the matter is being pursued with the Indian Oil for settlement of the matter early.”

In regard to the oil traffic, the Ministry stated (October 1983) as under :

“The potential oil traffic, as assessed by the Commercial Deptt. of the River Services Division is 2,00,000 tonnes yearly, out of which 60% of the quantity is offered to us. We expect a larger share in near future, for which necessary capacity is being created.”

(C) Lighterage, ferries and charters

(i) Lighterage

Baveja Committee had recommended (May 1971) that lighterage work of Government Departments should be undertaken by the Corporation so that the capacity of lighters, barges and launches for Calcutta river services should be fully utilised. Lighterage operation was accordingly undertaken by the Corporation from 1972-73 to utilise its idle lighters and barges. The data in the table below indicates the extent to which the

barges available for lighterage could be utilised.

Barge tonne day (in lakhs)

Company's Own Barges

| Year | Gross available capacity | Idle capacity on account of laid up/repair not licensed | Net available capacity | Capacity utilised for river services and other activities | Surplus capacity available | Capacity utilised for lighterage operation | Capacity remained unutilised | Hired barges | Hire charges (Rs. in lakhs) |
|-------------------|--------------------------|---|------------------------|---|----------------------------|--|------------------------------|--------------|-----------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1974-75 | 14.71 | 9.16 | 5.55 | 1.28 | 4.27 | 3.71 | 0.56 | 2.54 | 5.27 |
| 1975-76 | 10.14 | 2.01 | 8.13 | N/A | N/A | N/A | N/A | 5.82 | 8.03 |
| 1976-77 | 13.17 | 3.46 | 9.71 | 2.31 | 7.40 | 2.61 | 4.79 | 1.61 | 3.63 |
| 1977-78 | 10.91 | 0.91 | 10.00 | N/A | N/A | 1.01 | N/A | .. | 0.50 |
| 1978-79 | 10.91 | 1.83 | 9.08 | 2.09 | N/A | 0.78 | N/A | .. | 0.01 |
| 1979-80 | 10.91 | 0.40 | 10.51 | 1.23 | N/A | 2.31 | N/A | .. | 0.07 |

Notwithstanding under-utilisation of its own capacity, the Corporation hired barges from outside parties for lighterage operations. The Corporation had been incurring losses in this operation. While taking note of the continuing losses in this operation and with no hope to make the operation viable, the Board decided (May 1979) to discontinue the activity. It was further decided to utilise the vessels earmarked for this activity for river service operations after considering the economics of the operations on commercially viable basis or else these could be disposed of after following the approved procedure subject to prior approval of the Government. The operations were discontinued with effect from May 1979.

(ii) *Ferries and Charters*

(a) At the time of its formation in 1967, the activities of the Corporation included, *inter alia*, passenger ferry services, etc. at Calcutta on the river Hooghly, transport of pilgrims to Ganga Sagar mela, etc. In 1970, in order to develop inland water transport, the Bhagwati Committee had, *inter alia*, recommended operation of public ferry services across the Hooghly at 12 selected sites. The Baveja Committee in its Report (May 1971) had also recommended that the Corporation, in association with the Government of West Bengal and Port Commissioners, should examine the economics of running new ferries which were required to augment the existing facilities.

In June 1974 the Corporation entered into a contract with the South Eastern Railway for providing ferry services to their staff between Garden Reach and Shalimar (Howrah). This service continued up to 1978.

In 1975 the National Productivity Council suggested exploring the possibility of operating passenger ferry services in and around Calcutta. No concrete steps appeared to have been taken by the Corporation in this regard. The Corporation was not having (March 1981) any ferry service but had been giving its vessels on charter.

(b) It would be seen from the table in paragraph 6.03 that earnings from ferries and charters increased substantially during the years 1977-78 and 1978-79 as compared to previous year but showed a declining trend thereafter.

(c) *Losses on Lighterage, Ferries and Charters*

The Corporation has suffered a loss of Rs. 11.44 crores upto 1980-81 on lighterage, ferries and charterers (including that on warehousing undertaken during 1967-68 to 1980-81).

(d) *High sea Grain Lightering Operations*

(i) High Sea Grain Lightering operations were undertaken by the Corporation from January 1976. This entailed acquisition of 7 vacuators for offloading grains from mother vessels on the high seas to other vessels for transporting the cargo to various places. The activity continued upto 1977-78 and was discontinued thereafter due to the ban imposed on the food imports. As against the estimated profit of Rs. 67.50 lakhs on handling 5 lakh tonnes of grains in 6/7 months, the Corporation has incurred a loss of Rs. 25.25 lakhs on handling 2.14 lakh tonnes of grains in a period of 2 years. The Committee on Public Undertakings in paragraph 113 of its Fifth Report (Sixth Lok Sabha—1977-78) while observing that the whole scheme of lightering operations was replete with glaring irregularities and dubious deals had recommended that the whole matter should be thoroughly investigated by the Central Bureau of Investigation, the Income Tax Authorities and Enforcement Directorate, etc., responsibility fixed and officials firmly dealt with.

The Ministry stated (May 1983) that the final report of the Central Bureau of Investigation was awaited.

(ii) The Committee on Public Undertakings in para 123 of its Fifth Report—(Sixth Lok Sabha—1977-78) had adversely commented upon the lightering operations on the ship 'Jagleela' undertaken by the Corporation.

The matter, however, could not be examined in audit in detail as the relevant files were not made available on the ground that the same were with the Central Bureau of Investigation (March 1983).

(e) *Stevedoring*

In order to diversify its activities after closure of certain river services, the Corporation entered into stevedoring operations in December 1970.

For stevedoring, the Corporation obtained labourers from the Calcutta Dock Labour Board. The table below indicates the number of vessels, total cargo handled and the profit/loss incurred upto June 1974, when it was decided to stop this activity as an economy measure :—

| Year | Number of vessels handled | Total cargo handled (in lakh tonnes) | Profit(+)/Loss(-) (Rs. in lakhs) |
|-----------------------------------|---------------------------|--------------------------------------|----------------------------------|
| 1 | 2 | 3 | 4 |
| 1970-71 | 3 | 0.33 | (+)2.48 |
| 1971-72 | 14 | 6.00 | (-)3.48 |
| 1972-73 | 17 | 1.15 | (-)2.94 |
| 1973-74 | 27 | 1.50 | (-)2.74 |
| 1974-75 (upto 30th June, 1974) | 6 | 0.41 | (-)1.44 |

The Corporation incurred a net loss of Rs. 8.12 lakhs upto June 1974 on this activity. The Ministry of Shipping and Transport decided (November 1974) to close down the activity with effect from 1st December, 1974. The Chief Clerks and Senior Supervisors were, however, retained up to January 1975 in order to enable the Calcutta Dock Labour Board to finalise

the scheme for their absorption. The expenditure incurred by the Corporation on them from July 1974 to January 1975 was not made available.

The activity was resumed from November 1975 for handling 1 lakh tonnes per month (14.2 ships per month). While resuming this activity, the Corporation appointed (November 1975) a person as Stevedoring Advisor whose father was also running stevedoring business. This had been adversely commented upon by the Committee on Public Undertakings in para 128 of its Fifth Report (Sixth Lok Sabha—April 1978). The Committee on Public Undertakings had also commented upon the payment of speed/tea money to the Stevedoring labourers. The payment of speed/tea money was discontinued with effect from February 1978.

Consequent on recurring losses and with no prospect to make the operation viable in future, the Board of Directors decided in May 1979 to close down this activity as it had little relevance to the Corporation's main object of river services operation. The activity was finally closed down in May 1979. As against the anticipated profit of Rs. 12—15 lakhs per month, the total loss incurred by the Corporation on the activity from 1975-76 to 1980-81 was Rs. 26.10 lakhs as per details given below :—

| Year | No. of vessels handled | Cargo handled (in tonnes) | Profit(+)/ Loss(-) (Rs. in lakhs) |
|----------------------------|------------------------|---------------------------|-----------------------------------|
| 1 | 2 | 3 | 4 |
| 1975-76 (November 1975) | 12 | 70,118 | (-) 0.09 |
| 1976-77 | 63 | 3,80,610 | (+) 21.14 |
| 1977-78 | 48 | 1,92,252 | (-) 14.72 |
| 1978-79 | Not available | Not available | (-) 24.84 |
| 1979-80 | —do— | —do— | (-) 7.02 |
| 1980-81 | Nil | Nil | (-) 0.57 |

NOTE : The loss shown in the above table in 1980-81 was due to accounting adjustment.

6.05 Performance of Rajabagan Dockyard

(i) Organisation and Production Planning and control

The NPC which had been appointed by the Management to carry out studies, *inter alia*, on the organisational structure and production planning and control at Rajabagan Dockyard had in its reports of October 1975 and June 1976 respectively pointed out the following major deficiencies in the existing organisational set up and production planning and control of the Dockyard.

- Lack of delegation and authority.
- Diversification had not taken place on a planned basis with the result that the organisational structure was not geared up to meet the present objectives.
- Planning had been completely neglected and left to the shop floor level.
- Absence of quality control.
- Non-existence of department or section entrusted with the important task of setting up time standards or production norms in the various areas of operation in the Dockyard.
- Productwise responsibility and accountability for ship building and vessel repair was very much defused among the various groups, with the result that identification and establishment of product-wise responsibility and accountability with any single executive was not possible.
- Grouping of all the maintenance activities was not carried out properly.
- Although there was a separate stores and purchase department for the Dockyard, purchases were made by various departments.

- Imbalance between responsibility and authority of the General Manager, thereby reducing immediacy in decision making, organisational flexibility and management effectiveness.
- Absence of clear policy regarding system of planning and control of production and other activities.
- The design and drawing section of the Dockyard was carrying out the production planning and control activities in respect of ship building. The planning and estimate department did not come in the picture in these activities.
- Commitment of delivery dates without due regard to the available capacity.
- Absence of material planning and programme which is an integral part of the production planning.
- Absence of suitable time standards, starting and completion time, absence of regular information feed back system for the progress of work in the different shops/sections.

The NPC had made various recommendations in this regard. An examination of the records of Rajabagan Dockyard revealed that the recommendations of the NPC have, by and large, not been implemented; the responsibility and authority of the various officers have also not been laid down so far (May 1983).

In this connection it may also be mentioned that in March 1969, the Bureau of Public Enterprises issued guidelines to the Public Undertakings for examining their existing production control organisation in the light of the guidelines with a view to improving the same. It was also desired that planning and action phase, particularly process planning, material and tool

control organisation should normally have an Industrial Engineering Section attached to it dealing with improvement of methods.

The Management stated November/December 1982 as under :

- (a) The recommendations of the NPC involved considerable extra financial commitment which the Corporation could hardly afford because of its precarious financial condition and that most of the recommendations were being implemented in stages through modifications wherever necessary keeping in view the requirement of the Corporation.
- (b) For the first time it has started prescribing detailed duty list of the officers ; however there were still a large number of posts where this has not been done.

The Rajabagan Dockyard of the Corporation which had been undertaking works relating to repairs to vessels, construction of new vessels and general engineering, had no centralised agency for production planning upto October 1978. The Dockyard had a Planning and Estimation Department (headed by the Manager, Planning and Estimation) which was performing the functions of production planning and control for works relating to general engineering and vessel repair. Its role was diversified owing to considerable expansion of activities and it hardly did any production planning and control work *viz.*, working out production programmes with details of centre and time, etc. In respect of ship building, limited production planning and control was carried out by the Design and Drawing Section of the Dockyard, which was also entrusted with the functions of Planning and Estimation Department in October 1978. There was also no industrial engineering section attached to the planning and control organisation as envisaged by the Bureau of Public Enterprises. An examination of production planning and

control mechanism in the Dockyard revealed the following weaknesses :—

- There was no clear long range policy regarding system of production planning and control.
- Although the annual budgets indicated the figures for production programme as a whole in financial terms, no break-up for shops/activity centres in physical terms was available.
- Capacities of machines/shops and of various other activity centres were not determined.
- In the absence of any data regarding load factor or a master time schedule, general engineering jobs were undertaken without reference to available shop capacity, with the result that there were huge delays in the completion of jobs. Again, the Corporation was unable to assess and utilise the idle capacity for taking up engineering jobs on marginal cost basis.
- In respect of ship building, the planning was confined only to preparing the delivery schedule and material procurement. The day-to-day planning by task execution of various orders was not done in a systematic manner.
- No norms based on time and motion study for work output had been laid down.

The Corporation had not made any determined efforts to re-organise the production planning and control systems. In May 1980 the Board of Directors had directed the Management to review the organisational set up of the Rajabagan Dockyard and submit a detailed note before the next meeting. The Management informed the Board (May 1980) that this would be

done after the organisational structure was revised. As the organisational structure was not revised, the reorganisation of the production planning and control systems could also not be done (May 1982). Before sanctioning the development programme of Rajabagan Dockyard in December 1980 at a cost of Rs. 500 lakhs, the Ministry of Shipping and Transport had also taken cognisance of the inaction of the Corporation despite recommendation of the NPC and other study teams of the Bureau of Public Enterprises, in this regard.

The Management stated (November 1982) as follows :

“Production planning and control system in Rajabagan Dockyard had not been upto the requirement. However, necessary steps have been taken in right direction to introduce a proper production planning and control system for the yard for its different activities. An Industrial Engineering Section is also being set up. Machine Accounting is being introduced to evaluate shopwise activity. NPC has started a study for assessing the shop-wise capacity. Moreover PERT/CPM technique is also being progressively introduced in critical areas.”

The Ministry stated (May 1983) as under :—

- (i) The Production Planning Department of Rajabagan Dockyard has now been made responsible for proper production planning and control of different activities of Rajabagan Dockyard. Simultaneously the Design Section has also been reorganised to avoid delay in producing designs of different sections.
- (ii) The Shop-wise capacity of New Construction Department has been assessed by the NPC.
- (iii) The Rajabagan Dockyard suffers from certain imbalances for which the productivity of the workshops has not reached a reasonable level. It is

planned to re-organise the workshops within the shortest possible time by taking different measures.....

(iv)in regard to vessels construction, the Production Planning Department monitors closely the progress of the individual contracts based on the Bar-charts and in a few cases, PERT & CPM Schedules. Weekly/fortnightly detailed progress reports are being reviewed by the Technical Director to ensure that the committed delivery dates are sought to be achieved.

(v) With the help of NPC the capacity and norms of output for various shops are being established."

(ii) Budget Estimates

The table below indicates the targets of production as per original/revised budget estimates and the actual production there-against, in respect of construction of vessels, repairs to inland vessels and general engineering jobs for the years 1976-77 to 1981-82 :—

| (Rs. in lakhs) | | | | | |
|--|---------------------------|--------------------------|--------|---------------------------|--------------------------|
| 1 | Original budget estimates | Revised budget estimates | Actual | Percentage of actuals to | |
| | | | | Original budget estimates | Revised budget estimates |
| | 2 | 3 | 4 | 5 | 6 |
| (a) Repairs to Inland Vessels : | | | | | |
| 1976-77 | 160.00 | 158.71 | 158.06 | 98.8 | 99.6 |
| 1977-78 | .. | 88.00 | 129.04 | .. | 146.6 |
| 1978-79 | 91.00 | 131.30 | 164.70 | 181.0 | 125.4 |
| 1979-80 | 117.00 | 155.00 | 122.54 | 104.7 | 79.0 |
| 1980-81 | 125.00 | 79.00 | 138.20 | 110.6 | 174.9 |
| 1981-82 | 227.00 | 18.00 | 70.18 | 30.9 | 389.9 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|--|--------|--------|------------|-------|-------|
| (b) Construction of New Vessels : | | | | | |
| 1976-77 | 541.36 | 267.16 | 214.99 | 39.7 | 80.5 |
| 1977-78 | .. | 349.20 | 184.85 | .. | 52.9 |
| 1978-79 | 360.58 | 340.00 | 154.87 | 42.9 | 45.5 |
| 1979-80 | 362.00 | 204.10 | 76.14 | 21.0 | 37.3 |
| 1980-81 | 250.65 | 96.32 | 91.78 | 36.6 | 95.3 |
| 1981-82 | 125.00 | 138.18 | 124.50 | 99.6 | 90.1 |
| (c) General Engineering : | | | | | |
| 1976-77 | 80.00 | 65.03 | 9.31 | 11.6 | 14.3 |
| 1977-78 | .. | 55.00 | 34.99 | .. | 63.6 |
| 1978-79 | 56.00 | 56.00 | 35.22 | 62.9 | 62.9 |
| 1979-80 | 57.00 | 45.00 | 65.49 | 114.9 | 145.5 |
| 1980-81 | 60.00 | 43.87 | (-)-14.17* | .. | .. |
| 1981-82 | 60.00 | 78.77 | 52.65 | 87.7 | 66.8 |

*A reference is invited to Note 5 at page 31.

In this connection the following points deserve mention :

(a) Actual production/achievement was generally less than the original as well as revised estimates.

(b) No reasons were recorded for revising the budget estimates.

(c) The budget estimates were not correlated with the physical outputs planned and actual outputs with the result that achievement in physical terms could not be assessed.

(d) The budgets were not prepared on the basis of physical terms.

(e) The targets of general engineering works were fixed on the basis of peak output achieved in the earlier years without taking into account other factors like availability of materials, machines and load factor of other main activities which made a demand on the available capacity of general engineering workshop.

In regard to the variations in the budget estimates, the Management stated (May 1982) as under :—

“There are many factors for variation from the original targets for which necessary steps are being taken in the critical areas (like planning, equipment, introduction of regular system of scheduling activities from the planning to completion stage by modern methods). Budget estimates correlated to physical output *vis-a-vis* actual physical output are being introduced so as to assess and monitor the capacity utilisation of yards on a regular basis.”

The following reasons were attributed (July 1981) by the Management to the shortfall in production in the Dockyard :—

- Acute shortage of power and erratic load-shedding.
- Non-availability of matching components and spares in time.
- Absence of necessary facilities.

The Ministry stated (May 1983) as under :—

“An efficient budgetting system can only be achieved after the physical targets are properly established through a regular system of production planning and control. Steps are being taken for introduction of a regular system of production planning and control in the Rajabagan Dockyard. It is expected

that the realistic establishment of targets by Rajabagan Dockyard on introduction of proper production planning and control will enable us to prepare all our Budget Estimates realistically in financial terms within a short time. However, pending introduction of a fairly fool proof system, the physical targets are being laid down as realistically as possible."

(iii) *Repairs to inland vessels*

(a) The table below indicates that the installed capacity of the Dockyard for repairs to inland vessels as assessed (March 1981) by the Corporation in terms of earnings from repairs was under-utilised during the years 1976-77 to 1980-81.

(Value : Rs. in lakhs)

| Year | Installed capacity | Production | |
|---------|--------------------|------------|-----------------------------------|
| | | Actuals | Capacity utilised (in percentage) |
| 1 | 2 | 3 | 4 |
| 1976-77 | 225 | 158.06 | 70.24 |
| 1977-78 | 225 | 129.04 | 57.35 |
| 1978-79 | 225 | 164.70 | 73.20 |
| 1979-80 | 225 | 122.54 | 54.46 |
| 1980-81 | 225 | 138.20 | 61.42 |
| 1981-82 | 225 | 70.18 | 31.19 |

The Management stated (November 1982) that steps were being taken for maximum utilisation of the dry docks and slipways by a proper production planning control system, but without improvement of the existing facilities the targets of earnings were difficult to be achieved.

