

**TWO HUNDRED AND TWENTY-  
SIXTH REPORT**

**PUBLIC ACCOUNTS COMMITTEE**  
**(1984-85)**

(SEVENTH LOK SABHA)

**WORKING OF EMBARKATION  
HEADQUARTERS**

**MINISTRY OF DEFENCE**



*Presented in Lok Sabha on 25 August, 1984*

*Laid in Rajya Sabha on 25 August, 1984*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*August, 1984|Sravana, 1906 (Saka)*

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Corrigenda to 226th Report of the Public Accounts Committee (7th Lok Sabha).

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(1984-85)

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2. **Shri H. S. Kohli—*Chief Financial Committee Officer***
3. **Shri K. K. Sharma—*Senior Financial Committee Officer***

## INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Two Hundred and Twenty-Sixth Report on paragraph 39 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Defence Services) on the Working of Embarkation Headquarters.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Defence Services) was laid on the Table of the House on *15th April, 1983*.

3. The Committee's examination has revealed that in spite of the instructions contained in the Defence Service Regulations (Army) that payment of extra wharfage is to be viewed as wasteful expenditure, non-clearance of sea cargo within the prescribed time limit at the three Embarkation Headquarters located at Bombay, Calcutta and Madras has resulted in avoidable payment of extra wharfage charges amounting to Rs. 49.87 lakhs during the period 1977-1981. During the years 1980 and 1981, there were 13,248 cases of delay in clearance of consignments, out of which in 230 cases there was delay of over three months after the last free date. From these facts, the Committee have concluded that the working of the Embarkation Headquarters is far from satisfactory and needs to be improved. In the opinion of the Committee, what is really surprising is that this state of affairs has been allowed to continue for years. The Committee have desired to know why timely and effective steps were not taken to avoid the payment of such a huge amount of extra wharfage charges

4. The Committee have been deeply concerned to note that non-clearance of air cargo within the prescribed time-limit has resulted in avoidable payment of warehousing charges amounting to Rs. 19.51 lakhs. The Committee have pointed out that airlifting of stores is resorted to only when such stores are required urgently. In the opinion of the Committee, the very purpose of incurring huge expenditure on airlifting of stores is defeated if such stores are allowed to remain in the Customs Warehouse for long periods of 3-4 months. The Committee have recommended that proper procedure should be evolved in consulta-

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tion with all concerned for the early despatch of air cargo to the consignees.

5. In conclusion, the Committee have observed that effective remedial steps need to be taken to improve the working of the three existing Embarkation Headquarters. Not only there has been huge avoidable and infructuous expenditure, but there have also been inordinate delays in the receipt of defence stores by the ultimate consignees. The Committee have felt that delays in respect of stores particularly in the field of a vital sector like defence is inexcusable. The Committee have failed to understand why steps to improve the working of the Embarkation Headquarters have not been taken so far. In the opinion of the Committee, the consignees are also not free from blame. In a large number of cases, the consignees have shown utter lack of concern in minimising costly delays or safeguarding Government financial interest. The Committee have expressed the hope that necessary steps would be taken by the Ministry to streamline the working of the Embarkation Headquarters.

6. The Public Accounts Committee (1983-84) examined Audit Paragraph 39 at their sitting held on 4th February, 1984. The Committee (1984-85) considered and finalised the Report at their sitting held on 16th August, 1984. Minutes of the sittings form Part II\* of the Report.

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

8. The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1983-84) in taking evidence and obtaining information for the Report.

9. The Committee would like to express their thanks to the officers of the Ministry of Defence for the cooperation extended to them in giving information to the Committee.

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10. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI ;  
August 21st, 1984  
Sravana 30th, 1906 (S)

SUNIL MAITRA,  
Chairman,  
Public Accounts Committee.

## REPORT

### Working of Embarkation Headquarters

#### *Audit Paragraph*

Embarkation Headquarters (EHQs) located at three ports 'A', 'B' 'C' are responsible for the receipt of imported Defence stores and their despatch to ultimate consignee. A review of the working of these EHQs covering the period 1977 to 1981 revealed the following :

#### *Levy of extra wharfage charges due to delay in clearance of cargo :*

1.1 Stores shipped from abroad and landed at the ports are subjected to levy of wharfage charges at ordinary rates where clearance of the cargo from the docks is effected before the last free date. The cargo not so cleared by the last free date attracts payment of extra wharfage charges. According to the instructions contained in the Defence Services Regulations (Army), payment of extra wharfage is viewed as wasteful expenditure and every possible effort should be made for effective clearance of cargo from the docks within the last free date. Notwithstanding these instructions, delay in clearance of cargo (subsequent to the last free date) resulted in the levy of extra wharfage charges amounting to Rs. 49.87 lakhs during 1977-1981 as detailed below :—

Year	Total wharfage levied/paid (Rs. in lakhs)			Extra wharfage levied/paid (Rs. in lakhs)		
	'A'	'B'	'C'	'A'	'B'	'C'
1977	16.99	0.75	3.65	2.50	0.07	0.95
1978	13.48	1.28	3.15	3.03	0.06	1.15
1979	15.34	0.70	2.52	6.59	1.12	0.89
1980	20.99	0.85	3.18	9.56	1.24	1.73
1981	14.60	0.58	10.93	15.64	0.56	4.78
Total :	81.40	4.16	23.43	37.32	3.05	9.50



1.2 An analysis of the extent of delay (subsequent to the last free date) in the clearance of consignments during the years 1980 and 1981 involving levy/payment of extra wharfage charges is given below:—

Extent of delay	Number of cases					
	'A'		'B'		'C'	
	1980	1981	1980	1981	1980	1981
From last free date upto 15 days	1,532	1,213	152	208	315	7,911
From 16 days to one month	90	298	87	26	97	542
Over one month and upto 3 months	52	339	21	19	33	83
Over 3 months	16	96	18	12	44	44
<b>Total :</b>	<b>1,690</b>	<b>1,946</b>	<b>278</b>	<b>265</b>	<b>489</b>	<b>8,580</b>

1.3 The delay in clearance of cargo was attributed to :

- delays in receipt of shipping documents ;
- difference in case markings ; and
- packages landed in damaged condition.

1.4 Abnormal delay (ranging between 1 year 2 months and 2 years 9 months) in clearing the cargo (which arrived at port 'A' in March 1978, September 1978 and June 1980) by the EHQ at port 'A' occurred in respect of these cases due to absence of physical marking or wrong marking, resulting in payment of extra wharfage amounting to Rs. 0.38 lakh.

1.5 In two other cases cleared (January 1981) by the EHQ at port 'A' there was delay in clearance of the cargo consigned to an Ordnance Factory and a Naval Stores Depot due to late receipt of shipping documents, which resulted in payment of extra wharfage of Rs. 0.37 lakh.

*Claims for short-landed/damaged cargo :*

1.6 The EHQs are responsible for lodging claims in respect of imported stores short-landed or landed in damaged condition. The claims were lodged on the carriers, port trust authorities and also insurance companies. The position of the pending claims for the period under review was as follows:—