(b) The dry docks and slipways of the dockyard were mainly utilised for repairs to inland vessels. The table below

indicates the utilisation of capacity of the dry docks and slipways in terms of production months in a year.

| Available production months | 1976-77 | | | 1977-78 | | | 1978-79 | | | 1979-80 | | | 1980-81 | | | 1981-82 | | |
|-----------------------------|-----------|--------|------------------------|----------|--------|------------------------|----------|--------|------------------------|----------|--------|------------------------|----------|--------|------------------------|----------|--------|------------------------|
| | Occupied. | Vacant | Utilisation percentage | Occupied | Vacant | Utilisation percentage | Occupied | Vacant | Utilisation percentage | Occupied | Vacant | Utilisation percentage | Occupied | Vacant | Utilisation percentage | Occupied | Vacant | Utilisation percentage |
| 48 | 38 | 10 | 79.16 | 28 | 20 | 58.33 | 28 | 20 | 58.33 | 48 | — | 100 | 48 | — | 100 | 48 | — | 100.00 |
| 48 | 37 | 11 | 77.08 | 31 | 17 | 64.58 | 25 | 23 | 52.08 | 48 | — | 100 | 48 | — | 100 | 46* | 2 | 95.83 |
| 36 | 29 | 7 | 80.55 | 36 | Nil | 100.00 | 13 | 23 | 56.11 | 36 | — | 100 | 36 | — | 100 | 1 | 35 | 2.78 |
| 36 | 36 | Nil | 100.00 | 17 | 19 | 47.22 | 21 | 15 | 58.33 | 36 | — | 100 | 36 | — | 100 | 34 | 2 | 94.44 |
| 36 | 28 | 8 | 77.77 | 15 | 21 | 41.66 | 7 | 29 | 19.44 | 36 | — | 100 | 36 | — | 100 | Nil | 36 | Nil |

*One vessel was in Dock (3 & 4) for 11 months in 1981-82 without any repair work.

The general high occupancy of the dry-docks and slipways in different years indicated in the above table was mainly due to abnormal delays in repairs of vessels. From the analysis given in Annexure VII it would be seen that as against the normal period of 4 months and 2 months for repairs of a steamer and a barge respectively, the Corporation had spent periods far in excess of normal time for repairs of these vessels. Due to abnormal delays in repair of vessels, the Corporation got its 36 vessels repaired by outside agencies during the period from 1977-78 to 1981-82. In this connection a reference is also invited to paragraph 111 of the Fifteenth Report (Sixth Lok Sabha—August 1978) of the Committee on Public Undertakings, wherein it was recommended that in future no vessel of the Corporation should be given for repairs to outside parties without a clear written certificate from Rajabagan Dockyard to the effect that the job cannot be attended to by them. This recommendation was noted by the Ministry of Shipping and Transport in February 1979.

The Management attributed (January 1978/November 1982), *inter alia*, the following reasons for longer time taken for repairs of the vessels :—

- The vessels being old and in service almost double of their economic life, required heavy repairing ;
- Non-availability of spares ex-market with the result that the same had to be manufactured ;
- The deterioration in the condition of the hull with the coal firing of the boilers and consequently involved more repair job ;
- Increased quantum of repairs carried out on certain vessels mothballed in Assam.
- Repairs though undertaken on preliminary survey, the work content increased substantially at the time of execution.
- Undocking of certain vessels docked for repairs for leaving space for repair of vessels on higher priority.

- Non-availability of docking space due to absence of a proper schedule for docking ;
- Delay in receipt of decisions after preliminary survey regarding either completing the repairs involving substantial amount or scrapping the vessels.
- Heavy silting of mouths of the dry-docks and slipways delaying undocking.

The Ministry stated (May 1983) as under :—

“To cut down the time on repair, procedure has been drawn up for planning of the repair programme of Rajabagan Dockyard in close co-ordination with the River Service Division. To achieve the targets the River Service Division has been made responsible for preparation of a detailed programme of repairs to be undertaken in advance. Depending on the type of vessels, a maximum time is fixed for compliance by the Rajabagan Dockyard. Failure in this regard is commented upon for necessary remedial actions. It is expected that with the generation of the tempo in repair work by introduction of the above procedure the capacity utilisation will increase considerably.”

(c) During the period from 1976-77 to 1981-82, the Corporation incurred a total expenditure of Rs. 6.78 crores on the repair (survey docking) of vessels in the Rajabagan Dockyard. The Committee on Public Undertakings in paragraph 7 of its Fifteenth Report (Sixth Lok Sabha—1978) had commented upon the high cost of repairs in the Dockyard. In a note subsequently prepared (September 1980) for the Public Investment Board, it was recognised that though capital repairs to vessels which had outlived their life was uneconomic and it would be more economical to replace them, such repairs would have to be done to avoid drop in capacity for transportation of goods to North Eastern States as also of idle charges (Rs. 2.82

crores) for labour employed on repair work which would have to be incurred consequent on scrapping of these vessels before their replacement.

The Management, however, stated (November 1982) that steps had been taken to dispense with capital repairs as far as possible.

(iv) (a) *Construction of new vessels*

The Corporation is engaged in construction of survey launches, tankers, barges, trawlers, steel/wooden boats, tugs, pontoons, etc., of 15 to 650 DWT.

The Corporation had not assessed the overall capacity for ship-building (in terms of number and types of crafts). Neither capacity for different operations necessary for ship-building (except hull shop) nor any proper time standards for such operations had been fixed. Delivery dates for vessels were committed by the Corporation without due regard to available capacity with the result that the Dockyard failed to deliver the ships as per the delivery schedules as mentioned elsewhere in the Report.

(b) *Utilisation of Hull Shop capacity*

The table below indicates the capacity of Hull Shop as intimated by the Corporation to the Ministry in March 1981 and the actual production for the six years ending 1981-82.

| Year | Annual steel processing capacity (Tonnes) | Actual production (Tonnes) | Percentage of actual production to capacity |
|---------|---|----------------------------|---|
| 1976-77 | 1100 | 571 | 52 |
| 1977-78 | 1090 | 287 | 26 |
| 1978-79 | 1090 | 14 | 1 |
| 1979-80 | 955 | 160 | 17 |
| 1980-81 | 955 | 248 | 26 |
| 1981-82 | 960 | 528 | 55 |

The production decreased from 52 per cent of capacity in 1976-77 to 1 per cent in 1978-79, but increased to 55 per cent in 1981-82.

The Management, however, intimated Audit (November, 1982) that the capacity of the hull shop might be taken as 1000 tonnes a year. The basis on which the capacity has been determined as 1000 tonnes was not made available to Audit. The Management stated (November 1982) that utilisation of Hull Shop capacity was inter-linked with the overall performance of workshop and that, *inter alia*, inadequate supply of steel of ship-building quality has contributed to its under-utilisation.

(c) *Delay in construction of vessels*

The Corporation had undertaken construction of 71 vessels since its inception to 1980-81 (including work orders for 4 vessels inherited from RSN, 5 vessels construction of which was taken up in 1980-81 for itself, and 2 vessels work orders for which were cancelled). Against the 64 vessels scheduled to be delivered upto 1980-81, the Corporation could deliver only 51 vessels as per details given below :—

| Type of vessels | Number scheduled to be delivered | Number actually delivered | Delay in construction | | |
|----------------------------------|----------------------------------|---------------------------|-----------------------|--------------|--------------|
| | | | 3 years | 3 to 5 years | Over 5 years |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Launches | 21 | 16 | 1 | 5 | 10 |
| Barges | 11 | 11 | 8 | 2 | .. |
| Tugs | 7 | 2 | .. | .. | 2 |
| Trawlers (fishing) | 4 | 4 | 4 | .. | .. |
| Tankers | 3 | 2 | .. | 2 | .. |
| Landing crafts | 4 | 4 | .. | .. | 4 |
| Pontoons, dinghies, etc. | 14 | 12 | 4 | .. | 2 |
| | 64 | 51 | 17 | 9 | 18 |

NOTE : The quantum of delays in respect of one barge and six pontoons, dinghies, etc., could not be determined in the absence of scheduled dates of deliveries.

The Management attributed, *inter alia*, the following reasons for delay in construction of the vessels.

- Absence of proper organisational set up.
- Acceptance of orders without proper assessment of capacity and proper planning of men, materials and funds, and control system.
- Absence of monitoring of jobs.
- Insufficient/improper building berths and inadequate material handling facilities.
- Frequent modification of drawings and frequent changes in priorities for construction to suit the indentors.
- Lack of experienced personnel in designing, estimating and production and absence of trained workmen.
- Disruption of working facilities at the yard due to dismantling of old shops for erection of the new ones.
- Absence of proper delegation of power and authority to the operational Heads of the Dockyard.
- Acute shortage of power and unfavourable labour situation.
- Unplanned procurement of materials and shortage of consumables, tools and stores.
- Low labour productivity.

The Ministry stated (May 1983) as under :—

“.....The Rajabagan Dockyard's capacity remains under-utilised on account of various reasons..... A strict monitoring of the performances by fixing targets realistically is being made pending introduction of a regular system of production planning and control. The imbalances between shops are also being sought to be removed on an urgent basis.”

(d) *Work-in-progress*

The table below indicates the position of work-in-progress in respect of 18 incomplete vessels as on 31st March 1982 :

(Value : Rupees in lakhs)

| Sl. No. | Yard No. | Types of vessels | Scheduled date of delivery | Selling price | Revised selling price | Estimated total cost of completion | Value of work-in-progress as on 31-3-82 | Percentage of completion as on 31-3-1982 |
|---------|----------|-------------------------|----------------------------|---------------|-----------------------|------------------------------------|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. | 333 | 2000 B.H.P. Tug | May '71 | 76.71 | 161.01 | 299.44 | 251.54 | 60 |
| 2. | 338 | Survey Launch | Jan. '72 | 12.70 | | | 0.29 | Cancelled |
| 3. | 339 | Survey Launch | „ | 12.70 | | | 0.10 | Cancelled |
| 4. | 342 | Survey Launch | Aug. '72 | 7.00 | } 24.78 | 44.41 | 8.57 | 70 |
| 5. | 343 | Survey Launch | Dec. '72 | 7.00 | | | 6.09 | 70 |
| 6. | 344 | Twin Screw Motor Vessel | | | 73.41 | 247.50 | 114.96 | 60 |
| 7. | 356 | Twin Screw Tug | June '73 | 19.80 | | 139.00 | 9.12 | 21 (Suspended) |

| | | | | | | | | | | |
|-----|-----------|-----------------------------------|-----------|-------|--------|--------|-------|--------|---------------------------------|---------------------------------|
| 8. | 357 | 15 Ton Ballard Pull Tug | | | | | | 222.84 | 75 | |
| 9. | 358 | —do— | | | | | | 185.35 | 60 | |
| | | | | | | | | | (Off-loaded to Hooghly Docking) | |
| 10. | 360 | 650 Ton Self-Propelled Oil Tanker | Oct. '72 | 62.00 | 235.85 | 530.10 | 48.72 | 63.54 | 203.00 | 50 |
| 11. | 366 | 200 Ton Water Boat | Oct. '72 | 62.00 | | | 29.60 | 37.80 | 115.49 | 99 |
| 12. | 372 | 2500 B.H.P. Tug | May '76 | | | | 94.72 | 223.40 | 341.07 | 95 |
| | | | | | | | | | | (Off-loaded to Hooghly Docking) |
| 13. | 373 | Sail Boat | Sept. '74 | | | | 2.62 | 5.00 | 10.74 | 100 |
| 14. | 374 | 750 Ton Barge | | | | | | | | |
| 15. | 375 | 750 Ton Barge | | | | | 75.60 | — | 70.74 | 70 |
| 16. | 376 | Pusher Tug | NA | NA | NA | 101.21 | NA | NA | 5.20 | 20 |
| 17. | 377 & 378 | 750 Ton Barge | NA | NA | NA | 48.91 | NA | NA | 44.02 | 55 |
| | | | | | | | | 48.91 | 45 | |

In February 1980, the Corporation had estimated that ten vessels for which work was in progress would be delivered in 1980-81. However, only three vessels could be delivered in 1980-81 and orders for 2 vessels were off-loaded to Hooghly Docking and Engineering Company Limited, Calcutta for completion. No further programme for delivery of the remaining vessels was drawn up (March 1982). It will also be seen from the data given above that in most of the cases, the estimated total cost of vessels (on completion) was far in excess of the selling price.

(c) *Construction of H.S.D. Tankers—Yard No. 302 and 303*

In June 1965, the Director General, Supply & Disposals (DGS&D) placed an order on the erstwhile R.S.N. Company, for construction and supply of 2 H.S.D. tankers of 400 tons capacity each at a price of Rs. 43.05 lakhs (Rs. 21.525 lakhs per vessel). The price was subject to escalation for increase in the price of steel. The stipulated dates of delivery of the 1st and 2nd vessels were 15th December 1966 and 15th April 1967 respectively, subject to availability of steel and machinery within 3 and 12 months respectively from the date of the order.

Pending settlement of the question whether the aforesaid contract between the erstwhile R.S.N. Company and the DGS&D was a liability taken over by the Company which was still a matter of dispute before the Calcutta High Court, in August 1971, the Company entered into a contract with DGS&D to manufacture and supply the above vessels at a price of Rs. 43.05 lakhs subject to escalation in wages, steel, imported components, marine components, etc. In terms of this agreement, the vessels were to be delivered within 6 months from the date of receipt of marine engines from the Garden Reach Shipbuilders and Engineers Limited.

Although the engines were received in June 1973, the two tankers were delivered only in May 1977 and February 1978 respectively.

As against the contracted price of Rs. 43.05 lakhs, the actual booked cost of the vessels upto 31st March 1978 worked out to Rs. 160.49 lakhs. The Corporation raised (October 1978) escalation claims of Rs. 117.43 lakhs on account of (a) excess consumption of material and labour over estimates and overheads thereon, (b) increase in price of materials, manufactured items, miscellaneous items for which quantitative data was not provided in the estimate, etc. Before delivery of the vessels, the Corporation approached (August 1976) the DGS&D for settlement of the claim of Rs. 22.26 as per the decision (January/March 1976) of the Committee of Economic Secretaries and revision of the price of the vessels due to steep increase in the cost of the construction. A detailed cost examination was undertaken (January 1979) by the Chief Cost Accounts Officer (CCAO) of the Ministry of Finance to ascertain the extent of cost increase attributable to factors beyond the control of the Corporation with a view to allowing justifiable price increase. In May 1979, the CCAO disallowed claim to the extent of Rs. 62.90 lakhs.

In this connection it may be mentioned that as against the cost of Rs. 160.49 lakhs upto 1977-78 based on which the CCAO had given the report, the actual cost of the work amounted to Rs. 168.34 lakhs upto 1979-80 including Rs. 7.86 lakhs booked after the delivery of vessels.

The DGS&D, however, released a sum of Rs. 108.12 lakhs to the Company. Thus, the Company incurred a loss of Rs. 60.22 lakhs in this contract.

The Ministry stated (May 1983) as under :

“Estimates for these 400 ton tankers could not be accurately carried out before submission to DGS&D. CCAO was given a copy of estimates based on which price was quoted to DGS&D. CCAO has allowed the variation in the price only on account of labour and materials based on the physical

quantity of original estimates. As the estimate was not realistic, there was heavy financial burden on the Corporation. As a matter of fact the loss at our end will be around Rs. 54 lakhs only for 2 vessels after the receipt of Rs. 113.81 lakhs as revised A/T price.”

(f) *Construction of 4 Landing Crafts for Indian Army—
Yard No. 307 to 310*

In December 1967, the DGS&D placed an order on the Corporation for construction and supply of 4 landing crafts at a total cost of Rs. 48 lakhs subject to variation in the price of steel as well as engines, the crafts were to be delivered by December 1968/February 1969. As the Corporation failed to deliver the landing crafts within the contracted delivery period, the period of delivery was extended from time to time upto March 1974 for two vessels and upto 30th June 1975 for the remaining 2 vessels. The Corporation delivered two vessels on 29th March 1974 and the remaining two vessels on 26th March 1976 and 30th November 1977 respectively.

In September 1973 when the first landing craft was tried in Calcutta it could not achieve the designed speed of 10 knots. Subsequently, an investigation undertaken (December 1973) by the Corporation revealed that the engine could not run at the rated speed due to deficiencies/defects in the propeller. The deficiencies could not be rectified by the Corporation. The DGS&D claimed (January 1975) a reduction of Rs. 25,000 per vessel on account of deficiency in the speed which was agreed to by the Corporation in April 1975.

The Corporation had also agreed to a reduction of Rs. 1,000 per vessel for waiving bank guarantee. Thus, as against the original contracted price of Rs. 48 lakhs, the selling price of the vessels was thus reduced to Rs. 46.96 lakhs. The Chief

Accounts Officer of the Ministry of Finance recommended increase in price by Rs. 17.62 lakhs. On this basis, the price works out to Rs. 64.58 lakhs.

The Corporation had incurred a total expenditure of Rs. 104.15 lakhs on execution of the order upto March 1978 against which a sum of Rs. 64.96 lakhs only was received resulting in loss of Rs. 39.19 lakhs. The Management stated (May 1982) that the matter was under pursuance with DGS&D for revision of the price.

The Ministry stated (May 1983) as under :

“Necessary supporting materials were forwarded to the DGS&D and the indentors in respect of our claim of Rs. 7.65 lakhs and we await receiving the said amount. Therefore in the event of recovery of this amount, the loss margin will be reduced. Net loss, as it will remain, will be on account of the estimates not being worked out on realistic basis and the execution dragging for too long.”

(g) *Construction of Launches for Calcutta Port Trust—Yard No. 342, 343 and 367*

In August 1970, the Calcutta Port Trust (CPT) placed an order on the Corporation for construction and supply of two Twinscrew Survey Launches at a cost of Rs. 7 lakhs each plus taxes. Subsequently, in February 1972, the CPT placed a further order for a third launch of similar specifications on the same terms and conditions. The launches were subject to guarantee against defective workmanship for a period of six months after delivery.

The details of scheduled vis-a-vis actual delivery of the launches are indicated below :—

| Particulars | Constn. No. 342- PARTHA | Constn. No. 343- ANUPAL- LAV | Constn. No. 367- GABES- HAK |
|---|-------------------------------|---------------------------------------|--------------------------------------|
| 1. Scheduled date of delivery | 27-5-1971 | 27-8-1971 | 27-5-1973 |
| 2. Revised date of delivery | 15-7-1974 | 15-7-1974 | 15-7-1974 |
| 3. Date of keel-laying | June 1972 | June 1972 | June 1972 |
| 4. Date of completion. | Nil | Nil | December 1975 |
| 5. Date of trial run | Nil | Nil | 26-5-1975 |
| 6. Date of delivery | Nil | Nil | 29-12-1975 |

The Corporation failed to deliver the vessels even within the extended period of delivery i.e. 15th July 1974. Out of three launches, while one launch was delivered in December 1975, the remaining two launches have not yet been completed (March 1983).

In a meeting held between the Corporation and the CPT in November 1975, it was agreed that the escalated price of the launch would be Rs. 12.27 lakhs so as to cover the escalation in the cost of materials, labour and overheads; the CPT, however, reserved the right to make deductions for the deficiencies in the vessels.

In December 1975, the launch "GABESHAK" was accepted by the CPT subject to the stipulation for a price retrenchment as it was found to be defective and not according to specifications. In June 1976, the Corporation demanded a total price of Rs. 14.86 lakhs for "GABESHAK" which was not agreed to by CPT. This resulted in a stalemate partly on the ground of technical deficiency in the delivered vessel and partly on account of revised price demanded. In September 1976 and

October 1976, both the CPT and the Corporation approached the Ministry of Shipping and Transport to intervene in the matter.

In January 1977, the Ministry constituted a one-man Committee to go into the above issue. Taking into account the facts submitted by both the parties, especially the CPT's contention for cancellation of the order for the remaining two launches on account of their unsuitability and enhanced price, the Committee recommended (November 1977) that the CPT should take over these two launches also from the Corporation at a total value of Rs. 36 lakhs, from which an ad hoc deduction of Rs. 20,000 should be made as a compensation towards deficiency in specification and a deduction of 10 per cent of the revised cost should be made for non-delivery of the two launches within the stipulated period.

In August 1978, the CPT refused to accept delivery of the two launches and requested the Corporation to sell them to outside parties.

The two launches are yet (March 1983) to be completed and put on trial. The Company's efforts to sell these did not materialise. The total cost on 3 launches including the one already delivered has been assessed (April 1978) at Rs. 52.34 lakhs against which a stage payment of Rs. 13.65 lakhs only had been received. The actual loss in the contract would be known only after sale of the remaining two launches.

Thus the Corporation has not only suffered huge loss on the construction of the three launches but has also blocked a substantial amount for a long period on the two undelivered launches.