Year	Claims lodged		Claims rejected/ partially rejected		Claims pending	
	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)
<b>EHQ 'A'</b>						
1977	287	72.88	77	6.18	777	299.59
1978	516	230.92	45	2.94		
1979	455	268.33	17	5.03		
1980	661	418.39	2	1.44		
1981	586	403.32	—	—	169	94.76
<b>Total :</b>	<b>2,505</b>	<b>1393.84</b>	<b>141</b>	<b>15.59</b>	<b>946</b>	<b>394.35</b>
<b>EHQ 'B'</b>						
1977	24	4.08	5	0.02	6	1.10
1978	48	11.04	12	1.51	8	2.19
1979	99	27.47	5	0.65	49	13.86
1980	58	22.05	—	—	36	15.76
1981	60	52.12	1	0.01	47	16.62
<b>Total :</b>	<b>289</b>	<b>116.76</b>	<b>23</b>	<b>2.19</b>	<b>146</b>	<b>49.53</b>
<b>EHQ 'C'</b>						
1977	28	2.09	14	1.01	—	—
1978	64	15.06	14	3.07	10	2.26
1979	53	9.42	8	3.54	8	0.97
1980	75	20.10	4	0.13	28	12.79
1981	68	23.14	2	0.09	37	16.44
<b>Total :</b>	<b>288</b>	<b>69.81</b>	<b>42</b>	<b>7.84</b>	<b>83</b>	<b>32.46</b>

1.7 The total value of claims for shortlanded/damaged stores pending settlement was Rs. 4.76 crores (August 1982). The rejection of refund claims was mainly attributable to:—

- full value of the cargo not being insured ;
- liability of the carriers being limited ;
- delay in marine survey ; and
- defective preparation of the documents by the suppliers.

1.8 Three claims for shortlanded cargo amounting to Rs. 1.29 lakhs, Rs. 1.39 lakhs and Rs. 1.35 lakhs were preferred (May 1979—July 1980) by the EHQ at port 'B' against the carriers which did not accept the claims. For enforcement of these claims cases were filed (January-September 1980) in a court of law the final outcome of which was awaited (August 1982).

1.9 Another claim for shortlanded cargo (amount : Rs. 1.70 lakhs) consigned to an Ordnance Factory was preferred (March 1978) by the EHQ at port 'A' against the carriers. The carriers, however, accepted the claim for Rs. 0.06 lakh only as per Gold Clause Agreement as the value of contents of the package was not declared in the Bill of Lading. This resulted in a loss of Rs. 1.64 lakhs which was yet (August 1982) to be regularised.

1.10 The Ministry of Defence stated (November 1981) that in cases where the claims for shortlanded/damaged stores were lodged without the required documents (which the consignees had to provide to the EHQs), the claims were rejected or accepted partially and the rejected amounts got regularised by the consignees concerned. The Ministry added (September 1982) that the case regarding declaration of value of the stores in the Bill of Lading was under consideration.

*Levy of Customs duty*

1.11 The position of the outstanding refund claims of customs duty for the period under review was as follows :

Year	Preferred		Settled		Rejected		Outstanding	
	No.	Value (Rs. in crores)	No.	Value (Rs. in crores)	No.	Value (Rs. in crores)	No.	Value (Rs. in crores)
1	2	3	4	5	6	7	8	9
<b>EHQ 'A'</b>								
1977	879	12.39	367	4.76	251	2.82	261	4.81
1978	711	9.52	266	3.80	195	1.52	250	4.20
1979	348	4.22	180	1.56	16	0.06	152	2.60
1980	525	7.89	209	3.41	14	0.07	32	4.11
1981	251	4.20	51	1.71	—	—	200	2.49
<b>Total :</b>	<b>2,714</b>	<b>38.22</b>	<b>1,073</b>	<b>15.24</b>	<b>476</b>	<b>4.47</b>	<b>1,165</b>	<b>18.51</b>

1	2	3	4	5	6	7	8	9
<b>EHQ 'B'</b>								
1977	619	2.49	542	2.04	52	0.28	25	0.17
1978	612	2.05	553	1.70	37	0.18	22	0.17
1979	737	3.41	588	2.80	97	0.26	52	0.35
1980	1083	9.71	905	7.67	67	0.89	111	1.15
1981	213	7.50	80	1.29	33	1.05	100	5.16
	<u>Total: 3,264</u>	<u>25.16</u>	<u>2,668</u>	<u>15.50</u>	<u>286</u>	<u>2.66</u>	<u>310</u>	<u>7.00</u>
<b>EHQ 'C'</b>								
1977	22	0.16	21	0.15	—	—	1	0.01
1978	49	0.05	47	0.04	—	—	2	0.01
1979	30	0.20	28	0.10	—	—	2	0.10
1980	34	0.13	29	0.12	—	—	5	0.01
1981	39	0.12	15	0.01	—	—	24	0.11
	<u>Total: 174</u>	<u>0.66</u>	<u>140</u>	<u>0.42</u>	<u>—</u>	<u>—</u>	<u>34</u>	<u>0.24</u>

1.12 The total value of refund claims of customs duty pending finalisation was Rs 25.75 crores (August 1982). The rejection/non-finalisation of the pending claims was mainly attributed to :

- delay in preferring claims;
- non-production of required documents in time;
- production of incomplete documents ; and
- not specifically covered by rules for exemption from customs duty.

1.13 The Ministry of Defence stated (November 1981 and September 1982) that the following difficulties were experienced by the EHQs in clearing the stores from customs :

- invoice/packing accounts were very often not available at the time of the arrival of the ship; and
- invoice/packing accounts were received without showing details of items imported and value thereof.

1.14 Fourteen refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of customs duty on motor vehicle parts (CKD) consigned to a vehicle factory were preferred by the EHQ at port 'A' on the customs authorities during January-December 1978 on the advice of the consignee that these parts were intended for specialist vehicles but were rejected on the ground that no documentary evidence could be shown to prove that the parts were intended for specialist vehicles. According to the Ministry of Defence (September 1982), these claims had since been closed as the consignees failed either to produce the documentary evidence or to depute their representatives and the claims were being regularised at the consignees' end.

1.15 A claim for refund of customs duty amounting to Rs. 6.81 lakhs levied on stores consigned to Gas Turbine Research Establishment was preferred (September 1980) by the EHQ at port 'B' but it was rejected (April 1982) by the customs authorities due to non-production of requisite documents. The Ministry stated (September 1982) that a revision petition was being filed by the EHQ at port 'B'.

*Delay in redemption of Provisional Deposits Bonds :*

1.16 With effect from June 1976, payment of customs duty in respect of consignments received from some foreign countries based on

the bills of entry and where requisite information/documents were not produced at the time of assessment of duty, payments were made to the customs authorities on Provisional Deposit Bonds. These bonds were later required to be redeemed on production of necessary documents. The position of bonds furnished by the EHQ at port 'B', yet to be redeemed as on 20th July 1982 was as follows :-

Year	Bonds furnished		Bonds yet to be redeemed	
	Number	Amount (Rs. in lakhs)	Number	Amount (Rs. in lakhs)
1977	181	223.96	7	10.27
1978	308	524.77	21	71.58
1979	381	549.64	58	97.65
1980	179	272.89	59	172.21
1981	141	440.56	20	10.28
	1,190	2011.82	165	361.99

1.17 Thus, bonds amounting to Rs. 3.62 crores for the year 1977 to 1981 were awaiting to be redeemed (July 1982). The delay in redemption of bonds was attributed to non-availability of purchase orders, packing lists, price details etc. and negligible response from the consignees in furnishing the documents.

*Delay in despatch of consignments (sea cargo) to ultimate consignees :*

1.18 The responsibility for the prompt despatch of imported cargo to the ultimate consignees rests on the EHQs. The number of cases where there was delay of over 3 months in the despatch of consignments (Sea cargo) cleared during 1979 to 1981 are given below :-

Year	Total number of consignments cleared			Number of cases where there was delay of over 3 months		
	'A'	'B'	'C'	'A'	'B'	'C'
1979	8,247	494	5,730	36	6	Nil
1980	8,435	486	3,103	20	2	44
1981	6,769	404	9,828	84	15	44

1.19 The Ministry of Defence stated (November 1981 and September 1982) that the delay in despatch of packages to ultimate consignees was attributable to :-

- combining despatch of various consignments meant for one consignee to avail of the facilities of 'economy' wagons;
- Delay in collection by local consignees :
- delay in arranging collection of over-dimensional packages;
- a fair percentage of packages had to be repacked having been opened for customs examination/survey/damage; and
- non-provision of suitable escorts in time by the consignees.