The Management stated (May 1982) that it has been decided to use the two undelivered launches for the survey work in connection with the river transport.

The Ministry stated (May 1983) as under :—

“The matter relating to revival of the order for these two survey launches has already been taken up by CMD with the Chairman CPT. Other potential parties are also being simultaneously tried out as an alternative measure for disposal of these launches. we expect, in view of CPT’s need for such launches as have been indicated informally by Chairman CPT, that the order may be executed for CPT with the current costs of launches and in that case, we shall have no occasion to incur any loss as it is.”

(h) *Construction of Visakhapatnam Port Trust’s Tug-yard No. 337*

In September 1969 the Corporation submitted a quotation to the Visakhapatnam Port Trust (VPT) for construction of a diesel tug (2000 BHP) according to the specifications and plans given by the Port Trust. The order for the tug at a total price of Rs. 60.18 lakhs subject to escalation for increase in the price of steel and wages, placed on the Company in May 1970, stipulated date of delivery of the tug as 20 months from June 1970 (i.e. February 1972).

The period of delivery was extended from time to time upto January 1976. The tug, however, could not be delivered even within the extended period of delivery.

Though the Corporation completed the launching of the tug in October 1974, the work *inter alia*, relating to water works and machinery installation, piping and electrical work was off-loaded (June 1976) to Garden Reach Ship-builders & Engineers Limited (GRSE) on cost plus 7½ per cent profit basis, in consultation with the VPT.

The tug was completed at a cost of Rs. 229.51 lakhs as against the revised sale price of Rs. 156.21 lakhs and delivered to VPT in August 1978.

The Corporation submitted (May/September 1980) a total claim of Rs. 159.79 lakhs against which a sum of Rs. 151.52 lakhs has been realised so far (March 1981).

(i) Construction of sail boat "Chand Saudagar" for Explorers' Club of India—Yard No. 373

In February 1974, the Corporation agreed to the proposal of the Explorers' Club of India for building of a sail boat according to the approved design at a cost of Rs. 2.62 lakhs (excluding the cost of the sail, rigging and fibre glass sheathing). The vessel was to be delivered within one year from the date of receipt of the approval of the general arrangement drawings.

The order was received in April 1974. On laying the keel in June 1974, it was found that the Corporation did not have experienced boat builders who could undertake this type of work. Accordingly, the work was off-loaded in September 1974 at Rs. 35,000 being the labour cost for the job excluding material and was to be completed within a period of 3 months. The contractor stopped the work in November 1974 on account of non-receipt of materials and other disputes. In August 1977, the arrangement of sub-contracting of work failed as the firm demanded 100 per cent price escalation on labour cost due to delay on the part of the Corporation in supplying drawings and materials. Consequently, the work was completed by the Corporation departmentally in December 1977.

The boat was handed over to the customer for trial run on 8th March 1978, but was returned by the customer on 15th March 1978 on account of a number of defects and deficiencies. The boat had not been delivered to the customer so far (May 1982) as the defects were yet to be rectified.

The Corporation incurred a total expenditure of Rs. 7.73 lakhs on the construction of the boat out of which Rs. 1.50 lakhs only had been received

The Management informed the Ministry of Shipping and Transport in April 1980 that it would examine the desirability of auctioning the sail boat.

The Ministry stated (May 1983) that the disposal action was under process and the legal opinion has been obtained.

(v) *General Engineering*

(a) The general engineering jobs undertaken by the Corporation included portable ladders for servicing doors and coke oven battery, structurals and technological equipment like deflecting shields, conveyor claims, air gas and waste gas valves for steel plants, etc. It will be seen from the data given below that capacity utilisation of the general engineering jobs during 1976-77 to 1981-82 was very low, particularly, during 1978-79 to 1980-81.

| Year | Installed capacity (In tonnes) | Capacity utilisation (Percentage) |
|---------|--------------------------------|-----------------------------------|
| 1 | 2 | 3 |
| 1976-77 | 688 | 57 |
| 1977-78 | 680 | 45 |
| 1978-79 | 660 | 23 |
| 1979-80 | 660 | 26 |
| 1980-81 | 600 | 24 |
| 1981-82 | 600 | 48 |

(b) The Heavy Engineering Corporation Limited (HEC), Ranchi off-loaded (November 1967) manufacture and supply of 1415 tonnes of equipment required for Bokaro and Bhilai Steel Plants to the Corporation. The price of the equipment was determined at Rs. 167.45 lakhs in April 1975.

Actual delivery of the equipment *vis-a-vis* that envisaged in the contract is indicated below :—

(Figures in tonnes)

| Year | Bokaro Steel Plant | | Bhilai Steel Plant | |
|---------|------------------------------------|-------------------|------------------------------------|-------------------|
| | Schedule of supply as per contract | Actual despatches | Schedule of supply as per contract | Actual despatches |
| 1 | 2 | 3 | 4 | 5 |
| 1968-69 | .. | .. | 177.76 | .. |
| 1969-70 | 104.17 | 6.10 | .. | .. |
| 1970-71 | 1133.37 | 35.43 | .. | .. |
| 1971-72 | .. | 9.61 | .. | 144.40 |
| 1972-73 | .. | 187.45 | .. | .. |
| 1973-74 | .. | 278.02 | .. | .. |
| 1974-75 | .. | .. | .. | .. |
| 1975-76 | .. | .. | .. | .. |
| 1976-77 | .. | 775.96 | .. | .. |
| | 1237.54 | 1292.57 | 177.76 | 144.40 |

The year-wise despatch of equipment fell far short of the stipulated quantity and was long delayed. Owing to the delay in supply of the equipment, the HEC deducted Rs. 1.78 lakhs from the bills of the Corporation as liquidated damages.

The Management stated (May 1982) that HEC has since agreed to refund the liquidated damages.

The actual profit or loss on the contract is yet to be assessed (December 1983).

6.06 Performance of other Activities

(a) Deep Sea Ship Repairs

Apart from the deep sea ship repairs unit in Calcutta, there is a marine workshop at Port Blair which was set up in January 1972. The details of works done by the Calcutta Unit and the Port Blair Workshop during the years 1976-77 to 1981-82 are indicated below :—

| Year | Number of Vessels repaired | | Earnings (Rs. in lakhs) | |
|---------|----------------------------|------------|-------------------------|------------|
| | Calcutta | Port Blair | Calcutta | Port Blair |
| 1 | 2 | 3 | 4 | 5 |
| 1976-77 | 119 | 53 | 101.98 | 29.29 |
| 1977-78 | 125 | 32 | 108.71 | 8.12 |
| 1978-79 | 77 | 13 | 76.48 | 10.03 |
| 1979-80 | 82 | 19 | 101.81 | 13.35 |
| 1980-81 | 61 | 34 | 154.42 | 24.17 |
| 1981-82 | * | * | 146.71 | 16.96 |

*The number of vessels repaired at Calcutta and Port Blair was 68.

(b) Auto Body Building and Auto Repairs

Auto repairs were done in Kulpi workshop as well as in the workshop at New Alipore in Calcutta.

The details of work done and profit/loss on the activities during the years 1976-77 to 1981-82 are indicated below:—

| Year | Number of Vehicles | | Profit (+)/Loss (-) (Rs. in lakhs) | |
|---------|---------------------|-----------------------------|---------------------------------------|----------------------|
| | which were repaired | for which bodies were built | Kulpi workshop | New Alipore workshop |
| 1 | 2 | 3 | 4 | 5 |
| 1976-77 | 104 | 59 | (-)12.02 | (+) 0.23 |
| 1977-78 | 97 | 37 | (-) 1.59 | (-)19.65 |
| 1978-79 | 109 | 20 | (-) 2.13 | (-)23.16* |
| 1979-80 | 72 | 31 | Activity | (-)28.28* |
| 1980-81 | 31 | 24 | Closed | (-)27.79* |
| 1981-82 | 19 | 19 | down | (-)48.57 |

*Includes the profit/loss in respect of marine workshop at Port Blair, separate accounts of which were not prepared.

The cumulative loss of these activities upto 1981-82 was Rs. 2.84 crores. The loss was attributed by the Corporation to high administrative overheads and severe competition with private sector workshops. The Board of Directors decided in 1980 to close down the Alipore workshop in phases on completion of the orders in hand. The workshop was finally closed in April 1982.

The Ministry stated (May 1983) that for alternative use of the New Alipore workshop site including some machinery, the matter was under examination.

6.07 Foundry

The foundry of the Dockyard has two cupolas of 2.5 tonnes and 3.00 tonnes capacity. Besides, the unit has pug-mill, sand miller and core sand mixer and core dryer oven. Both the cupolas were used only, when heavy castings were required. No norms had been laid down by the Company for bad castings, shop returns, rejections and melting losses, etc. The table below indicates production of good castings, shop returns/

rejections and melting loss during the six years ending 1981-82 :—

(Figures in tonnes)

| Year | Input | Good Castings | Shop returns/ rejections | Melting loss | Percentage of good casting to input | Percentage of rejection to input | Percentage of melting loss to input |
|----------------------------------|--------|---------------|-----------------------------|--------------|-------------------------------------|----------------------------------|-------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| <i>Ferrous : Graded Castings</i> | | | | | | | |
| 1976-77 | 303.25 | 238.87 | 39.60 | 24.78 | 78.77 | 13.06 | 8.17 |
| 1977-78 | 216.00 | 170.49 | 27.13 | 18.38 | 78.93 | 12.56 | 8.51 |
| 1978-79 | 211.90 | 161.34 | 33.65 | 16.91 | 76.14 | 15.88 | 7.98 |
| 1979-80 | 185.68 | 136.07 | 34.77 | 14.84 | 73.28 | 18.73 | 7.99 |
| 1980-81 | 185.96 | 135.67 | 35.14 | 15.15 | 72.95 | 18.90 | 8.15 |
| 1981-82 | 197.80 | 149.16 | 32.90 | 15.74 | 75.41 | 16.63 | 7.96 |
| <i>Ungraded Castings</i> | | | | | | | |
| 1976-77 | 122.71 | 95.78 | 16.59 | 10.34 | 78.05 | 13.52 | 8.43 |
| 1977-78 | 81.75 | 62.53 | 12.93 | 6.29 | 76.49 | 15.82 | 7.69 |
| 1978-79 | 88.35 | 64.18 | 17.67 | 6.50 | 72.64 | 20.00 | 7.36 |
| 1979-80 | 50.90 | 35.66 | 10.48 | 4.76 | 70.06 | 20.59 | 9.35 |
| 1980-81 | 46.25 | 31.05 | 11.62 | 3.58 | 67.14 | 25.12 | 7.74 |
| 1981-82 | 71.05 | 54.24 | 11.03 | 55.78 | 76.34 | 15.52 | 8.14 |

Non-ferrous Castings

| | | | | | | | |
|-------------------|-------|-------|------|------|-------|-------|------|
| 1976-77 | 21.08 | 18.03 | 1.46 | 1.59 | 85.53 | 6.93 | 7.54 |
| 1977-78 | 20.82 | 17.67 | 2.13 | 1.02 | 84.87 | 10.23 | 4.90 |
| 1978-79 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 1979-80 | 10.36 | 8.63 | 1.42 | 0.31 | 83.30 | 13.71 | 2.99 |
| 1980-81 | 9.32 | 7.42 | 1.54 | 0.36 | 79.61 | 16.52 | 3.87 |
| 1981-82 | 9.07 | 7.50 | 1.34 | 0.23 | 82.69 | 14.77 | 2.54 |

The percentage of good castings to the input was generally showing a declining trend.

The Ministry stated (May 1983) as under :—

“Nature of good casting will depend on the quality of the input, *i. e.* pig iron. Normally we are getting supplies of Gr. 4 pig iron instead of Gr. 1 pig iron required for the kind of casting”.

7.00 Manpower Analysis and Utilisation

7.01 Manpower analysis

The Corporation had not conducted any integrated study to determine its manpower requirement based on any norms or standards.

The table below indicates the manpower of the Corporation at the time of take over (1967) and at the end of years 1976-77 to 1981-82.

(Figures in numbers)

| Category | As on May 1967 | As on 31-3-77 | As on 31-3-78 | As on 31-3-79 | As on 31-3-80 | As on 31-3-81 | As on 31-3-1982 |
|---|-------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Managerial } Supervisors } | 74 | 157 111 | 153 110 | 144 110 | 140 107 | 154 110 | 151 114 |
| Clerical and other indirect employees | 2,021 | 940 | 881 | 852 | 873 | 860 | 811 |
| Operatives | 2,044 | 2,826 | 2,653 | 2,563 | 2,464 | 2,397 | 2,299 |
| Floating staff (including pilotage and handling labour) | 3,942 | 1,788 | 1,452 | 1,495 | 1,490 | 1,495 | 1,481 |
| Total (excluding apprentices and improvers) | 8,081 | 5,822 | 5,249 | 5,164 | 5,074 | 5,016 | 4,856 |

7.02 The National Productivity Council in its Report of 1975 had pointed out that in spite of surplus personnel available with the Corporation, fresh appointments were being made and no policy had been evolved for re-deployment of the surplus crew.

The Corporation had not made a realistic assessment of manpower requirement and the extent of surplus staff. The Management stated that in the context of implementation of the modernisation scheme approved by Government (December 1980), re-assessment of manpower requirement was being actively considered so as to identify surplus strength of staff and their deployment in alternative jobs.

In regard to the manpower requirement and the manning scales, the Board of Directors was informed (February 1983), *inter alia*, as under :

- (i) Excess manpower and extremely low productivity were, *inter alia*, the major problems confronting the Management.
- (ii) The existing manning scales for most of the vessels were excessive and, therefore, uneconomical.
- (iii) The number of operational vessels in present fleet being hardly 20 per cent of the total fleet a large number of floating staff were kept idle at any point of time. On a rough assessment more than 1/3rd of the total strength of the floating staff was being practically wasted in various watch keeping and house keeping duties on vessels.
- (iv) In Rajabagan Dockyard, the capacity assessment has just been completed in a rather rough fashion by NPC. Programming of each individual job, breaking down of each job into components which are amenable to quantification by way of number of

mandays, machine hours and degree, and extent of utilisation of other facilities, was still not being done very comprehensively. The result was that excessive mandays were booked for each job in an attempt to camouflage the idle and non-productive mandays. Even the mandays reportedly deployed on maintenance were enormous. Besides, the number of manual workers in Rajabagan Dockyard was out of proportion for the requirements of a Dockyard with a turn-over that could be expected normally of any such place.

Based on a study conducted in March 1983 by the finance wing of the Corporation, the Board of Director was informed in July 1983 as under :—

“It has been calculated that after disposal of the old vessels and redeployment of released floating personnel, there would be a surplus of about 200 floating personnel after considering a leave reserve of 30 per cent against allowable leave reserve of 20 per cent. If we can rationalise the manpower of retained old crafts, in line with the newly acquired crafts, there can be further surplus of 100 floating personnel. The total annual wage bill of 300 Floating Personnel would amount to Rs. 36 lakhs.....”

In regard to surplus manpower, the Ministry stated (October 1983) as under :—

“There will be practically no surplus manpower in River Services Division on completion of the programme of acquisition of a new fleet by 1984-85. In Rajabagan Dockyard attempt is being made to rationalise the Trades and we have virtually stopped any fresh recruitment in the operational cadre.”

7.03 The position of actual deployment of staff on the running vessels, laid-up vessels, idle vessels and supporting

vessels during March 1982 and March 1983 is given in the following table:—

| Vessels | March 1982 | | | | March 1983 | | | |
|--------------|----------------|----------------|-------------------|---------------------------------------|----------------|----------------|-------------------|---------------------------------------|
| | No. of Vessels | Floating Staff | Available mandays | Percentage to total available mandays | No. of Vessels | Floating Staff | Available Mandays | Percentage to total available mandays |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Running | 47 | 564 | 17484 | 53.5 | 58 | 653 | 20243 | 59.7 |
| Laid up | 53 | 264 | 8184 | 25.1 | 34 | 76 | 2356 | 6.9 |
| Idle | 12 | 58 | 1798 | 5.5 | 20 | 132 | 4092 | 12.1 |
| Supporting | 41 | 168 | 5208 | 15.9 | 41 | 233 | 7223 | 21.3 |
| TOTAL | 153 | 1054 | 32674 | | 153 | 1094 | 33914 | |

It will be seen from the data given above that the actual utilisation of the available mandays on the running vessels during March 1982 and March 1983 was to be extent of 53.5 per cent and 59.7 per cent.

7.04 It will also be seen from the data given below that actual deployment of crew on certain vessels was not only on increase from 1972 to 1983 but was also more in 1978 and 1983 than the manning scale indicated to the Board in July 1983.

| Vessel | Manning scale indicated to the Board in July 1983 | Actual as on | | |
|----------------------------------|---|--------------|------------|------------|
| | | March 1972 | March 1978 | March 1983 |
| 1 | 2 | 3 | 4 | 5 |
| (i) River Ganga | 24 | 18 | 18 | 29 |
| (ii) River Brahmaputra | 24 | 23 | 30 | 29 |
| (iii) Mongnai | 30 | 9 | 37 | 37 |
| (iv) Chaibasa | 30 | 27 | 37 | 37 |
| (v) Paracha | 30 | 27 | 36 | 38 |
| (vi) Tug Haldia | 17 | .. | 14 | 18 |
| (vii) Ray-dak | .. | 14 | 22 | 22 |

7.05 Productivity

The table below indicates the overall value of production per employee as well as value of production per operative (in respect of engineering activities) and average earnings per

floating staff (in respect of riverine services) during the years 1976-77 to 1981-82.

(Rs. in lakhs)

| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 |
|--|---------|---------|---------|---------|---------|---------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Overall value of production per employee (including managerial Staff) | 0.18 | 0.16 | 0.15 | 0.12 | 0.16 | 0.13 |
| Average salaries/wages per employee | 0.09 | 0.11 | 0.11 | 0.12 | 0.13 | 0.14 |
| Value of production per operative in respect of engineering activities | 0.20 | 0.20 | 0.19 | 0.17 | 0.19 | 0.18 |
| Average Salaries/wages per operative | 0.10 | 0.13 | 0.12 | 0.13 | 0.15 | 0.18 |
| Value of earnings (excluding earnings from Stevedoring, High Sea Grain & Cement Operation operated through outside labourers/contractors) per floating staff in respect of riverine services | 0.07 | 0.08 | 0.11 | 0.09 | 0.12 | 0.12 |
| Average salaries/wages per employee (floating staff) | 0.09 | 0.10 | 0.08 | 0.08 | 0.12 | 0.15 |

The overall value of production per employee decreased from Rs. 0.18 lakh in 1976-77 to Rs. 0.12 lakh in 1979-80 and to Rs. 0.13 lakh in 1981-82.

The Ministry stated (May 1983) that value of production declined during 1981-82 due to the fact that no vessels were delivered during the year in New Construction Department and

a new method of valuation (marginal costing) for the Rajabagan Dockyard was adopted for the first time from the said year as decided by the Board.

7.06 Efficiency analysis

While the efficiency analysis of other shops, units could not be examined in audit for want of input/output data, the efficiency analysis in respect of hull shop, and foundry is discussed below.

(i) Hull Shop

In April 1975, the Management assessed that 800 man-hours were required to process a tonne of steel for new construction. It will, however, be seen from the data given below that not only were the actual man-hours spent for processing a tonne of steel far in excess of 800 man-hours during the years 1978-79 to 1981-82, the man-hours utilised also varied widely from year to year.

| Year | Steel Processed (In tonnes) | Man-hours utilised | Man-hours utilised to process a tonne of steel |
|---------|-----------------------------|--------------------|--|
| | | | (figures in lakhs) |
| 1 | 2 | 3 | 4 |
| 1978-79 | 696 | 6.87 | 987 |
| 1979-80 | 375 | 6.27 | 1672 |
| 1980-81 | 295 | 6.41 | 2173 |
| 1981-82 | 528 | 6.72 | 1273 |

The Management stated (May 1980) that there had been substantial dearth of work-load to keep the dockyard running in a balanced way and that had the hull work-load been steady and continuous, this vacuum which apparently appeared would not have existed. The Management further stated (May 1982) that attempts were being made to achieve the target of 800 man-hours for processing a tonne of steel.