*Non-receipt of returnable copies of packing accounts*

1.20 As per the procedure prescribed for the receipt and disposal of packing accounts, the packing account on receipt in India by the EHQs are to be forwarded to the ultimate consignees who after noting the particulars of receipt and discrepancies, if any, on the packing accounts would return the landing officer's copy to the former through the Controller of Defence Accounts concerned. The position regarding non-receipt of returnable copies of the packing accounts was as under :-

Year	Total number of packing accounts despatched to ultimate consignees			Number of cases where returnable copies were not received back		
	'A'	'B'	'C'	'A'	'B'	'C'
1977	1,936	297	152	842	227	61
1978	1,740	403	252	353	353	55
1979	1,759	422	367	388	388	70
1980	676	443	154	631	356	93
1981	923	298	117	811	104	113
	<u>7,034</u>	<u>1,863</u>	<u>1,042</u>	<u>3,025</u>	<u>1,428</u>	<u>392</u>

1.21 As the prescribed procedure was not followed, it was not possible to ensure whether consignees had received all the imported stores (in good condition) as invoiced and paid for. The Ministry of



Defence stated (November 1981) that the consignee units were responsible for returning the packing accounts and that the Controlling Headquarters were being reminded from time to time to issue instructions to the consignee units in this regard.

*Airlifting of consignments of imported stores :*

1.22. In the case of imported stores airlifted subject to *post-facto* sanction for airlifting, payment of air freight is made by EHQs out of provisional advances drawn for this purpose. The position in regard to non-adjustment of such advances drawn during 1978 to 1981 was as under :-

Year	Number of consignments (air cargo) involved			Unadjusted amount of provisional advances for air freight (Rs. in lakhs)		
	'A'	'B'	'C'	'A'	'B'	'C'
1978	23	1	5	7.58	...	0.33
1979	21	5	3	6.93	0.15	0.23
1980	10	27	10	0.26	0.63	0.40
1981	13	480	10	2.45	0.52	1.24
	67	513	28	17.22	1.30	2.20

1.23 The non-adjustment of provisional advances for payment of air freight (Rs. 20.72 lakhs) was mainly attributed to want of *post-facto* sanctions of competent authorities and want of copies of airway bills. The Ministry of Defence stated (September 1982) that the EHQs and Movement Directorate at Army Headquarters had made all out efforts to obtain sanctions of the competent financial authorities from the consignee units. The fact remains that an amount of Rs. 20.72 lakhs pertaining to the years 1978 to 1981 remained unadjusted (September 1982), despite mention of similar advances drawn for payment of air freight bills remaining unadjusted in paragraph 53 of the Audit Report (Defence Services) for 1976-77.

1.24 In case of failure to clear consignments despatched by air within 3 to 7 days from the date of landing, warehousing charges are required to be paid to the customs authorities. During the period under review, payments amounting to Rs. 19.51 lakhs towards warehousing charges in respect of consignments despatched by air were made as under :-

Year	Total number of consignments (air cargo) cleared			Warehousing charges paid					
				No. of consignments involved			Amount (Rs. in lakhs)		
	'A'	'B'	'C'	'A'	'B'	'C'	'A'	'B'	'C'
1977	1,903	2,393	124	526	Nil	*	0.69	Nil	•
1978	2,304	3,098	139	587	2,098	•	7.02	1.07	•
1979	1,952	4,076	151	789	4,076	•	1.60	2.42	•
1980	2,132	4,023	141	494	4,023	49	1.01	1.18	0.14
1981	1,620	3,365	132	646	2,609	85	2.78	1.14	0.46
<b>Total :</b>	<b>99,911</b>	<b>15,955</b>	<b>687</b>	<b>3,051</b>	<b>12,846</b>	<b>134</b>	<b>13.10</b>	<b>5.81</b>	<b>0.60</b>

\*Not applicable as during the years 1977 to 1979 stores were cleared from customs house.

1.25 Some interesting cases of avoidable payment of warehousing charges due to delay in clearance of consignments (air charge) are given below :—

- (i) 26 packages containing imported dental articles consigned to an Armed Forces Medical Stores Depot (located about 30 kms away from port 'A') were landed at port 'A' in October 1981. However, the EHQ at port 'A' could get the packages cleared only in February 1982 due to late receipt of documents from the consignee. This resulted in payment of warehousing charges amounting to Rs. 0.41 lakh, which were yet to be regularised (August 1982).
- (ii) In two other cases where cargo consigned to two Defence Research and Development Establishments had arrived by air during November 1981 and December 1981, the EHQ at port 'A' could get the cargo cleared only in April 1982 due to delay in receipt of airway bills duly endorsed by bankers involving payment of Rs. 0.41 lakh as warehousing charges.

1.26 According to the Ministry of Defence (November 1981), the payment of warehousing charges at the airport was inevitable and the contributory reasons were mainly as under :—

- there were delays upto 3-4 months in making available copies of Airway bills duly endorsed by bankers by the consignee;
- the invoices did not tally with the actual contents ; and
- short-landing of consignments.

1.27 The Ministry added (Septembrr 1982) that a case for increasing the free time limit had been taken up with Ministry of Tourism and Civil Aviation and the same was pending with that Ministry.

1.28 An analysis of the extent of delay in forwarding consignments (air cargo), after their landing, to the ultimate consignees during the period under review is given in the Annexure. The analysis revealed considerable delays in forwarding of such consignments after their landing to the ultimate consignees.

**Summing up**

1.29 The salient features brought out in the review are summed up below :—

- non-clearance of sea cargo within the prescribed time limit resulted in avoidable payment of extra wharfage charges amounting to over Rs. 49.87 lakhs ;
- claims for shortlanded/damaged cargo totalling Rs. 4.76 crores were pending for settlement with the various agencies ;
- claims for shortlanded/damaged cargo amounting to Rs. 25.62 lakhs were rejected on the grounds of delay in marine survey, limited liability of carriers and defective preparation of documents by suppliers ;
- refund claims amounting to Rs. 25.75 crores preferred on the customs authorities were outstanding while the amount of claims rejected was Rs. 7.13 crores ;
- provisional deposit bonds for Rs. 3.62 crores furnished by the EHQ at port 'B' towards payment of customs duty remained to be redeemed ;
- provisional advances amounting to Rs. 20.72 lakhs for payment of airway bills remained unadjusted ;
- non-clearance of air cargo within the prescribed time limit resulted in avoidable payment of warehousing charges amounting to Rs. 19.51 lakhs ; and
- considerable delays were noticed in despatch of consignments of sea/air cargo to the ultimate consignees.

[Para 39 of the Report of the Comptroller and Auditor General of India for the years 1981-82, Union Government (Defence Services) ].

**ANNEXURE**

(Referred to in sub-para 1.28)

**Number of consignments (air cargo) cleared**

	1977			1978			1979			1980			1981		
	'A'	'B'	'C'	'A'	'B'	'C'	'A'	'B'	'C'	'A'	'B'	'C'	'A'	'B'	'C'
<b>Forwarded</b>															
—within 10 days of landing	459	13	113	231	69	128	385	129	138	932	169	113	580	189	80
—within 11-30 days of landing	1,110	778	11	1,830	927	11	1,495	1,265	13	1,100	1,449	28	648	933	48
—within 31-90 days of landing	327	87	—	230	106	—	60	445	—	93	358	—	320	650	4
—Over 90 days of landing	7	9	—	13	10	—	12	17	—	7	3	—	55	18	—
—details not known	—	10	—	—	90	—	—	—	—	—	—	—	14	—	—
<b>Total :</b>	<b>1,903</b>	<b>897</b>	<b>124</b>	<b>2,304</b>	<b>1,202</b>	<b>139</b>	<b>1,952</b>	<b>1,826</b>	<b>151</b>	<b>2,132</b>	<b>1,979</b>	<b>141</b>	<b>1,620</b>	<b>1,787</b>	<b>132</b>