(ii) *Ferrous castings*

No norms for production of castings have been fixed by the Management so far (March 1983). It will, however, be seen from the data given below that actual man-hours spent for producing a tonne of good castings varied widely from year to year during 1978-79 to 1981-82.

| Year | Good castings produced (in tonnes) | Man-hours used (in lakhs) | Man-hours used to produce a tonne of good castings |
|---------|------------------------------------|---------------------------|--|
| 1 | 2 | 3 | 4 |
| 1978-79 | 225.52 | 1.72 | 764 |
| 1979-80 | 171.73 | 1.42 | 828 |
| 1980-81 | 166.72 | 1.54 | 926 |
| 1981-82 | 203.82 | 1.43 | 701 |

The Management stated (May 1982) that steps were being taken for fixing norms for production of castings as soon as possible.

The Ministry stated (May 1983) as under :—

“Tonnage of the casting depends on the type of casting order received. For the ballast weight the tonnage figure will come up while it will go down in the case of integrated casting viz., the bend end valve assembly”.

(iii) The following table indicates the details of the available man-hours, idle man-hours and the man-hours utilised in the Hull, Smithy and Foundry Shops during the years 1978-79 to 1981-82.

(Figures in lakhs)

| Shop | Year | Available hours | Idle hours | Hours utilised | Percentage utilisation of available hours |
|---------|---------|-----------------|------------|----------------|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Hull | 1978-79 | 7.19 | 0.32 | 6.87 | 95.5 |
| | 1979-80 | 7.12 | 0.85 | 6.27 | 88.1 |
| | 1980-81 | 6.97 | 0.56 | 6.41 | 91.9 |
| | 1981-82 | 6.87 | 0.15 | 6.72 | 97.8 |
| Smithy | 1978-79 | 0.72 | 0.06 | 0.66 | 91.6 |
| | 1979-80 | 0.69 | 0.14 | 0.55 | 79.7 |
| | 1980-81 | 0.67 | 0.15 | 0.52 | 77.6 |
| | 1981-82 | 0.54 | 0.06 | 0.48 | 88.8 |
| Foundry | 1978-79 | 1.96 | 0.24 | 1.72 | 87.7 |
| | 1979-80 | 1.85 | 0.43 | 1.42 | 76.7 |
| | 1980-81 | 1.86 | 0.32 | 1.54 | 82.8 |
| | 1981-82 | 1.71 | 0.28 | 1.43 | 83.6 |

The above has to be viewed in the light of the observations intimated to the Board in February 1983 referred to in Para 7.02 above that in the absence of comprehensive programming of each individual job breaking down in of each job into components which are amenable to quantification by way of number of mandays, machine hours and degree and extent of utilisation of other facilities, excessive mandays were booked for each job in an attempt to camouflage the idle and non-productive mandays.

7.07 Over-time

While on the one hand the Corporation has been carrying surplus staff, on the other hand huge payments have been made on account of over-time allowance from year to year.

The incidence of over-time paid to operatives and non-operatives during the years 1976-77 to 1981-82 vis-a-vis normal wages paid and the overall value of production is given in Annexure VIII.

From the analysis of the data given in the annexure, the following position emerges.

- (i) While the total payment of over-time was generally on the increase from year to year (except in 1981-82), conversely, the value of production was showing a declining trend.
- (ii) The payment of total over-time ranged from Rs. 21.48 lakhs in 1976-77 to Rs. 59.46 lakhs in 1980-81 as compared to normal wage bill of Rs. 187.03 lakhs and Rs. 239.45 lakhs during these years.
- (iii) The incidence of payment of over-time was generally more in the case of Rajabagan Dock Yard and Deep Sea Ship Repairs.
- (iv) In the case of Rajabagan Dock Yard, the incidence of payment of over-time to non-operatives was more

as compared to the operatives and was showing an increasing trend from year to year. Similar was the position in respect of Automobile units during 1979-80 to 1981-82 and other units in 1976-77.

- (v) The higher incidence of payment of over-time to non-operatives of Rajabagan Dockyard was in the case of drivers, darwans and maintenance staff, etc.

The Ministry stated (May 1983) as under :—

“.....it may be mentioned that as a result of measures taken by the Management the incidence of over-time has been drastically reduced..... Attempts are being made to reduce the payment of over-time further”.

8.00 Utilisation of Plant and Machinery

The Corporation inherited (May 1967) 158 machines—in the Machine and Fitting Shop (127) Smithy Shop (11), and Foundry (20) of the Rajabagan Dockyard. Most of the machines were very old.

The following table indicates the extent of utilisation of machines in the Machine & Fitting shop during the years 1978-79 to 1981-82.

(Hours in lakhs)

| Year | Number of machines in use | Total available hours | Total hours utilised | Total idle hours | Analysis of idle hours | | Power failure | Machine break-down & others |
|-------------------|---------------------------|-----------------------|----------------------|------------------|------------------------|-----------------------|---------------|-----------------------------|
| | | | | | Lack of work | Shortage of operators | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1978-79 | 95(34) | 3.07 | 2.52 | 0.55 | 0.05 | 0.26 | 0.20 | 0.04 |
| 1979-80 | 95(34) | 3.07 | 2.08 | 0.99 | 0.05 | 0.34 | 0.54 | 0.06 |
| 1980-81 | 95(32) | 2.98 | 1.83 | 1.15 | 0.04 | 0.44 | 0.60 | 0.07 |
| 1981-82 | 95(30) | 3.00 | 2.29 | 0.71 | 0.13 | 0.48 | 0.07 | 0.03 |

NOTE : The figures in brackets indicate the number of machines used in double shift.

In this connection the following observations are made :

- (a) There was a gradual increase in quantum of idle hours from 0.55 lakh in 1978-79 to 1.15 lakhs in 1980-81.
- (b) Out of 158 machines inherited from RSN, 33 machines were not in use during the last 10 years ending 31st March 1982 and 15 machines were used occasionally.
- (c) 5 machines though installed in 1979-80 at a total cost of Rs. 26.17 lakhs have not been commissioned so far (March 1983) on account of lack of work.
- (d) Neither assessment of available capacity (machine/man hours) was made nor monthly production programmes of the Load Centres were drawn up.
- (e) No assessment of the time required for load centre-wise was made so as to facilitate comparison with the actual time taken.
- (f) There was no system of feeding back to the planning section by the shops so as to enable the former to plan for the subsequent period.

In this connection a reference is also invited to the agenda note of February 1983 to the Board of Directors referred to in paragraph 7.02 and 7.06 wherein it was mentioned that in Rajabagan Dockyard the programming of each individual job, breaking down of each job into its components which are amenable to quantification by way of number of man days, machine-hours and degree and extent of utilisation of other facilities was not still being done very comprehensively with the result that excessive man days were booked for each job in an attempt to camouflage the idle and non-productive mandays.

The Ministry stated (May 1983) that with the improvement in production planning and material procurement function at Rajabagan, it is expected that utilisation of Plant and Machinery would improve.

9.0 Material Management and Inventory Control

9.01 The table below indicates the comparative position of the inventory holdings *vis-a-vis* consumption of raw materials and spare parts, etc., for the years 1976-77 to 1981-82.

| | (Rs. in lakhs) | | | | | |
|---|----------------|----------------|----------------|----------------|---------------|---------------|
| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| A. Closing stock of :— | | | | | | |
| (i) Raw materials | 89.47 | 58.83 | 40.59 | 43.47 | 188.09 | 225.23 |
| (ii) Stores & spares including loose tools | 14.96 | 11.34 | 12.94 | 12.73 | 17.76 | 19.34 |
| (iii) Other Stores | 244.97 | 231.05 | 285.55 | 288.01 | 107.27 | 108.19 |
| (iv) Work-in-progress | 918.29 | 1100.74 | 1118.18 | 1120.96 | 615.02 | 641.94 |
| | <u>1267.69</u> | <u>1401.96</u> | <u>1457.26</u> | <u>1465.17</u> | <u>928.14</u> | <u>994.70</u> |
| B. Consumption of :— | | | | | | |
| (i) Raw materials | 52.88 | 89.75 | 83.37 | 72.40 | 98.38 | 272.41 |
| (ii) Stores & Spares including loose tools | 46.54 | 18.99 | 10.00 | 10.30 | 15.67 | |
| (iii) Other stores | 154.94 | 122.90 | 113.23 | 193.52 | 326.10 | |
| C. Sale of finished goods, earnings including sale of stores, scraps, rent received and miscellaneous receipts | 902.58 | 643.01 | 774.91 | 610.96 | 1221.89 | 640.15 |
| D. Closing stock in terms of number of months' consumption :— | | | | | | |
| (i) Raw materials | 20 | 8 | 6 | 7 | 23 | 15.54 |
| (ii) Stores & spares including loose tools | 4 | 7 | 16 | 15 | 14 | |
| (iii) Other stores | 19 | 23 | 30 | 18 | 4 | |

It would be seen from above that the Corporation was carrying huge inventory resulting in locking up of funds affecting its liquidity.

9.02 Bulk of the total purchases of the Corporation during 1976-77 to 1981-82 were made by the Rajabagan Dockyard.

The NPC which had studied the material management of the Rajabagan Dockyard in March—October 1975 at the instance of the Corporation, had in its report of March 1976 pointed out various deficiencies/inadequacies in the material planning, budgeting, delegation of authority, inventory control, record keeping, purchase procedure and inspection of materials, cash purchases being resorted to frequently, multiplicity of officers making purchases, accumulation of huge inventory, etc. The NPC made a number of recommendations for removing these deficiencies and improving material management in the Rajabagan Dockyard.

In February 1977, the Ministry of Shipping and Transport directed the Corporation to implement the recommendations of NPC by March 1977. The Corporation informed the Ministry of Shipping and Transport in June 1977 that a manual was under preparation on the basis of the recommendations of the NPC. The manual has not been finalised so far (May 1983).

An examination of the records of Rajabagan Dockyard revealed that the following deficiencies still existed in the system of material management which indicates the need for effective steps :

- There was no centralised system of purchases.
- Purchases were made by three agencies, viz., Controller of Stores and Purchases, Design Manager and Planning Manager; each agency planned the requirement separately even for common items of stock.
- Maximum, minimum and ordering levels of stock items had not been fixed.

- There was no system of material budgeting.
- No criteria policy had been laid-down for classifying the materials as stock or non-stock items.

The Ministry stated (May 1983) as under :

“Material Management Department has been established with proper inventory control. All materials are now being purchased by Materials Department and Drawing Office and Planning Department are not involved in the purchase of materials.”

Some of the important aspects of the material management are discussed below :—

(i) There was no correlation between procurement and consumption of stock/non-stock items resulting in accumulation.

(ii) While on the one hand, the level of inventory was on the high side, on the other hand considerable manhours (10337 in 1977-78, 16415 in 1978-79, 14213 in 1979-80, 20940 in 1980-81 and 48540 in 1981-82) were lost due to non-availability of materials.

(iii) The extent of non-moving and slow moving items of stock in the Rajabagan Dockyard during the years 1976-77 to 1981-82 is given in the table below :—

| As on | (Rs. in lakhs) | | |
|-----------|-------------------|---|--|
| | 3 years and above | More than 2 years but less than 3 years | More than 1 year but less than 2 years |
| 31-3-1977 | 19.71 | 4.08 | 4.02 |
| 31-3-1978 | 9.89 | 1.95 | 10.38 |
| 31-3-1979 | 11.62 | 2.83 | 5.29 |
| 31-3-1980 | 12.86 | 2.75 | 4.74 |
| 31-3-1981 | 13.86 | 2.98 | 3.04 |
| 31-3-1982 | 14.29 | 1.69 | 4.24 |

A test check in Audit of some of non-moving items of stock for more than 3 years as on 31st March, 1982 at Rajabagan Dockyard revealed the following interesting features :

- Purchases were made even when there was sufficient balance in stock and there were no issues.
 - There was no relationship between the 'issues' and 'purchases' and the 'purchases' were made on the higher side.
 - In certain cases import was made much in excess of actual requirements.
- (iv) Though a list of approved suppliers was maintained, the information regarding their performance was not kept.

The Ministry stated (May 1983) as under :

“Non-moving stock has been identified and the same will be considered for disposal. Steps are being taken for disposal of non-moving stock to bring down the inventory level. With the integration of material management with production planning & control that we have now initiated, we feel that there will be no problem for procurement of stores in time. Besides fixation of maximum/minimum and ordering level of stock items can be finalised.”

9.03 *Physical Verification*

The Committee on Public Undertakings in paragraph 2.109 of its Ninth Report (Sixth Lok Sabha—April 1978) had adversely commented upon the non-existence of a regular system of physical verification/inadequate physical verification of stocks/stores in the Corporation.

The details of physical verification of store/stock items conducted during 1978-79 and 1980-81 are indicated below; no physical verification was conducted during 1979-80 :

| | Year | Total number of items | Number of items verified | Excesses (Rs. in lks) | Shortages |
|------------------------|---------|-----------------------|--------------------------|-----------------------|-----------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Rajabagan Dock yard | 1978-79 | NA | 2972 | 2.26 | 18.37 |
| | 1980-81 | 7580 | 2065 | 2.56 | 3.03 |
| 2. Kulpi Workshop | 1980-81 | NA | N.A. | 0.06 | 0.67 |

The Management stated (May 1982) as follows :—

“A regular independent verification cell under General Manager (Finance) is being formed for verification on a continuous basis. The Corporation has, however, engaged an audit firm to undertake 100% verification of stock.”

The Ministry stated (May 1983) as under :—

“Physical verification of stock has since been completed by the firm and the stock records are being reconciled for giving effect to the results brought out in the verification. The verification by Internal Audit under the control of GM(F) is now being started for which verifiers have been selected from amongst the qualified departmental candidates having first hand knowledge in such verification.”

9.04 Sale of Scrap

The Study Team of the Department of Personnel and Administration Reforms in its report of 1974 had pointed out a number of shortcomings in the system of storage and disposal of scrap. These included non-existence of norms, non-maintenance of accounts and absence of firm policy about disposal of scrap, etc.

A scrutiny in Audit revealed that the scrap was disposed of on an ad hoc basis and no clear-cut procedure had been laid down in this regard. The extent of sale of scrap during the years 1976-77 to 1980-81 is given in the table below :

| Year | Quantity of scrap sold (in tonnes) | Sale proceeds (Rs. in lakhs) |
|---------|------------------------------------|------------------------------|
| 1 | 2 | 3 |
| 1976-77 | 925.81 | 5.56 |
| 1977-78 | 440.49 | 3.44 |
| 1978-79 | 48.93 | 0.18 |
| 1979-80 | 142.67 | 2.28 |
| 1980-81 | 1276.19 | 10.90 |

The Management stated (May 1982) that scrap accounting system has been introduced recently and that scrapyard was being formed for collecting the scrap generated in the workshop.

The Ministry stated (May 1983) that definite measures have already been introduced for control of scrap under which scraps are being weighed and stored in a separate place and proper accounting for generation and disposal in line with procedures obtaining in other Public Sector Undertakings, was being introduced.

10.00 Marketing strategy

Hitherto the Corporation had no planned system of marketing strategy and depended mostly on cargos offered by Government Departmental Undertakings in the North Eastern States.

There was no department responsible for planning commercial activities of Rajabagan Dockyard. A post of Manager (Commercial) for Rajabagan Dockyard was, created in March 1982 only but the same had not been filled (September 1983).

From February 1982 announcing of sailing schedules of its vessels (with carrying capacities) in different routes through advertisements in local dailies was started. The Corporation could not perform all the sailings as advertised and there were delays of even upto 100 days from the dates of scheduled sailings. Month-wise details of such cases are indicated in the table below :

| For the month of | | Date of advertisement | No. of sailings advertised | Actual sailings effected | Delay in sailings from the date advertised |
|------------------|----------------|-----------------------|----------------------------|--------------------------|--|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. | February 1982 | 2-2-1982 | 5 | 5 | 2-15 days |
| 2. | March 1982 | 26-2-1982 | 12 | 5 6 | 6-30 18-84 |
| 3. | April 1982 | 25-3-1982 | 9 | 2 5 | 3-12 13-108 |
| 4. | May 1982 | 1-5-1982 | 6 | 3 2 1 | 6-9 13-19 15 |
| 5. | June 1982 | 29-5-1982 | 7 | | 22-25 |
| 6. | July 1982 | | 9 | 4 3 | 0-16 12-30 |
| 7. | August 1982 | 3-8-1982 | 7 | 9 | 0-9 |
| 8. | September 1982 | 27-8-1982 | 11 | 9 | 0-12 |
| 9. | October 1982 | 1-10-1982 | 16 | 11 | 0-18 |

The Management stated (December 1982) that steps were being taken for a regular market survey on commercial basis so as to attract both up-stream and down-stream traffic including down traffic from Bangladesh and that an officer had been appointed (March 1982) for the purpose ; further with the

signing of a new protocol between Governments of India and Bangladesh, the quantum of traffic which had been negligible would be considerably increased and that an agent had been appointed by the Corporation in Bangladesh.

The Ministry stated (May 1983) as follows :

“Different teams have visited parties for securing new orders for Rajabagan Dockyard. The post of Manager (Commercial) could not be filled in as the selected candidate did not report. The sailing schedule is normally followed and the delay in sailing sometimes occurs owing to some unavoidable reasons. Steps have been taken to adhere to the scheduled dates of sailing.....”.

11. Costing system, analysis of costs and pricing policy, freight structure, etc.

11.01 General

The Corporation followed job costing in respect of its activities relating to construction of vessels, repairs to inland vessels and general engineering jobs undertaken at Rajabagan Dockyard. The NPC which had examined the costing system of the Rajabagan Dockyard in its report of October 1976 had pointed out a number of deficiencies in the costing system including inadequacy of the estimates prepared for quotations, absence of budgetary control, financial planning and reporting system, lack of inventory control, defects in booking of costs, absence of effective monitoring system and control mechanism, delays in issue of work orders, etc.

Even though a period of more than six years has elapsed since the NPC had pointed out the above referred deficiencies in the costing system followed by the Corporation, no effective steps in this regard have been taken as would be evident from the following observations made by the Statutory Auditors in

their report under section 619(3) of the companies Act, 1956 on the accounts of the Company for the year 1980-81 :—

- (i) There was no system of ascertaining and fixing standard cost in respect of any operation of the Corporation. Fixation of standard cost of each job is necessary to instal an effective control on cost and to equip the management with the correct information before accepting any outside jobs.
- (ii) Cost of each unit of its products was not prepared. The system was not considered effective in respect of cost control. The cost accounting system of the Corporation has been characterised by the fact of substantial under-recovery of overheads.
- (iii) There were wide variations between actual cost and cost estimates prepared for the purpose of quotations. In case of shipbuilding jobs and certain large general engineering jobs, the actual cost vary widely from estimated cost apart from the increased cost already accounted for as a loss provision to cover up the shortfall in realisable value.
- (iv) There was considerable time lag in compilation of costs resulting in delay in the feed back information.
- (v) There was no system for ascertaining idle time for machinery.

Apart from above an examination of the records in audit revealed the following interesting points :—

- (i) The cost ledger maintained was not integrated with the financial ledger. There was no system of periodical reconciliation of cost accounts with the financial accounts.

In a note of the Management endorsed by the Ministry in May 1983, it was stated :

“(i) Every year reconciliation is done between actual figure as per financial accounts and cost figure as charged to the jobs for all the elements of cost viz., labour and overhead”.

(ii) Variation of the cost is attributable to the following heads :

(a) Estimate for the materials, mandays were not properly carried out while submitting quotations.

(b) Due to protracted delivery period the labour cost increased. Regarding materials we find that some of the vessels are much heavier than what was initially anticipated.....we have now instructed the Drawing Department to ensure that the material estimate is done while submitting our offer.”

(ii) An analysis of costs in respect of some of the vessels under construction as compared with the estimated costs and selling prices given in Annexure IX would indicate that the actual cost so far booked (31st March 1981) far exceeded the estimated cost ; in some cases even the material cost could not be recovered.