## REPORT

### *Working of Embarkation Headquarters*

1.30 The Committee desired to know since when the Embarkation Headquarters organisation has been in existence. The representative of the Ministry of Defence explained as follows :—

“We have three Embarkation Headquarters located at Bombay, Calcutta and Madras. The Headquarters at Bombay came into existence in 1936, it came into existence at Calcutta in 1940 and it came into existence at Madras in 1961. All these three handle all cargo which is imported from abroad for Defence Services and other organisations under the Ministry of Defence. Whatever imports are there, these are handled by these organisations. This is a mixed organisation consisting of officers from more than three Services and also some civilian staff.”

1.31 Asked about the ranks of the Officers-in-Charge of these Embarkation Headquarters the witness stated as follows :—

“In Bombay and Calcutta, the officer is of the rank of Commodore.....and at Madras the officer is of the rank of Lt. Colonel.”

1.32 The Committee enquired if any specialists were also working in this organisation. In reply, the representative of the Ministry of Defence stated before the Committee :—

“This is an organisation which consists of officers from all the three Services. Since we are acting as clearing and forwarding agent only, we do not have specialists of any kind. If at all there are specialists, they are drivers. Otherwise they are all general category people.”

1.33 The witness further stated :

“As and when there is a thing which requires a survey, if things have got to be identified, then we ask for technical representatives and they come and identify them.”

1.34 The Defence Secretary clarified as follows :

“Suppose I have received a particular component for the DRDO, say on electronics system, if the question is whether I have

people in my organisation who can explain what is this particular component. I have got that expertise but it has expertise in terms of the functions it is designed to cater, which means clearance of the cargo which means certain services like filing of claims, their insurance, transport etc.”

*Levy of extra wharfage charges due to delay in clearance of cargo*

1.35 The Committee desired to know whether the Ministry of Defence have analysed the reasons for large amount of extra wharfage charges involved in the case of EHQ at Port 'A' (Rs. 37.32 lakhs out of Rs. 49.87 lakhs) and if so, whether steps have been taken for ensuring clearance of the consignments from the docks within the last free date in order to avoid levy/payment of extra wharfage charges. In reply, the Ministry of Defence have stated in a note as follows :—

“Delay in clearance of Cargo takes place mainly on account of late receipt of relevant documents from abroad by Embarkation Headquarters, difference in case-marking and non-availability of Railway Wagons. In order to evolve methods for speedy clearance of cargo with a view to avoid unnecessary extra wharfage, a meeting was held in the Ministry of Defence, under the Chairmanship of Director (Q) on the 5th June, 1980. Various reasons leading to extra wharfage were analysed in this meeting. As a result of the decisions arrived at in this meeting, the following instructions have been issued :—

- (a) To incorporate a clause in the contract stipulating that a set of shipping documents are to be forwarded to Embarkation Headquarters concerned and consignee simultaneously to reach them at least 14 days in advance of the arrival of the vessels.
- (b) That the supplier will be held responsible to bear the extra wharfage incurred due to late clearance of packages on account of wrong marking/obliterated markings on the packages contrary to what has been mentioned in the Bill of Lading.

It is also indicated that the Defence imports at Bombay have increased by 60% between 1979 and 1981.”