A further analysis of some of the jobs revealed the estimates for the requirement of steel, timber, paint and labour were not made on any realistic basis with the result that the actual

consumption far exceeded the estimates. Some such instances are given below :—

| | Yard No. Job No. | Steel (in tonnes) | | | Timber (in cft) | | | Paint (in liters) | | | Man-days | | |
|--|---------------------|-------------------|--------|--------|-----------------|--------|--------|-------------------|--------|--------|----------------|--------|--------|
| | | Estima- ted | Actual | Excess | Estima- ted | Actual | Excess | Estima- ted | Actual | Excess | Estima- ted | Actual | Excess |
| <i>Vessel construction</i> | | | | | | | | | | | | | |
| 2 Survey Launches | 334-335 | 50.00 | 67.48 | 17.48 | 210 | 662 | 452 | 680 | 1881 | 1201 | 11100 | 54557 | 43457 |
| 1 Inspection Launches | 367 | 24.00 | 31.84 | 7.84 | 110 | 586 | 476 | 500 | 624 | 124 | 6040 | 20689 | 14649 |
| 2 Passenger Launches | 361-362 | 50.00 | 71.22 | 22.12 | — | — | — | — | — | — | 14380 | 16568 | 2188 |
| 2 Passenger Launches | 363-364 | 28.00 | 38.22 | 10.22 | — | — | — | — | — | — | 11100 | 16232 | 5132 |
| 2 HSD tankers | 302-303 | 436.00 | 559.38 | 123.38 | 560 | 1036 | 476 | — | 9319 | 5319 | 61450 | 171406 | 109956 |
| 4 Handling crafts | 307-310 | 360.00 | 416.30 | 56.30 | 292 | 546 | 254 | 2480 | 8235 | 5755 | 66924 | 126560 | 59636 |
| Pipe carrying pontoons | 349-350 | 40.00 | 60.00 | 20.00 | 150 | 231 | 81 | 600 | 1470 | 870 | — | — | — |
| 2 Work Barges | 351-352 | 24.00 | 26.00 | 2.00 | — | — | — | 300 | 89 | 280 | — | — | — |
| 1 Heavy Duty Motor Launch | 365 | 25.00 | 44.13 | 19.13 | 50 | 295 | 245 | 250 | 649 | 399 | — | — | — |
| One 2000 BHP Tug | 337 | 230.00 | 281.00 | 51.00 | 910 | 2697 | 1787 | — | — | — | 4075 | 28394 | 24319 |
| Steel Pilot Launch | 359 | 25.00 | 39.86 | 14.86 | 30 | 244 | 214 | 300 | 578 | 278 | 37690 | 64712 | 27022 |
| Launch | 347-348 | — | — | — | 200 | 399 | 199 | 700 | 1133 | 433 | 6637 | 29178 | 22541 |
| <i>General Engineering</i> | | | | | | | | | | | | | |
| Band Valve 200/06/05 (276 numbers) | | 54.92 | 62.83 | 7.91 | — | — | — | — | — | — | 36149 | 40812 | 4663 |
| Band Valve 200/06/047 (276 numbers) | | — | — | — | — | — | — | — | — | — | 20502 | 23716 | 3214 |

(iii) The estimates were prepared for the purpose of quotations only and no detailed estimates were prepared on acceptance of any contract so as to measure actual performance there-against.

(iv) No norms of wastage and rejections in the various processes of production in the different shops had been laid down so as to measure the actual efficiency thereagainst.

The Ministry stated (May 1983) as under :

“.....the inadequacy in costing system is under examination for adoption of a purposive costing system after detailed study of the recommendation of the firm of consultant. Further steps have been taken in preparation of detailed estimate of cost for different orders as also for fixation of a norm of wastage and rejections in different departments before hand.....”

In regard to the cost control and reduction measures undertaken, the Ministry stated (October 1983) as under :—

“The estimates are being prepared in detail. The cost sheets and various analysis are being regularly done in respect of jobs-in-progress and completed jobs in Rajabagan Dockyard. The production control and planning department has been revamped to monitor progress. In the River Services Division, operating norms have been fixed and regular monitoring of the actuals as compared to standard has been introduced.....”

11.02 The maintenance of voyage accounts for different routes indicating the operational cost of cargo carried in a specific vessels plying on a certain route was discontinued from 1974-75. An analysis of a few voyage accounts then prepared revealed that the expenditure was booked on an assumed percentage of administrative overhead, gross wages and allowances, survey and running repair cost. The variable and fixed

elements of expenditure were booked at pre-determined rates. However, no attempt was made to compile and reconcile the expenditure as well as earnings with the financial records with the result that the voyage accounts thus prepared hardly served any useful purpose.

Subsequently the compilation of vessel-wise quarterly performance reports based on pre-determined rates for fixed as well as variable expenses was started. These reports were also not reconciled with the financial figures. In December 1981 this procedure was also discontinued in order to re-introduce per voyage accountability with retrospective effect from April 1981. This has, however, not been done (December 1982).

The Ministry stated (May 1983) that voyage accounts with greater details were being introduced.

11.03 Pricing Policy

The Corporation had not laid down a clear-cut pricing policy in respect of its products/jobs till April 1980. However, the following guidelines were adopted in this regard :

- (a) Full expenses of production and services were to be taken into account.
- (b) The percentage of profit to be added on various operations was normally one per cent above the rate of interest on bank loans.

(c) Price reduction was to be considered in consultation with the Financial Adviser but it was to cover variable cost plus percentage of overhead.

(d) Normally direct and indirect expenses were taken into account while working out estimates for rendering a service and/or production.

In May 1980, the Board directed that marginal costing system (*i.e.*, variable cost plus certain portion of overheads as contribution to fixed expenditure) might be followed for procuring new orders. In November 1980, the Board further directed that in future all orders on loss be accepted with its prior approval and that for acceptance of orders at lower than cost, a clear cut guidelines of the system be drawn up and placed before it for approval.

No guidelines as desired by the Board, had been drawn up by the Management and approved by the Board (May 1983).

The Ministry in May 1983 stated as follows :

“Detailed estimates are being made for materials and labour in terms of manhours required for the job and the allocation of overheads and the prices are being finalised in accordance with the practices existing in other Public Sector Ship-building and Ship Repairing Organisations. However, in respect of new construction, the new orders for Rajabagan

Dockyard are all from the River Services Division of the Company and the most competitive prices offered by other tenderers are accepted as the prices for Rajabagan Dockyard also. For Ship repairfor the vessels belonging to CIWTCmarginal costing principle is being followed. For General Engineering jobs we have to go by what the market can bear. Here again we have found that only marginal costs can be recovered.

In the past cost estimates had not been properly prepared. In Design/Estimates Department they had estimated the quantity of materials, types of machinery and equipment required in order to achieve the performance of the craft stipulated in the contract. With the help of Shops and Planning Department the manhours required for execution are also worked out in detail before preparing the estimate. In the past no such system existed and *ad hoc* estimates were prepared. Presently, we shall prepare the estimate for each job in more comprehensive detail in order to avoid any discrepancy between the estimated and the actual costs."

11.04 *Freight structure for river services :*

The Corporation had not laid down procedure for computation of freight rates for different commodities on different

routes. The Corporation stated that in the past the freight rates had been fixed keeping in view the cost of operation and other factors.

These were not susceptible of verification as no records were maintained by the Corporation for computation of operational cost for river services after discontinuance of voyage accounts since 1974-75.

The Management stated (December 1982) that a consultant firm had been appointed (August 1982) to study the existing freight structure of the Company. A committee consisting of General Manager (Finance), General Manager (Commercial), Company Secretary and Commercial Manager had been formed (August 1982) to undertake negotiations with the prospective customers, after a market study, and offering them rates.

The Ministry stated (May 1983) as under :

“In the light of report of the consultant on freight structure system of River Services and after further detailed examination the finance Division has worked out Vessel-wise/Route-wise cost of per T/Km. to examine the present freight structure..... Besides, voyage cost reporting is being introduced to find out the profitability of each voyage.....”.

12.00 Financial Position and Profitability analysis

12.01 Financial Position

The table below summarises the financial position of the Corporation under broad headings during the years 1976-77 to 1981-82.

| | (Rs. in lakhs) | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 |
| <i>Liabilities</i> | | | | | | |
| (a) Paid-up capital | 760.75 | 837.00 | 971.36 | 1144.36 | 1454.36 | 1889.96 |
| (b) Borrowings : | | | | | | |
| (i) From Government of India | 1755.38 | 2142.90 | 2450.40 | 2886.29 | 3586.29 | 4022.98 |
| (ii) From Bank | 88.56 | 138.55 | 88.82 | 88.82 | .. | .. |
| (c) Trade dues & other current liabilities (including provision) | 2218.25 | 2589.88 | 2798.03 | 3208.70 | 3268.19 | 3848.69 |
| TOTAL | 4822.94 | 5708.33 | 6308.61 | 7328.17 | 8308.84 | 9761.63 |
| <i>Assets</i> | | | | | | |
| (d) Gross block | 579.26 | 596.32 | 626.73 | 743.36 | 783.83 | 799.92 |
| (e) Depreciation | 179.16 | 203.02 | 239.80 | 277.20 | 318.40 | 360.59 |
| (f) Net fixed assets (d—e) | 400.10 | 391.30 | 386.93 | 466.16 | 465.43 | 439.33 |

| | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| (g) Capital works-in-progress | 53.84 | 48.07 | 79.45 | 44.01 | 96.05 | 178.11 |
| [(h) Investment | 1.73 | 1.73 | 1.73 | 1.68 | 1.56 | 1.56 |
| (i) Current assets and loans & advances | 1970.91 | 2212.49 | 2149.19 | 2238.67 | 2039.09 | 2278.63 |
| (j) Miscellaneous expenditure and losses | 2396.36 | 3054.74 | 3691.31 | 4577.65 | 5706.71 | 6864.00 |
| TOTAL | <u>4822.94</u> | <u>5708.33</u> | <u>6308.61</u> | <u>7328.17</u> | <u>8308.84</u> | <u>9761.63</u> |
| Capital employed | 152.76 | 13.91 | 261.91 | 503.87 | 763.67 | 1130.73 |
| Net worth | —1635.61 | —2217.74 | —2719.95 | —3433.29 | —4252.35 | —4974.04 |
| Working capital | — 247.34 | — 377.39 | — 648.84 | — 970.03 | —1229.10 | —1570.06 |

1. Capital employed represents net fixed assets plus working capital.

2. Net worth represents paid up capital plus reserves less intangible assets.

3. Working capital represents current assets, loans and advances less trade dues and other current liabilities.

12.02 Profitability analysis

The Corporation has been continuously incurring losses since its inception and the losses are on the increase from year to year. The cumulative loss as on 31st March 1982 amounted to Rs. 66.70 crores which has not only entirely wiped off its paid-up capital of Rs. 18.90 crores but also borrowings of Rs. 40.23 crores from the Government of India.

The following table indicates contribution made by various activities to the profit/loss of the Corporation for the six years ending 31st March 1982.

| Sl.No. | Unit/Activity | (Rs. in lakhs) | | | | | | Profit(+)/Loss(-) | Total |
|--------|--|----------------|------------|------------|------------|------------|------------|-------------------|-------|
| | | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 | | |
| (1) | Riverine Services : | | | | | | | | |
| (i) | Calcutta River Service | (-) 204.18 | (-) 242.51 | (-) 240.55 | (-) 268.21 | (-) 279.24 | | | |
| (ii) | Assam River Service | (-) 47.55 | (-) 70.96 | (-) 53.03 | (-) 35.14 | (-) 62.57 | | | |
| (iii) | Oil Operation | (+) 9.42 | (+) 2.53 | (+) 1.30 | (-) 0.22 | (-) 15.53 | | | |
| (iv) | Dredging Operation | (+) 9.47 | (+) 9.93 | (+) 6.90 | (+) 0.63 | (+) 3.75 | | | |
| (v) | Stevedoring Operation | (+) 21.14 | (-) 14.72 | (-) 24.84 | (-) 7.02 | (-) 0.57 | | | |
| (vi) | Calcutta warehousing Ferry Services, Charters etc. | (-) 95.63 | (-) 98.43 | (-) 151.32 | (-) 86.77 | (-) 95.07 | | | |
| (vii) | High Sea Grain Operation | (+) 14.23 | (-) 11.02 | .. | .. | .. | | | |
| | TOTAL | (-) 293.10 | (-) 425.18 | (-) 461.54 | (-) 396.73 | (-) 449.34 | (-) 524.18 | (-) 3964.10 | |

NA

(2) Engineering Operations :

| | | | | | | | | | | | | | | | |
|-----------------------------|-----|------------|---------------|------------|---------------|------------|------------------------|------------|---------------|------------|---------------|------------|---------------|------------|----------------|
| (i) Rajabagan Dock-yard | (-) | 167.79 | (-) | 212.67 | (-) | 185.46 | (-) | 424.30 | (-) | 666.74 | (-) | 602.88 | (-) | 2533.79 | |
| (ii) Marine workshop | (-) | 9.38 | (+) | 0.90 | (-) | 1.89 | (-) | 7.57 | (+) | 8.49 | | NA | | NA | |
| (iii) Deep Sea Ship Repairs | (+) | 34.76 | (+) | 10.41 | (-) | 3.66 | (+) | 4.70 | (+) | 40.56 | (-) | 53.81 | (+) | 124.31 | |
| (iv) New Alipur works | (-) | 0.23 | (-) | 19.65 | (-) | 23.16 | (-) | 28.28 | (-) | 27.79 | | | | | |
| (v) Kulpi workshop | (-) | 12.02 | (-) | 1.59 | (-) | 2.13 | (including Port-Blair) | | | | | | | | |
| (vi) Port Blair | | .. | | .. | | .. | | .. | (+) | 2.28 | (-) | 8.13 | (-) | 13.74 | |
| TOTAL | | <u>(-)</u> | <u>154.66</u> | <u>(-)</u> | <u>222.60</u> | <u>(-)</u> | <u>216.30</u> | <u>(-)</u> | <u>455.44</u> | <u>(-)</u> | <u>643.20</u> | <u>(-)</u> | <u>650.77</u> | <u>(-)</u> | <u>2706.31</u> |
| GRAND TOTAL | | (-) | 447.29 | (-) | 647.78 | (-) | 647.84 | (-) | 852.07 | (-) | 1092.54 | (-) | 1149.95 | (-) | 6670.41 |

| | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|
| Incidence of interest on loans | 206.85 | 273.21 | 318.10 | 381.31 | 468.65 | 568.83 |
| Incidence of depreciation | 32.09 | 32.54 | 33.19 | 39.57 | 41.57 | 42.01 |

In this connection the following observations are made :

- (i) The Corporation has been incurring losses consistently on Riverine Services (including Calcutta Warehousing, lighterage, ferry services and charters), Rajabagan Dockyard and New Alipur works.
- (ii) The incidence of loss is more in the case of Rajabagan Dockyard, especially, during the last three years ending 31st March 1982.
- (iii) The operational income in some of the activities in different years was less than the expenditure on wages, salaries and other staff benefits.
- (iv) Similarly, in the case of a number of activities, the operational income was not sufficient even to cover the cost of materials consumed, power and fuel, repairs and insurance.

The Management attributed (March 1981) the following main reasons for the losses :—

- Increased cost of labour and materials including overheads for construction of new vessels undertaken several years ago;
- Acute power shortage and erratic load shedding ;
- Non-availability of matching components and spares in time;
- Absence of modern equipment and machinery ;
- Non-availability of adequate river worthy craft. Most of the tugs and barges employed in river services have outlived their normal lives thereby rendering the river services uneconomic ;

- High cost of repairs of old worn-out vessels ;
- Inadequate infrastructure facilities resulting in delay in discharge of cargo at the terminal points followed by detention of vessels ;
- Traffic to Bangladesh being one-way resulting in empty returns ;
- Dearth of adequate orders ;
- Inadequate infrastructure facilities at Rajabagan Dockyard ;
- Paucity of working capital ;
- Strike of Floating staff in 1979-80 ;
- Agitation in Assam Sector in the recent past ;
- Heavy interest burden on bank and Government loans.

An examination of the various aspects/areas of the working of the Corporation in Audit revealed that the following features as discussed in the various paragraphs of the Report also contributed to the losses of the Corporation :

- (i) Under-utilisation of available capacity resulting in non/under-recovery of fixed overheads.
- (ii) Operational inefficiency.
- (iii) Lack of planning/control.
- (iv) Absence of control over costs.
- (v) High inventory carrying cost.
- (vi) Huge payment of overtime coupled with surplus staff.

The following steps were stated (March 1981) to have been taken by the Management to reduce the losses :—

- A Captive Power Plant of 300 KVA capacity has been installed at Rajabagan Dockyard.
- Un-remunerative operations, such as stevedoring, lighterage, etc. have been closed down.
- Auto-building activities being un-remunerative are also being closed down.
- Effort are being made to utilise all the existing river worthy crafts to increase freight earnings.
- State Bank of India's overdraft has been liquidated in order to save interest burden.
- Proposal has been made to the Government for an ideal debt equity ratio for rationalisation of capital structure which will result in saving of interest.
- Programme of capital repairs of the existing vessels has been taken up to get more return on traffic operation.
- Material management of Rajabagan Dockyard has been strengthened and a new debt collection cell has also been created.
- Consumption of petrol has been kept minimum and most of the operational vehicles have been dieselised.
- Re-organisation of the organisation is under consideration.
- Development Schemes for acquisition of vessels, capital repairs of vessels, repairs and development of Rajabagan Dockyard and creation of infrastructural facilities estimated to cost Rs. 34.20 crores have been undertaken.

13.00 Credit Control

13.01 The table below indicates the volume of book debts, debts considered good as well as doubtful and sales during the years 1976-77 to 1981-82 :

(Rs. in lakhs)

| Year | Debts | | | Provision for doubtful debts | Sales | Percentage of debts to sales |
|---------|-----------------|---------------------|--------|------------------------------|---------|------------------------------|
| | Considered Good | Considered doubtful | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1976-77 | 465.47 | 61.46 | 526.93 | 26.52 | 902.58 | 58.4 |
| 1977-78 | 426.25 | 80.26 | 506.51 | 55.26 | 643.01 | 78.8 |
| 1978-79 | 475.82 | 100.58 | 576.40 | 100.58 | 774.91 | 74.4 |
| 1979-80 | 482.41 | 110.37 | 592.78 | 110.37 | 610.96 | 97.0 |
| 1980-81 | 669.48 | 101.60 | 771.08 | 101.60 | 1221.89 | 63.1 |
| 1981-82 | 619.91 | 112.59 | 732.50 | 112.59 | 640.15 | 114.4 |

The sundry debtors represented about 7.01 months' turnover in 1976-77, 9.45 months' in 1977-78, 8.93 months' in 1978-79, 11.65 months' in 1979-80, 7.57 months' in 1980-81 and 13.73 months' in 1981-82.

13.02 Details of the book debts outstanding for more than one year as on 31st March 1982 are indicated below :

(Rs. in lakhs)

| | Debts due from | | |
|---|-------------------------------------|-----------------|--------|
| | Government departments/undertakings | Private parties | Total |
| 1. Debts outstanding over one year but less than two years | 79.63 | 1.20 | 80.82 |
| 2. Debts outstanding over two years but less than three years | 34.22 | 0.73 | 34.95 |
| 3. Debts outstanding for three years and above | 228.77 | 47.06 | 335.83 |
| | 402.62 | 48.99 | 451.61 |

While on the one hand large amounts remained blocked in outstanding debts, on the other hand the Corporation had to resort to cash credit arrangement with the State Bank of India and ways and means loans from Government to meet the day to day requirements of working capital involving huge interest burden.

The Management stated (February 1982) that its debt collection cell created in December 1979 had been pursuing all the cases for early realisation of the dues.

14.00 System of accounting and internal audit

14.01 Accounting Manual

The Accounting Manual of the Corporation laying down the procedures of maintenance of records and compilation was approved by the Board in January 1972.

The Statutory Auditors in their report (April 1982), on the accounts of the Corporation for the year 1980-81 have brought out the following deficiencies in the existing system of accounts and book keeping.

- The existing accounts manual was inadequate as it covered only four out of the present seven major operational areas.
- The financial powers, responsibilities and duties devolving on different officers were not clearly spelt out in the accounts manual.
- The reconciliation of trial/subsidiary accounts and of inter-unit balances was prepared long after the end of financial year.
- There was considerable delay in writing up of general ledgers, subsidiary ledgers and other registers.
- The balances of subsidiary ledgers were not reconciled with the control accounts at regular intervals.

- The fixed assets as detailed in the asset register were not reconciled with the actual on physical verification.
- Work-in-progress account at Rajabagan Dockyard included a number of items which were being carried forward for the last several years without any addition to these jobs.

14.02 *Internal Audit*

(a) The internal audit department which was created in early 1970 functioned under the control of the Financial Adviser and Chief Accounts Officer/General Management (Finance) except during a short period from July 1977 to March 1978 when it was under the direct control of Chairman-cum-Managing Director.

(b) A manual outlining the scope and programme of work for internal audit drawn up in the year 1969-70 was revised subsequently and approved by the Board of Directors in December 1979.

The Statutory Auditors of the Corporation in their report referred to above have observed as under :—

- The existing programme of internal audit had not been kept up for using the mechanism as a tool of management information.
- Apart from the inherent shortcomings in the scope and programme of internal audit, the system could not work efficiently due to shortage of adequate number of competent staff.
- Most of the operational areas could not be covered by the internal audit wing during the year.
- Queries raised by internal audit were mostly related to the minor areas in routine manner.

- The delay in raising queries and in the replies by the operational departments had practically frustrated the whole purpose of internal audit.

(c) The Committee on Public Undertakings in its Fifteenth Report (Fourth Lok Sabha—April 1969) on Financial Management in Public Undertakings recommended that the functions of the internal audit should include a critical review of the systems, procedures and operations as a whole. The Ministry, of Finance (Bureau of Public Enterprises) while accepting the above recommendation, directed the public enterprises in September 1968, to introduce such a system. No such review of overall performance had, however, been conducted (December 1981).

The Management stated (February 1982) as under :

“.....the internal audit department has also carried out performance appraisal of the River Services with particular reference to the time taken for a round trip..... Internal audit has also carried out the detailed study of the system of receipt, issue of coal and has suggested measures for improvement in the matter. In regard to stores issued to River Services as running stores, the detailed study of the system was also carried out by the Internal Audit. Internal Audit has also carried out the present system of route transport and suggested measures for improvement with a view to achieving economy in the expenditure”.

15. Other Topics of Interest

15.01 *Infructuous expenditure on detention charges*

In November 1978, tenders were invited for transportation of 1 pilot launch from Rajabagan Dockyard to Tuticorin Port, 9 barges from Goa to Calcutta, and 2 dumb pontoons from Bombay to Calcutta. Of the two firms which quoted for

transportation of 9 barges from Goa, one did not deposit earnest money. Accordingly, an order for transportation of 5 barges from the yards at Goa to Calcutta at a total cost of Rs. 2.45 lakhs excluding propulsion fuel, etc. and incidental expenses, was placed on the other firm, M/s. Dependable Industries Pvt. Limited on 10th February 1979. The transportation was to be completed during fair weather season before the onset of monsoon.

While 4 barges were awaiting transportation to Calcutta, on 7th March 1979 the Corporation sought clearance from Mercantile Marine Department (MMD) for taking these vessels to Maldivian Islands for a charter lighterage operation. Certain repairs were carried out on the vessels till the end of March 1979 to meet the requirements of MMD before the vessels could undertake the sea voyage. However, the MMD refused to issue voyage permit without a 'load line' being assigned to the barges. In the meanwhile, the fair weather season on the East Coast had ended and it was decided to leave the 4 vessels at Goa. Delivery of only one 500 tonne barge could be taken on 8th April 1979 and transported by the firm to Calcutta. The firm submitted 3 bills aggregating Rs. 2.74 lakhs for detention charges etc. of the crew from 9th March 1979 to 7th April 1979 against which a sum of Rs. 1.98 lakhs was paid by the Corporation in settlement of the claim.

Again, in September 1979 the Corporation invited quotations for transportation of 6 barges from Goa to Kakinada on the East Coast. The contract for transportation of 6 barges was awarded to the same firm in January 1980. On this occasion also the firm claimed Rs. 2.07 lakhs as detention charges. The claim has, however, not been accepted on the ground that the delay was due to firm's failure to provide adequate crew as required by marine regulations.

The Management stated in February 1982 that the matter had been referred to the Central Bureau of Investigation for enquiry.

15.02 *Delay in execution of an order*

In July 1970, the Corporation accepted an order from Calcutta Port Trust (CPT) for construction of two survey launches at a total price of Rs. 25.40 lakhs, to be delivered by January/February 1972. In March 1975 the delivery schedule was extended to May/June 1975.

In April 1974 the Corporation intimated the CPT that due to steep rise in prices of material and cost of labour, it would not be possible to adhere to the original contract price and accordingly, quoted a revised price of Rs. 65.52 lakhs for the two vessels. This was not agreed to by the CPT. The CPT cancelled the order in May 1975 at the risk and cost of the Corporation on the ground of refusal of the Corporation to execute the same at the quoted price, and also forfeited the Security of Rs. 20,000 deposited by the Corporation. In the meanwhile, in May-October 1974, the Corporation had imported components valued at Rs. 4.08 lakhs to be fitted in the launches, which could not be utilised owing to cancellation of the order.

Thus, owing to failure of the Corporation in execution of the order within the contracted time schedule and price, not only the expenditure of Rs. 0.38 lakh incurred in connection with construction proved to be infructuous, the components imported at a cost of Rs. 4.08 lakhs also remained unutilised (April, 1983).

The Ministry stated (May 1983) that the equipments imported were a good quality and may be profitably utilised excepting gear boxes and that the matter was under examination for exploring the possibility of utilising all the items on vessels to be constructed in future.

15.03 *Execution of an off loaded work*

In March 1970, the Corporation accepted the work of completion of an unfinished tug from a firm on whom the order

was placed in 1964 by the Director General of Supplies & Disposal (DGS&D) for supply of tug to Vishakapatnam Port Trust (VPT). The Corporation raised in April 1972 an account bill for Rs. 1.80 lakhs on the firm for the work done on the tug till March 1972. A further bill for Rs. 1.33 lakhs was raised by the Corporation. Owing to non-payment of the bill by the firm, further work on the tug was suspended by the Corporation. In order to utilise the docking space, the vessel as undocked in November 1972 and moored at the river front. The Corporation decided (November 1972) to file a suit against the firm for non-payment of the bills. In December 1977 the firm had gone into liquidation.

In December 1972, the DGS&D cancelled the contract, at the risk and cost of the firm and floated a risk purchase tender enquiry in April 1973. The Corporation also quoted (April 1973) for the work on 'cost plus' basis. No decision was, however, taken for award of the work (April 1981).

The matter regarding non-payment of Rs. 3.13 lakhs by the firm was taken up by the Corporation (February 1978) with the DGS&D.

Meanwhile (September 1973) the tug had been beached at Shalimar Yard alongwith several laid down vessels. Consequent on the sale of other laid down vessels, the tug remained without any security arrangements.

The Corporation informed the Deputy Commissioner of Police, Calcutta in July 1980 that complete super-structure and a considerable portion of starboard side had been cut and removed under the instructions of a party to whom the land had been leased out by the CPT. Simultaneously, the matter was also referred to the solicitors for taking legal action in the matter.

The Ministry stated (May 1983) *inter alia* that "for unauthorised removal of certain portion of hull and superstructure of the tug a case is proposed to be filed against one firm for recovery of the cost of damage".

15.04 Procurement of imported schottle engine

In February 1968, the Corporation received two imported schottle engines with spares at a total cost of Rs. 12.18 lakhs (including warehousing charges) the orders for which were placed by the erstwhile RSN Company Limited in 1963. Since these imported marine engines could not be utilised, in December 1977 the Board of Directors of the Corporation desired that the same should be sold by inviting open tenders subject to the approval of the Government after examining the possibility of their utilisation for any alternative beneficial purpose. Prior to the Boards' above decision, an effort to sell these engines through an open tender in July 1977, did not succeed as the highest offer of Rs. 4.35 lakhs only received was not accepted. In July 1978 an attempt was made for inspection of the machines when it was found that certain items were missing/damaged. In May 1979, it was decided to utilise the engines for construction of a self-propelled carrier. A firm was appointed in August 1983 for conducting inspection of machines.

The Ministry stated (May 1983) as under :—

"Decision has already been taken for installation of the Schottle Engine in our Self Propelled Carrier, yard No. 379 now under construction at Rajabagan Dockyard..... Further action had already been taken recently for renovation of Engine and Schottle Units."

15.05 Non-utilisation of barges

Four Kelvin barges and two flat barges purchased at a cost of Rs. 23.84 lakhs and Rs. 10.38 lakhs respectively were

transported to Kakinada in February 1980. The Corporation appointed a local agent for operating these vessels. However, due to limited number of ships calling at the port and competition from the existing barge operators, the vessels could not be utilised. The Board of Directors, before whom the matter was placed, desired that alternative ways should be found out for use of these barges to carry out cargo operation, and the question of retaining them beyond December 1980 should be examined in the context of shortage of barges for movement in the North Eastern India.

In August 1980, the agent served a notice on the Corporation for its failure to offer the lighterage job reserving right to claim damages. The barges were taken over from the agent on 15th September 1980. The Board of Directors to whom the matter was again placed in November 1980 desired a detailed note on the subject right from the purchase. This, however, could not be done as the concerned files and papers had been seized by the Central Bureau of Investigation. In March 1981, the agent, claimed Rs. 0.91 lakh from the Corporation towards re-imbusement of expenses actually incurred by him and Rs. 0.50 lakh by way of damages for loss of income. The Board of Directors before whom the proposals for disposal of the barges were placed in March 1981 and May 1981 desired that these may be considered later only after it was ultimately not found feasible to bring them to Calcutta during the current fair weather season. The barges were brought to Calcutta after incurring an expenditure of Rs. 4.52 lakhs (upto April 1981) on their repairs.

Thus, not only the Corporation did not earn any revenue from the barges during the period they were stationed at Kakinada but also incurred unproductive expenditure of Rs. 0.67 lakh on the maintenance of its staff apart from an expenditure of Rs. 4.52 lakhs incurred on the repair of the barges.

OVERALL SUMMARY

Introduction

The Central Inland Water Transport Corporation Limited (CIWTC) was incorporated on 22nd February 1967 to take over the assets and certain liabilities of the River Steam Navigation Company Limited (RSN Company) under a Scheme of arrangement which was approved by the Calcutta High Court on 3rd May 1967. The CIWTC started functioning as an independent company with effect from May 1967 and commenced its business from 5th June 1967. As on 31st March 1982, the Corporation had a fleet of 153 river vessels. Besides, marine workshops, the Corporation has also a dockyard at Rajabagan whose main activities are maintenance and repairs of the Corporation's fleet of inland vessels and also construction, of new vessels as and when required.

2. Objectives

The principal objective of the Corporation was to establish, maintain and operate water transport services. However, in the course of time, the Corporation diversified its activities and the focus of activities had drifted from the running of river services to stevedoring, lighterage, etc. with the result that it failed to achieve the objective of operating inland water transport for which it was set up.

The Company has not so far (May 1983) laid down the objectives and obligations—both financial and economic, in terms of the instructions issued by the Bureau of Public Enterprises in November 1970.

3. Delegation of Powers

Most of the powers remained centralised with the Chairman Heads of Departments and other officers enjoyed very limited powers.

No review of the system of delegation of powers throughout the managerial hierarchy upto the lowest level in order to ensure that at all levels, the centres of responsibility corresponded exactly with the centres of power, as recommended by the Bureau of Public Enterprises in September 1970, had been made so far (November 1982). Similarly, detailed powers and functions of the Financial Adviser had not been laid down in terms of Bureau of Public Enterprises instructions of May 1969.

4. Financial Position and Working results

The Corporation had continuously been incurring losses since inception and the losses are on the increase from year to year. The cumulative loss as on 31st March 1982 amounted to Rs. 66.67 crores which has not only entirely wiped off the paid up capital of Rs. 18.90 crores but also borrowings of Rs. 40.23 crores from the Government of India.

5. Modernisation and Development

In December 1980, the Government sanctioned a capital expenditure of Rs. 34.20 crores for acquisition and capital repairs of vessels, improvement to Rajabagan Dockyard and creation of infrastructural facilities. The programme was to be undertaken in a phased manner and completed by 1986-87 and envisaged creation of a carrying capacity of 11.63 lakh tonnes to cater to the available cargo of 8.74 lakh tonnes by 1985-86. In this connection, the following points deserve mention :

- (i) As against the sanctioned cost of Rs. 34.20 crores, the latest (April 1983) estimated expenditure was to the extent of Rs. 42.89 crores thereby indicating an increase of Rs. 8.69 crores over the estimates.
- (ii) As against the carrying capacity of 11.63 lakh tonnes to be created by 1985-86 and the available cargo of 8.74 lakh tonnes envisaged in the Programme, the total carrying capacity and achievable

capacity by 1985-86 was estimated at 9.17 lakh tonnes and 6.13 lakh tonnes respectively only (May 1983).

(iii) According to the Ministry (May 1983) the Corporation has decided to complete the investment approved by the Government in December 1980 within 1984-85 (as against 1986-87 contemplated earlier). This has to be viewed in the light of the following :

(a) The implementation of the scheme and monitoring of progress thereof had not been taken up in a coordinated manner.

(b) The implementation of the programme was lagging behind the schedule as will be evident from the following facts :

- The programme envisaged for 1980-81, by and large, could not be implemented.
- There was virtually no progress in the installation of infrastructural facilities.
- Order for construction and delivery of three tugs was placed on M/s. Mitsubishi Corporation of Japan in June 1982. Official trials of the tugs conducted in April 1983 in Japanese waters revealed a number of defects and deficiencies. Owing to the defects the basic objective of the technology transfer contemplated in the contract was seriously affected.
- Order for construction of 3 self-propelled barges of 600 tonne capacity was placed on Chowgule and Company Limited in February 1981. The delivery of the two vessels which had arrived

in Calcutta in March/April 1983 could not be taken as on trial they were found to have a number of defects/deficiencies.

- Order for construction of three 600 tonne self propelled barges was placed on Mazagon Dock Limited in January 1981. The vessels were scheduled to be delivered by March 1982. The Board of Directors of the Corporation was informed in May 1983 that the first vessel launched in March 1982 met with an accident involving major damage. The remaining two vessels have not been delivered (May 1983).
- The progress of construction of the remaining three self propelled barges being constructed in the Corporation's own yard was also far behind the schedule.

Rajabagan Dockyard

- (i) The Corporation/Government had taken long time in arriving at a decision on the scope and parameters of the development of Rajabagan Dockyard. Even the revised proposals sanctioned by the Government (December 1980) do not envisage comprehensive development of the Dockyard.
- (ii) The progress of the repairs/improvements of the Dockyard was slow.

6. Performance appraisal

At the time of its formation, the activities of the Corporation were confined mainly to passenger ferry services in Calcutta and internal river services in Assam, in addition to ship repairing, construction of small river and harbour crafts, general engineering jobs, automobile servicing and repairs and lighterage etc.

Presently, in addition to above, the Corporation operates river traffic services in and from the North Eastern Region through Bangladesh and on shorter routes on Hooghly. It has also undertaken stevedoring and dredging operations. The following points deserve mention :

Riverine Services

- Route-wise capacity had not been determined ; vessels were utilised on different routes from time to time depending upon traffic offerings.
- There was a sharp decline in the available capacity from 1979-80 onwards as compared to capacity available in previous years.
- The available capacity was not fully utilised, the utilisation of capacity ranged from 43.5 per cent in 1981-82 to 76.8 per cent in 1980-81.
- The freight earnings from river services increased from Rs. 84.98 lakhs in 1977-78 to Rs. 239.79 lakhs in 1980-81 but declined to Rs. 162.78 lakhs in 1981-82.
- The trips made by the vessels were far less than the trips which could be undertaken.
- The turn-round time actually taken by a number of vessels was far in excess of that estimated by the River Services Committee 1972. An analysis of trips made by vessels during 1980-81 and 1981-82 on certain routes revealed that actual running time of vessels on the same route varied considerably from trip to trip. The detention hours due to various reasons were very high and many a time exceeded the normal turn-round time. Thus the inability of the Corporation in reducing the turn-round time and accordingly in increasing the total sailings from Calcutta has affected its traffic credibility.

- The Corporation has suffered a loss of Rs. 11.44 crores upto 1980-81 on ligherage, ferries and charters. The Corporation has also incurred loss on High See Grain Lightering Operations and stevedoring operations.

Rajabagan Dockyard

- The overall rated and attainable annual production capacity for different product-mix/activities/shops of the Dockyard had not been fixed. There was imbalance between various trades and the facilities available for New Constructions.
- There was a sharp decline in the earnings from repairs to inland vessels in 1981-82 as compared to earlier years. The value of production of new vessels generally showed a declining trend.
- The various recommendations of the National Productivity Council (1975-76) in regard to the deficiencies in the existing organisational set up and production planning and control of the Dockyard had, by and large, not been implemented. The responsibility and authority of the various officers had also not been laid-down (May 1983).
- There was no clear long-range policy regarding system of production planning and control
- In the absence of any data regarding load factor or a master time schedule, generally engineering jobs were undertaken without reference to available shop capacity, with the result that there were huge delays in the completion of the jobs. Again, the Corporation was unable to assess and utilise the idle capacity for taking up engineering jobs on marginal cost basis.

- In respect of shipbuilding, the planning was confined only to preparing the delivery schedule and material procurement. The day-to-day planning by task execution of various orders was not done in a systematic manner.
- No norms based on time and motion study for work output had been laid-down.
- Actual production/achievement was generally less than the estimates.
- The budget estimates were not correlated with the the physical outputs—planned and actual outputs with the result that achievement in physical terms could not be assessed.
- The installed capacity of the Dockyard for repairs was under-utilised.
- There were abnormal delays in repairs of the vessels and as a result a number of vessels had to be got repaired by outside agencies.
- The actual time spent on repairs of the vessels was far in excess of the normal time.
- During the period from 1976-77 to 1981-82, the Corporation had incurred a total expenditure of Rs. 6.78 crores on the repairs (dry docking) of the vessels in the Rajabagan Dockyard.

The overall capacity for ship-building has not been assessed. Delivery dates for vessels were committed without due regard to available capacity with the result that the dockyard failed to deliver the ships as per the delivery schedule.

7. Man-power analysis and utilisation

The following points are of interest :—

- Corporation had not conducted any integrated study to determine its man-power requirements based on any norms or standards.

The Management stated that in the context of implementation of modernisation scheme approved by Government in December 1980, reassessment of man-power requirement was being actively considered so as to identify surplus strength of staff and their deployment in alternative jobs.

- While on the one hand man-power was excessive, on the other hand productivity was extremely low.
- The existing manning scales for most of the vessels were excessive and therefore uneconomical.
- The number of operational vessels in the present fleet being hardly 20 per cent of the total fleet, a large number of floating staff were kept idle at any point of time. On a rough assessment more than one third of the total strength of the floating staff was being practically wasted in various watch-keeping and house-keeping duties on vessels.
- In Rajabagan Dockyard programming of each individual job, breaking-down of each job into components which are amenable to quantification by way of number of man-days, machine-hours and degree and extent of utilisation of other facilities, has not been drawn very comprehensively with the result that excessive man-days were booked for each job in an attempt to camouflage the idle and non-productive man-days.

- The actual utilisation of the available man-days on the running vessels during March 1982 and March 1983 was to the extent of 53.5 per cent and 59.7 per cent, respectively.
- Deployment of crew on certain vessels was not only on an increase but was also more than the manning-scale.
- The overall value of production per employee decreased from Rs. 0.18 lakh in 1976-77 to Rs. 0.12 lakh in 1979-80 and to Rs. 0.13 lakh in 1981-82.
- In the Hull shop, not only were the actual man-hours spent for processing a tonne of steel excessive but also varied widely from year to year.
- No norms for production of castings were fixed. Actual man-hours spent for producing a tonne of good castings varied widely from year to year.
- While on the one hand the Corporation has been carrying surplus staff, on the other hand huge payments have been made on account of over-time allowance from year to year.
- While the total payment of overtime was generally on the increase from year to year (except in 1981-82), conversely the value of production was showing a declining trend.
- The incidence of payment of overtime was generally more in the case of Rajabagan Dockyard and Deep Sea Ship Repairs.
- In Rajabagan Dockyard the incidence of payment of overtime to non-operatives was more as compared to the operatives and was showing an increasing trend from year to year.

8. Utilisation of plant and Machinery

- Out of 158 machines inherited from RSN in the Machine and Fitting shop, Smithy and Foundry, 33 machines were not in use during the last 10 years ending 31st March 1982 and 15 machines were used occasionally. Five machines though installed in 1979-80 at a total cost of Rs. 26.17 lakhs have not been commissioned so far on account of lack of work.
- There was no system of feeding back to the planning section by the Shops so as to enable the former to plan for the subsequent period.

An analysis of the extent of utilisation of machines in the machine and fitting shop indicated that there was a gradual increase in the quantum of idle hours from 0.55 lakh in 1978-79 to 1.15 lakhs in 1980-81.

9. Material Management and Inventory control

The following points deserve mention :—

- The Corporation was carrying huge inventory resulting in locking-up of funds.
- The N.P.C. which has studied the material management of Rajabagan Dockyard in its report of March 1976 while pointing out various deficiencies/inadequacies in the material planning, budgeting, delegation of authority, inventory control, record keeping, purchase procedure, inspection of materials and multiplicity of officers making purchases, etc. had made a number of recommendations for removing these deficiencies. An examination in Audit revealed that the following deficiencies still persist.
- There was no system of centralised purchases.

- Maximum, minimum and ordering levels of stock had not been fixed.
- There was no system of material budgeting.
- No criteria or policy had been laid-down for classifying the materials as 'stock or non-stock' items.
- There was no co-relation between procurement and consumption of stock items resulting in accumulation.
- While on the one hand the level of inventory was on higher side, on the other hand, considerable man-hours were lost due to non-availability of materials.
- In certain cases imports were made much in excess of requirements.

10. Marketing Strategy

Hitherto, the Corporation had no planned system of marketing strategy and depended mostly on cargos offered by government departmental undertakings in the North Eastern States. There was no department responsible for planning commercial activities of Rajabagan Dockyard. From February 1982, announcing of sailing schedules of vessels in different routes through advertisements in local dailies was stated. The Corporation could not perform all the sailings as advertised and there were considerable delays.

11. Costing System

The NPC which has examined the costing system of Rajabagan Dockyard, in its report of October 1976 had pointed out a number of deficiencies in the costing system including inadequacy

of the estimates prepared for quotations, absence of budgetary control, financial planning and reporting system, defects in booking of costs, absence of effective monitoring system and control mechanism, delays in issuing work orders, etc. No effective steps in this regard have been taken.

- There was no system of ascertaining and fixing standard cost in respect of any operation of the Corporation.
- Cost of each unit of its products was not prepared. The system was not considered effective in respect of cost control.
- There were wide variations between actual costs and cost estimates prepared for the purpose of quotations.
- There was considerable time lag in compilation of costs resulting in delay in the feed back information.
- There was no system for ascertaining idle time for machinery.
- The cost ledger maintained was not integrated with financial ledger.
- An analysis of costs in respect of some of the vessels under construction as compared to the estimated costs and selling prices indicated that the actual cost so far (March 1981) booked far exceeded the estimated costs; in some cases even the material cost was not recovered. A further analysis of some of the jobs revealed that the estimates for requirements of steel, timber, paint and labour were not made on any realistic basis with the result that the actual consumption far exceeded the estimates.
- The estimates were prepared for the purpose of quotations only and no detailed estimates were

prepared on acceptance of contracts so as to measure actual performance there-against.

- No norms of wastage and rejections in the various processes of production in different shops had been laid-down.
- The estimated cost of the vessels was generally far in excess of the selling price.
- The maintenance of voyage accounts for different routes indicating the operational costs of cargo carried in a specific vessel plying on a certain route was discontinued from 1974-75. Subsequently the compilation of vessel-wise quarterly performance reports based on pre-determined rates for fixed as well as variable expenses was started. These reports were also not reconciled with the financial accounts. In December 1981 this procedure was also discontinued in order to introduce per voyage accountability with retrospective effect from April 1981; this has, however, not been done (December 1982).

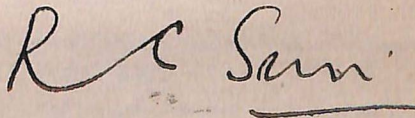
12. Pricing Policy

The Corporation had not laid-down a clearcut pricing policy in respect of its products/jobs till April 1980. In May 1980 the Board directed that the marginal costing system might be followed for procuring new orders. In November 1980, the Board further directed that in future all orders on loss be accepted with its prior approval and for acceptance of orders at lower than cost, a clear cut guidelines/system be drawn up and placed before it for approval. No guide-lines as desired by the Board had been drawn by the Management and approved by the Board (May 1983):

- The Corporation had not laid down procedure for computation of freight rates for different commodities on different routes.

13. Credit Control

Huge amounts were outstanding against sundry debtors affecting adversely the liquidity position of the Corporation. The percentage of debtors to sales rose from 58.4 in 1976-77 to 114.4 in 1981-82. Debts outstanding for three years and more amounted to Rs. 2.89 crores from Government Departments/undertakings and Rs. 0.47 crore from private parties. While on the one hand large amounts remained blocked in outstanding debts, on the other hand the Corporation had to resort to cash credit arrangements with the State Bank of India and ways and means loans from the Government to meet day to day requirements of working capital involving huge interest burden.



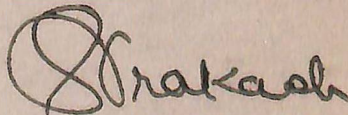
(R. C. SURI)

*Chairman, Audit Board and Ex-Officio
Additional Deputy Comptroller and
Auditor General (Commercial)*

New Delhi,

The 31-12-1983. 1983

Countersigned



(GIAN PRAKASH)

Comptroller and Auditor General of India

New Delhi,

The 31-12-1983. 1983

ANNEXURES

ANNEXURE I

(Referred to Paragraph 5.01)

(Rs. in lakhs)

| Details of the items | Total amount sanctioned by Govt. | 1980-81 | | | | | 1981-82 | | | | | 1982-83 | | | | |
|---|----------------------------------|--------------------------------------|--|--------|-----------------------------------|----------------------|--------------------------------------|--|--------|-----------------------------------|-------------|--------------------------------------|--|---------|-----------------------------------|---------------------------------|
| | | Amount as per phasing of expenditure | Amount asked for by the Corporation through budget from Government | | Amount released by the Government | Expenditure incurred | Amount as per phasing of expenditure | Amount asked for by the Corporation through budget from Government | | Amount released by the Government | Expenditure | Amount as per phasing of expenditure | Amount asked for by the Corporation through budget from Government | | Amount released by the Government | Expenditure up to November 1982 |
| | | | BE | RE | | | | BE | RE | | | | BE | RE | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 1. Acquisition of vessels | | | | | | | | | | | | | | | | |
| 9—Tugs (5 Replacement & 4 addition) | 990.00 | 20.00 | .. | 20.00 | | | 200.00 | 200.00 | | | | 220.00 | 330.00 | 420.00 | | |
| 10—500 tonne self propelled barges | 450.00 | 100.00 | .. | 110.00 | | | 350.00 | 340.00 | 199.30 | | | .. | 187.50 | 370.00 | | |
| 2—200 tonne self propelled barges | 11.00 | 10.00 | .. | .. | 180.00 | 16.80 | 1.00 | .. | .. | 385.31 | 280.34 | .. | .. | .. | 314.00 | 318.41 |
| 7—800 tonne self propelled barges | 60.00 | 5.00 | .. | 5.00 | | | 15.00 | 15.00 | .. | | | 30.00 | .. | 10.00 | | |
| 27—750 tonne self dumb barges | 831.00 | 65.00 | .. | 65.00 | | | 265.00 | 325.00 | 122.20 | | | 150.00 | 371.80 | 605.70 | | |
| | 2342.00 | 200.00 | .. | 200.00 | 180.00 | 16.80 | 831.00 | 880.00 | 321.50 | 385.31 | 280.34 | 400.00 | 889.30 | 1405.70 | 314.00 | 318.41 |
| II Capital repairs to vessels | 333.00 | 146.00 | .. | 62.00 | 62.00 | 24.00 | 123.00 | 207.00 | 132.82 | 44.66 | 111.75 | 64.00 | 138.18 | 174.75 | .. | .. |
| III Rajabagan Dockyard | 500.00 | 15.00 | .. | 10.00 | 2.00 | 1.74 | 85.00 | 100.00 | 30.00 | .. | 2.15 | 250.00 | 150.00 | 140.00 | 47.00 | .. |
| IV Infrastructural facilities for riverine services | 245.00 | 5.00 | .. | 10.00 | 8.00 | Nil | 40.00 | 90.00 | 12.00 | 5.63 | 3.49 | 100.00 | 80.00 | 80.00 | 7.00 | 8.32 |
| GRAND TOTAL | 3420.00 | 366.00 | .. | 282.00 | 252.00 | 42.54 | 1079.00 | 1277.00 | 496.32 | 435.60 | 397.73 | 814.00 | 1257.48 | 1800.45 | 368.00 | 326.73 |

ANNEXURE II

[Referred to in Para 5.01(2)]

Statement of routewise capacity as per proposal approved by PIB in December 1980 and as per Ministry's reply of May 1983.

(Figures in tonnes)

| Route | As per PIB Sanction | | As per Ministry's reply | | |
|---|---------------------|-------------------------|-------------------------|-------------------------|----------|
| | Capacity by 1985-86 | Cargo available 1985-86 | Capacity by 1985-86 | Cargo available 1985-86 | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Non-POL</i> | | | | | |
| 1. Calcutta—Gauhati (Pandu)—Calcutta | | 3,02,500 | 3,02,500 | .. | .. |
| 2. Calcutta—Cachar (Karimganj)—Calcutta | | 27,000 | 27,000 | 63,000 | 49,950 |
| 3. Calcutta—Bangladesh—Calcutta | | 49,200 | 39,600 | 22,400 | 14,700 |
| 4. Calcutta—Farakka—Calcutta | | 45,000 | 26,500 | 68,400 | 58,500 |
| 5. Calcutta—Haldia—Calcutta | | 5,28,000 | 3,78,000 | 1,02,340 | 63,963 |
| 6. Calcutta—Sagar—Calcutta | | 2,11,200 | 1,00,000 | | |
| 7. Calcutta—Pandu—Neamoti—Calcutta | | .. | .. | 3,60,500 | 2,80,710 |
| <i>POL</i> | | | | | |
| 8. Haldia—Budge Budge | | .. | .. | 3,00,000 | 1,45,560 |
| | | 11,62,900 | 8,73,600 | 9,16,640 | 6,13,383 |

ANNEXURE III

(Referred to in paragraph 6.00)

Details of crafts inherited from RSN crafts acquired and disposed of after formation of the Company upto 31st March 1982

| | Powered crafts (Towing vessels, twin screw, despatch service vessels, steamers and launches) | Dumb crafts (flats, barges, boats, etc.) | Miscellaneous blocks (Pontoons, heaveup boats, floating workshop jolly boat, crane boat, workmen's barges and wooden life boat) | Total |
|--|---|---|--|-------|
| 1 | 2 | 3 | 4 | 5 |
| 1. Crafts inherited from RSN Company | 104 | 215 | 22 | 341 |
| Less : impounded during Indo-Pak hostilities | 19 | 36 | .. | 55 |
| | 85 | 179 | 22 | 286 |
| 2. Position of crafts during the period from 1967-68 to 1977-78. | | | | |
| (a) Crafts acquired | 8 | 14 | 3 | 25 |
| (b) Crafts sold | 52 | 97 | 7 | 156 |

3. Position of crafts during the period 1978-79 to 1980-81

| | | | | |
|--|----|----|----|-----|
| (a) Balance of crafts as on 1st April 1978 | 41 | 96 | 18 | 155 |
| (b) Crafts acquired | 7 | .. | .. | 7 |
| (c) Crafts sold | .. | .. | .. | .. |
| (d) Crafts attached to mother craft | .. | .. | 2 | 2 |

4. Position of crafts as on 31st March 1981

| | | | | |
|--|----|----|----|-----|
| | 48 | 96 | 16 | 160 |
|--|----|----|----|-----|

5. Position of crafts as on 31st March 1982

| | | | | |
|--|----|----|----|-----|
| | 48 | 89 | 16 | 153 |
|--|----|----|----|-----|

ANNEXURE IV

(Referred to in Paragraph 6.00)

Statement of vessels-Age-wise for the period ending 30th November 1982

| Type of vessel | Total No. | Upto 5 Yrs. | 6-10 Yrs. | 11-15 Yrs. | 16-20 Yrs. | 21-25 Yrs. | 26-30 Yrs. | 31-35 Yrs. | 36-40 Yrs. | Above 40 Yrs. |
|--------------------------|-----------|-------------|-----------|------------|------------|------------|------------|------------|------------|---------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Self propelled carriers | 2 | .. | .. | .. | 2 | .. | .. | .. | .. | .. |
| Self propelled barges | 7 | 1 | .. | .. | .. | 6 | .. | .. | .. | 2 |
| Tugs | 4 | .. | .. | .. | 1 | 1 | .. | .. | .. | .. |
| Pusher tugs | 5 | .. | .. | .. | .. | 5 | .. | .. | 1 | 9 |
| Steamers | 10 | .. | .. | .. | .. | .. | .. | .. | .. | 39 |
| Flats | 40 | 1 | .. | .. | .. | .. | .. | 1 | 7 | 5 |
| Barges | 48 | .. | .. | 5 | 2 | 28 | .. | 2 | 1 | 8 |
| Launches | 20 | .. | .. | 2 | 3 | 4 | .. | .. | .. | 2 |
| Misc. | | | | | | | | | | |
| Heaveup Boats | 2 | .. | .. | .. | .. | .. | .. | 1 | .. | .. |
| Floating crane | 1 | .. | .. | .. | .. | .. | .. | .. | 1 | .. |
| Crane Pontoon, No. 3 | 1 | .. | .. | .. | .. | .. | .. | 2 | .. | 2 |
| Passenger barges | 5 | .. | .. | .. | 1 | .. | .. | .. | .. | .. |
| AML barges | 5 | .. | 5* | .. | .. | .. | .. | 1 | 1 | .. |
| Residential flats | 2 | .. | .. | .. | .. | .. | .. | .. | .. | 1 |
| Quiton floating workshop | 1 | .. | .. | .. | .. | .. | .. | .. | .. | 1 |
| Water barge | 1 | .. | .. | .. | .. | .. | .. | .. | 1 | 5 |
| Boats | 6 | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| | 160 | 2 | 5 | 7 | 9 | 44 | .. | 7 | 12 | 74 |

* Year of acquisition is 1972. Year in which built not known.

ANNEXURE V

[Referred to in para 6.04(b)(ii)]

Details of cargo carried during 1980-81 & 1981-82

| Route | 1980-81 | | Commodity-wise traffic |
|-------------------------------|---|--|---|
| | Budget- ed traffic (in tonnes) | Actual traffic carried (in tonnes) | |
| Calcutta—Assam | | 23,380 | Cement 17,158 tonnes; fertilisers 2,527 tonnes; steel 3089 tonnes, General cargo 606 tonnes. |
| Assam—Calcutta | | 13,591 | Tea 2,406 tonnes; Jute 7437 tonnes; Bamboos 3,074 tonnes; timber 624 tonnes, etc. |
| Calcutta—Cachar | | 5,711 | Cement 445 tonnes; manure 613 tonnes; general cargo 4,653 tonnes. |
| Cachar—Calcutta | | 6,947 | Jute/Cotton 998 tonnes, bamboo products 869 tonnes; plywood 675 tonnes; general cargo 4,405 tonnes. |
| Calcutta—Bangladesh | | 7972 | General Cargo |
| Bangladesh—Calcutta | | 5,871 | Molasses 5,188 tonnes, barrels 683 tonnes. |
| Haldia—Calcutta | | 10,772 | Cement |
| Sagar—Calcutta | | 20,389 | Fertilizer |
| Haldia—Calcutta | | 19,846 | Oil |
| | | <u>1,14,479</u> | |

| Route | 1981-82 | | Commodity-wise traffic |
|-----------------------|-------------------------------|------------------------------------|--|
| | Budgetted traffic (in tonnes) | Actual traffic carried (in tonnes) | |
| Calcutta—Assam | 33,000 | 22,634 | Cement 15,479 tonnes; steel 3,962 tonnes; general 8 tonnes, luboil 917 tonnes; fertilizer 2268 tonnes. |
| Assam—Calcutta | 24,000 | 18,253 | Jute 9,236 tonnes, bamboo 6,478 tonnes; railway sleeper 1,646 tonnes; tea 893 tonnes. |
| Calcutta—Cachar | 8,000 | 6,994 | Cement 4,049 tonnes, iron & steel 1,347 tonnes; general cargo 1,598 tonnes. |
| Cachar—Calcutta | 6,000 | 3,319 | Jute 1,055 tonnes; bamboo 825 tonnes, cotton 50 tonnes; general cargo 1,389 tonnes. |
| Calcutta—Bangladesh | 9,000 | 5,462 | General cargo 4,855 tonnes; plant and machinery 607 tonnes. |
| Bangladesh—Calcutta | .. | 675 | Paper Pulp 250 tonnes; newsprint 425 tonnes. |
| Sagar/Haldia—Calcutta | 25,000 | 583 | Containers 583 tonnes, (25,000 tonnes traffic was expected on imported cement and fertilizers.) |
| Haldia—Budge Budge | .. | 17,133 | H.S.D. |
| TOTAL | 1,05,000 | 75,053 | |

ANNEXURE VI

[Referred to in paragraph 6.04(iv)]

Statement showing the turn round period actually taken as compared to normal period as per norms of River Services Committee

| Name of the vessels | Year | Turn round period taken | Number of trips | Normal turn round period as per norms of River Services Committee | Excess time taken during the year |
|----------------------|---------|-------------------------|---|---|-----------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. River Brahmaputra | 1976-77 | 103 days | { 2 Nos. Cal—Assam—Cal. 1 No. Cal—Assam—Cal. | 53 days | 50 days |
| | 1977-78 | 113 days | 4 Nos. Cal—Bang—Cal. | 44 days | 69 days |
| | 1978-79 | 190 days | { 3 Nos. Cal—Assam—Cal. 2 Nos. Cal—Bang—Cal. | 85 days | 105 days |
| | 1979-80 | 115 days | 3 Nos. Cal—Assam—Cal. | 63 days | 52 days |
| | 1980-81 | 180 days | 4 Nos. Cal—Assam—Cal. | 84 days | 96 days |

| 1 | 2 | 3 | 4 | 5 | 6 | |
|------------------|---------|--|--|----------|----------|--|
| 2. River Ganga | 1976-77 | 154 days | 3 Nos. Cal—Assam—Cal. 1 No. Cal—Bang—Cal. | 74 days | 80 days | |
| | 1977-78 | 56 days | 2 Nos. Cal—Bang—Cal. | 42 days | 14 days | |
| | 1978-79 | 83 days | 2 Nos. Cal—Assam—Cal. | 42 days | 41 days | |
| | 1979-80 | 301 days | 4 Nos. Cal—Assam—Cal. | 84 days | 217 days | |
| | 1980-81 | 116 days | 3 Nos. Cal—Assam—Cal. | 63 days | 53 days | |
| 3. Galiana | 1976-77 | 160 days | 4½ Nos. Cal—Bang—Ca.l | 50 days | 110 days | |
| 4. Chibassa | 1978-79 | 203 days | 4 Nos. Cal—Assam—Cal. 2 Nos. Cal—Bang—Cal. | 106 days | 97 days | |
| | 1979-80 | The vessel was laid up for statutory repairs | | | | |
| | 1980-81 | 203 days | 2 Nos. Cal—Assam—Cal. 2 Nos. Cal—Cachar—Cal. | 42 days | 161 days | |
| 5. P. S. Mongnai | 1976-77 | 98 days | 4 Nos. Cal—Bang—Cal. | 44 days | 54 days | |
| | 1977-78 | 137 days | 2 Nos. Cal—Assam—Cal. 1½ Nos. Cal—Bang—Cal. | 50 days | 78 days | |
| | 1978-79 | 238 days | 4 Nos. Cal—Assam—Cal. ½ No. Cal—Bang—Cal. | 90 days | 140 days | |
| | 1979-80 | 344 days | 3½ Nos. Cal—Assam—Cal. 1 No. Cal—Bang—Cal. | 85 days | 259 days | |
| 6. P. S. Bhopal | 1979-80 | 344 days | 3½ Nos. Cal—Assam—Cal. 1 No. Cal—Bang—Cal. | 85 days | 259 days | |
| | 1980-81 | 189 days | Cal—Dhubri—Bahadurabad. back to Dhubri—Pandu—Cal. | 42 days | 147 days | |

| | | | | | |
|--------------------------|---------|----------|---|----------|----------|
| 7. <i>P. S. Canara</i> | 1976-77 | 214 days | 1½ Nos. Cal—Assam—Cal. 1 No. Cal—Bang—Cal. | 43 days | 171 days |
| | 1977-78 | 161 days | 2 Nos. Cal—Assam—Cal. 2 Nos. Cal—Bang—Cal. | 64 days | 97 days |
| | 1978-79 | 190 days | 4 Nos. Cal—Assam—Cal. 1 No. Cal—Bang—Cal. | 95 days | 95 days |
| | 1979-80 | | The vessel was laid up for statutory repairs | | |
| | 1980-81 | 188 days | 1 No. Cal—Bang—Cal. 2 Nos. Cal—Cachar—Cal. 1 No. Cal—Assam—Cal. | 11 days | 177 days |
| 8. <i>P. S. Paracha</i> | 1976-77 | 172 days | 3½ No. Cal—Assam—Cal. 3 Nos. Cal—Bang—Cal. | 107 days | 65 days |
| | 1977-78 | 155 days | 1 No. Cal—Assam—Cal. 4 Nos. Cal—Bang—Cal. | 65 days | 90 days |
| | 1979-80 | 144 days | 3 Nos. Cal—Assam—Cal. | 63 days | 81 days |
| | 1980-81 | 209 days | 4 Nos. Cal—Bang—Cal. | 44 days | 165 days |
| 9. <i>P. S. Ghotana</i> | 1980-81 | 97 days | 4 Nos. Cal—Bang—Cal. | 44 days | 53 days |
| 10. <i>M. V. Pragati</i> | 1980-81 | 113 days | 1 No. Cal—Assam—Cal. | 21 days | 18 days |
| | | | 2 Nos. Cal—Bang—Cal. | 22 days | 52 days |
| 11. <i>Tug Haldia</i> | 1980-81 | 100 days | 4 Nos. Cal—Bang—Cal. | 44 days | 56 days |
| 12. <i>Srimati</i> | 1980-81 | 26 days | 2 Nos. Cal—Bang—Cal. | 22 days | 4 days |
| 13. <i>Roydak</i> | 1980-81 | 20 days | 1 No. Cal—Bang—Cal. | 11 days | 9 days |

ANNEXURE VII

[Referred to in paragraph 6.06(iii)(b)]

Period taken in the repair of vessels at Rajabagan Dock yard

| Name of the vessel | Awaiting docking | | In dock | | After undocking | | Total time taken | |
|---------------------------|------------------|-----|---------|-----|-----------------|-----|------------------|-----|
| | M | D | M | D | M | D | M | D |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1976-77 | | | | | | | | |
| P. S. Ghotana | .. | .. | 9 | 27 | 0 | 24 | 10 | 21 |
| Ganga Barrage 8 | .. | .. | 4 | 24 | 1 | 29 | 6 | 23 |
| M. L. Torrent | .. | .. | 5 | 21 | 6 | 26 | 12 | 17 |
| Tug Haldia | 0 | 3 | 4 | 24 | 1 | 5 | 6 | 2 |
| P. T. Surmo | 4 | 0 | 15 | 0 | 4 | 3 | 23 | 3 |
| Boat No. 14 | 0 | 1 | 12 | 7 | 0 | 15 | 12 | 23 |
| Boat No. 15 | 0 | 1 | 12 | 7 | 0 | 15 | 12 | 23 |
| Boat No. 16 | 0 | 0 | 12 | 7 | 0 | 15 | 12 | 22 |
| E. L. Raozan | .. | .. | 12 | 7 | 0 | 2 | 12 | 9 |
| Boat No. 30 | 0 | 1 | 5 | 24 | 0 | 14 | 5 | 9 |
| Sarsuti | 0 | 1 | 2 | 15 | 1 | 15 | 4 | 1 |
| C. F. 17 | 0 | 6 | 7 | 7 | .. | .. | 7 | 13 |

1977-78

| | | | | | | | | |
|---------------|----|----|----|----|----|----|----|----|
| O. L. Poldhu | 0 | 3 | 5 | 1 | 0 | 28 | 6 | 2 |
| Glanapp | NA | NA | NA | NA | NA | NA | 4 | 27 |
| Torsa | NA | NA | NA | NA | NA | NA | 26 | 6 |
| Raozan | .. | .. | 12 | 6 | 0 | 2 | 12 | 8 |
| Pol. Polzeath | .. | .. | 5 | 4 | 0 | 29 | 6 | 3 |
| C. F. No. 1 | 0 | 3 | 7 | 6 | .. | .. | 7 | 9 |
| C. F. No. 2 | 0 | 3 | 7 | 6 | .. | .. | 7 | 9 |
| Boat No. 14 | .. | .. | 12 | 6 | 0 | 15 | 12 | 21 |
| AML 15 | .. | .. | 12 | 6 | 0 | 15 | 12 | 21 |
| AML 18 | .. | .. | 12 | 6 | 0 | 15 | 12 | 21 |
| C. F. No. 3 | 0 | 6 | 7 | 6 | .. | .. | 7 | 12 |
| C. F. No. 17 | 0 | 6 | 7 | 6 | .. | .. | 7 | 12 |
| P. T. Surma | 4 | 0 | 15 | 0 | 4 | 3 | 23 | 3 |
| Chaibansa | 0 | 3 | 18 | 12 | 12 | 23 | 31 | 8 |

1978-79

| | | | | | | | | |
|--------------|----|----|---|----|---|----|---|----|
| C. F. No. 10 | 0 | 4 | 4 | 21 | 2 | 24 | 7 | 19 |
| Penner | .. | .. | 6 | 0 | 1 | 0 | 7 | 0 |
| Tippak | .. | .. | 6 | 0 | 1 | 0 | 7 | 0 |
| C. F. No. 4 | 0 | 4 | 4 | 21 | 2 | 3 | 6 | 28 |
| C. F. No. 9 | 0 | 4 | 4 | 21 | 2 | 3 | 6 | 28 |
| C. F. No. 23 | 0 | 4 | 4 | 21 | 2 | 24 | 7 | 19 |

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|--------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Panchpara Boat No. 1 | NA | NA | NA | NA | NA | NA | 5 | 4 |
| Batoum | 0 | 4 | 6 | 9 | .. | .. | 6 | 13 |
| Paracha | .. | .. | 0 | 16 | 0 | 4 | 0 | 20 |
| Tongani | 0 | 3 | 3 | 9 | 0 | 6 | 3 | 18 |
| Bhopal | 0 | 8 | 5 | 13 | 28 | 5 | 33 | 26 |
| River Ganga | NA | NA | NA | NA | NA | NA | 9 | 22 |
| P. T. Khagra | 0 | 4 | 11 | 0 | 7 | 26 | 19 | 0 |
| P. T. Katakhal | NA | NA | NA | NA | NA | NA | 8 | 0 |
| P. T. Madhura | .. | .. | 1 | 4 | 0 | 3 | 1 | 7 |
| Dharampur | 0 | 3 | 8 | 3 | .. | .. | 8 | 6 |
| P. T. Khagra (accident repair) | NA | NA | NA | NA | NA | NA | 7 | 0 |

1979-80

| | | | | | | | | |
|---------------|----|----|---|----|----|----|----|----|
| P. S. Mongnai | 1 | 3 | 9 | 6 | 6 | 3 | 25 | 15 |
| Flat Pachora | .. | .. | 0 | 23 | .. | 3 | .. | 26 |
| Flat Jamnagar | .. | .. | 2 | 23 | 5 | 16 | 8 | 9 |

| | | | | | | | | |
|------------------------------|----|----|---|----|---|----|---|----|
| M. V. Pragati | 0 | 1 | 2 | 2 | 6 | 7 | 8 | 10 |
| C. F. No. 27 | 0 | 2 | 4 | 5 | 0 | 3 | 4 | 10 |
| S. L. Yak | 0 | 2 | 3 | 26 | 5 | 18 | 9 | 15 |
| Flat Eros. | .. | .. | 3 | 26 | 0 | 29 | 4 | 25 |
| C. F. Barge No. 9 | 0 | 2 | 4 | 22 | 1 | 24 | 6 | 18 |
| C. F. Barge No. 12 | 0 | 2 | 4 | 13 | 0 | 9 | 4 | 24 |
| C. F. Barge No. 14 | 0 | 2 | 4 | 19 | 1 | 27 | 6 | 18 |
| C. F. Barge No. 26 | 0 | 2 | 4 | 13 | 0 | 9 | 4 | 24 |
| C. F. Barge No. 28 | 0 | 2 | 4 | 5 | 0 | 3 | 4 | 10 |

1980-81

| | | | | | | | | |
|-------------------------|----|----|----|----|----|----|----|----|
| Banika II | 0 | 2 | 3 | 10 | 0 | 14 | 3 | 26 |
| S. L. Sambhur | 0 | 7 | 2 | 15 | 0 | 1 | 2 | 23 |
| O. F. Batoum | .. | .. | 2 | 12 | 0 | 8 | 2 | 20 |
| O. F. Baku | 0 | 9 | 3 | 17 | 0 | 4 | 4 | 0 |
| G. B. Tug 8 | 0 | 16 | 1 | 12 | 0 | 15 | 2 | 13 |
| Flat Baulai | 0 | 9 | 8 | 3 | 6 | 20 | 15 | 2 |
| P. T. Sonai | 18 | 0* | 10 | 13 | 17 | 12 | 45 | 25 |
| Tug Haldia | .. | .. | 3 | 18 | 1 | 16 | 5 | 4 |

| (1) | (2) | (2) | (4) | (5) | (6) | (7) | (8) | (9) |
|--------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| 1981-82 | | | | | | | | |
| P. S. Mognai | 1 | 3 | 18 | 9 | 6 | 3 | 25 | 15 |
| C. F. Abadau | 1 | 0 | 5 | 28 | 0 | 7 | 7 | 5 |
| O. F. Talora | 0 | 2 | 9 | 27 | 4 | 3 | 14 | 2 |
| R. Bramhaputra | 0 | 0 | 3 | 2 | 2 | 0 | 4 | 2 |
| M. V. Gitenapp | 0 | 0 | 3 | 6 | 3 | 5 | 6 | 11 |
| M. V. Shrimati | 1 | 6 | 7 | 12 | 1 | 0 | 9 | 18 |
| P. S. Cauara | 1 | 0 | 13 | 17 | 1 | 15 | 16 | 2 |
| F. Arrakau | 0 | 0 | 6 | 23 | 0 | 7 | 7 | 0 |
| S. T. Raydak | 1 | 16 | 4 | 11 | 0 | 16 | 6 | 13 |

1. P. S. Ghotana was in Dock No. 3 & 4 for 14 months 26 days but no repair work was carried.

2. M Stands for month.

D Stands for days.

*The vessel was engaged in Ferry service duty from 8-2-1977 to 2-8-1978.

ANNEXURE VIII
(Referred to paragraph 7.07)

Payment of normal wages, overtime as well as value of production

(Rupees in lakhs)

| Activity | 1976-77 | | | 1977-78 | | | 1978-79 | | | 1979-80 | | | 1980-81 | | | 1981-82 | | |
|---|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|
| | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total |
| 1. Rajabagan Dock-yard | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries | 100.65 | 29.37 | 130.02 | 108.45 | 38.10 | 146.55 | 111.89 | 36.96 | 148.85 | 121.67 | 40.29 | 161.96 | 130.34 | 43.37 | 173.71 | 139.78 | 46.64 | 186.42 |
| Overtime | 5.77 | 5.83 | 11.60 | 7.03 | 10.44 | 17.47 | 11.41 | 14.58 | 25.99 | 8.83 | 17.06 | 25.89 | 19.26 | 20.57 | 39.83 | 2.89 | 31.50 | 34.39 |
| Percentage of overtime to normal wages/salaries | 5.73 | 19.83 | 8.92 | 6.48 | 27.40 | 11.92 | 10.20 | 39.45 | 17.46 | 7.26 | 42.34 | 15.98 | 14.78 | 47.43 | 22.92 | 2.06 | 67.54 | 23.49 |
| 2. Automobile Unit | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries | 7.52 | 1.98 | 9.50 | 8.46 | 1.66 | 10.12 | 8.99 | 1.22 | 10.21 | 10.45 | 1.35 | 11.80 | 9.02 | 1.13 | 10.15 | 8.23 | 1.02 | 9.25 |
| Overtime | 1.51 | 0.13 | 1.64 | 2.03 | 0.14 | 2.17 | 2.04 | 0.24 | 2.28 | 2.11 | 0.30 | 2.41 | 2.11 | 0.27 | 2.38 | 1.47 | 0.37 | 2.84 |
| Percentage of overtime to normal wages/salaries | 20.08 | 6.56 | 17.26 | 24.00 | 8.43 | 21.44 | 22.69 | 19.67 | 22.33 | 20.19 | 22.22 | 20.42 | 23.39 | 23.89 | 19.58 | 17.86 | 36.27 | 30.70 |
| 3. Deep Sea-Ship Repairs | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries | 4.72 | 1.81 | 6.53 | 5.00 | 1.25 | 6.25 | 4.89 | 1.25 | 6.14 | 5.87 | 1.23 | 7.10 | 6.77 | 1.27 | 8.04 | 7.89 | 1.29 | 9.18 |
| Overtime | 3.24 | 0.50 | 3.54 | 3.54 | 0.35 | 3.89 | 3.63 | 0.43 | 4.06 | 4.57 | 0.57 | 5.14 | 7.44 | 0.66 | 8.10 | 8.26 | 0.15 | 8.41 |
| Percentage of overtime to normal wages/salaries | 68.64 | 27.62 | 54.21 | 70.08 | 28.00 | 62.24 | 74.23 | 34.40 | 66.12 | 77.85 | 46.34 | 72.39 | 109.90 | 51.97 | 100.74 | 104.68 | 11.63 | 91.61 |
| 4. Marine Workshop | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries | 8.95 | 1.07 | 10.02 | 9.30 | 1.06 | 10.36 | 9.10 | 1.05 | 10.15 | 10.20 | 0.82 | 11.02 | 12.24 | 1.09 | 13.33 | 10.91 | 0.77 | 11.68 |
| Overtime | 1.71 | 0.17 | 1.88 | 1.87 | 0.14 | 2.01 | 1.86 | 0.14 | 2.00 | 2.59 | 0.18 | 2.77 | 4.81 | 0.27 | 5.08 | 4.21 | 0.17 | 4.38 |
| Percentage of overtime to normal wages/salaries | 19.11 | 15.89 | 18.76 | 20.11 | 13.21 | 19.40 | 20.44 | 13.33 | 19.70 | 25.39 | 21.95 | 25.13 | 39.30 | 24.77 | 38.10 | 38.58 | 22.07 | 37.50 |

| Activity | 1976-77 | | | 1977-78 | | | 1978-79 | | | 1979-80 | | | 1980-81 | | | 1981-82 | | |
|---|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|------------|----------------|--------|
| | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total | Operatives | Non-operatives | Total |
| 5. Other Units | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries | 0.80 | 1.34 | 2.14 | 1.52 | 3.88 | 5.40 | 1.45 | 3.41 | 4.86 | 1.45 | 3.92 | 5.37 | 1.43 | 3.76 | 5.18 | 1.67 | (*) | |
| Overtime | 0.07 | 0.15 | 0.22 | 0.22 | 0.08 | 0.30 | 0.18 | 0.15 | 0.33 | 0.16 | 0.16 | 0.32 | 0.36 | 0.20 | 0.56 | 0.68 | | |
| Percentage of overtime to normal wages/salaries | 8.75 | 11.19 | 10.28 | 14.47 | 2.06 | 5.55 | 12.41 | 4.40 | 6.79 | 11.03 | 4.08 | 5.95 | 25.17 | 5.23 | 10.81 | 40.71 | (*) | |
| 6. Head Office & Ghat Establishment | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries .. | 28.82 | 28.82 | .. | 24.94 | 24.94 | .. | 24.71 | 24.71 | .. | 25.77 | 25.77 | .. | 29.04 | 29.04 | .. | 28.73 | 28.73 | |
| Overtime | .. | 2.40 | 2.40 | .. | 2.32 | 2.32 | .. | 1.81 | 1.81 | .. | 2.19 | 2.19 | .. | 3.51 | 3.51 | .. | 1.89 | 1.89 |
| Percentage of overtime to normal wages/salaries | .. | 10.29 | 10.29 | .. | 9.30 | 9.30 | .. | 7.32 | 7.32 | .. | 8.50 | 8.50 | .. | 12.09 | 12.09 | .. | 6.58 | 6.58 |
| Grand Total | | | | | | | | | | | | | | | | | | |
| Normal wages/salaries | 122.64 | 64.39 | 187.03 | 132.73 | 70.89 | 203.62 | 136.32 | 68.60 | 204.92 | 149.64 | 73.38 | 223.02 | 159.80 | 79.65 | 239.45 | 168.48 | 78.57 | 247.05 |
| Overtime | 12.30 | 9.18 | 21.48 | 14.69 | 13.47 | 28.16 | 19.12 | 17.35 | 36.47 | 18.26 | 20.46 | 38.72 | 33.98 | 25.48 | 59.46 | 16.83 | 35.44 | 52.28 |
| Percentage of overtime to normal wages/salaries | 10.02 | 14.25 | 11.48 | 11.06 | 19.00 | 13.82 | 14.02 | 25.29 | 17.79 | 12.20 | 27.88 | 17.36 | 21.26 | 31.98 | 24.93 | 10.00 | 45.10 | 21.16 |
| Overall Value of production | | 1075.92 | | | 816.20 | | | 796.25 | | | 612.68 | | | 789.10 | | | | 643.62 |

*Clubbed with Head Office.

ANNEXURE IX

[Referred to in paragraph 11.01(ii)]

Statement showing the analysis of cost as compared with estimates and selling prices in respect of some vessels under construction as on 31-3-1981

(Rupees in lakhs)

| Sl. No. | Description | Yard No. | Material cost | Labour cost | Direct Expenses | Overhead material labour | Total cost | Selling price | Excess of cost over selling price as on 31-3-81 | Percentage of completion |
|--|--------------------|----------|---------------|-------------|-----------------|--------------------------|------------|---------------|---|--------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| VESSEL CONSTRUCTION (Outside Parties) | | | | | | | | | | |
| 1. | 2000 Ton MOT Tug | | | | | | | | | |
| | Original estimate | 333 | 49.19 | 4.76 | 1.27 | 11.58 | 66.79 | 76.71 | | |
| | Revised estimate | | 150.71 | 37.02 | 30.34 | 80.86 | 298.93 | | (-) | 168.12 |
| | Actuals | | 117.05 | 31.76 | 24.95 | 71.07 | 244.83 | | | 60 |
| 2. | 1 No. Motor Vessel | | | | | | | | | |
| | Original estimate | 344 | 26.79 | 6.17 | 0.71 | 7.82 | 41.48 | 41.48 | (-) | 32.82 |
| | Revised estimate | | 155.28 | 34.92 | 14.84 | 68.52 | 273.56 | | | |
| | Actuals | | 12.29 | 18.48 | 5.60 | 37.93 | 74.30 | | | 52 |