1.36 The Committee desired to have the following information :—

- (i) Are the aforesaid instructions being followed both in letter and spirit ?
- (ii) In spite of these instructions, the extra wharfage levied/paid in Port 'A' in 1981 was Rs. 15.64 lakhs as compared to Rs. 9.56 lakhs in 1980 and Rs. 6.59 lakhs in 1979. Does it not show that these instructions did not have any impact in reducing the amount of extra wharfage ? What other concrete remedial measures have been or are proposed to be taken to control the payment of extra wharfage charges ?
- (iii) In how many cases during the last two years the suppliers have been asked to bear extra wharfage on account of wrong marking/obliterated marking on the packages ?
- (iv) What is the amount realised from the suppliers due to lapses on their part ?

1 37 In reply, the Ministry of Defence have in a note stated as follows :—

“Instructions issued by Ministry of Defence as per Paras (a) and (b) above have not been incorporated in the Contract till date.

The Instructions to implement the decisions taken in the meeting held on the 5th June, 1980 were issued only in the month of July, 1982, as such it had not shown any impact in reduction of extra wharfage in 1981.

The following concrete remedial measures have been taken to control the extra wharfage :—

- (a) The contact Teams must maintain a close liaison with the Agents of Carriers as per para 5, Import Procedure—Shipping Procedure, 1976 to obtain extract of manifest in case of non-receipt of documents.
- (b) Initiate a competitive spirit in the Contact Teams to ensure speedy clearance.



- (c) Earmark individuals to be present at the time of unloading of vessels/destuffing of containers to segregate/identify Defence Cargo to reduce the number of non-traceable consignments and theft cases.
- (d) Earmark separate officers to process cases with Customs, Port Trust and Carriers.
- (e) Remove all Marine Survey consignments to NFO after getting thr Custom Duty assessed and survey by Port Trust/representative user and Embarkation Headquarters to avoid theft/damage in Port Area.
- (f) MFO should not hold consignments beyond 30 days.
- (g) A JCO should supervise the loading of wagons to avoid wrong and short-despatch.
- (h) Contact Teams to comb port area regularly to locate Defence cargo.
- (i) Arrange regular meeting with port Authorities/carriers to resolve issues.

In no case suppliers have been asked to bear the extra wharfage on account of wrong marking/obliterated marking, as the same was not included in the contract. Instructions have now been issued to the Controlling Headquarters to include the above clause in future contracts.

No amount has been realised from the suppliers due to lapses on their part."

1.38 The Committee pointed out that there were as many as 230 cases during 1980 and 1981 (78 cases in 1980 and 152 cases in 1981) where delay of over three months was involved in clearance of consignments, subsequent to the last free date. The Committee desired to know the specific reasons for such delays in clearance of consignments. They also desired to know whether any deterioration in the condition of stores held up for clearance had occurred and if so, the extent of loss due to such deterioration. In reply, the Ministry of Defence have stated :

"The main reasons for the unusual delay in clearance of consignments are given below :—

- (a) Abnormal delay on receipt of shipping documents.
- (b) The physical markings of the package differ with the markings depicted on the Bill of Lading/Invoice. This makes a package unconnectable as per documents. Such packages are cleared only when found by tracing teams of Embarkation Headquarters (A) against the untraceable packages.
- (c) Obliterated/defaced markings in the packages.
- (d) Packages meant for defence are manifested in Private List. This also causes delay in clearance as manifest copy of customs/carriers/BPT are required to be amended.
- (e) Bill of Lading marked 'To Order'. Such consignments are delayed for two-three months because Bills of Lading are required to be endorsed by the consignee's Bank. All Controlling Headquarters have been requested to avoid the 'Shipment to Order' and 'Order of Bank' while concluding contract.
- (f) The clearance of damaged consignments are also delayed because of non-availability of the technical representative of the consignee. He is required to be present at the time of survey to determine the extent to which the consignment is damaged with a view to prefer the claim against the party concerned.
- (g) Each Port Trust tallies each consignment with Bill of Lading/manifest at the time of unloading from the ship. The packages received in damaged condition are marked in the damaged Remark List. The claim in respect of such packages is preferred against the carrier. In respect of consignment received in good condition but subsequently damaged for any reasons while in custody of Port Trust, the claim is lodged with the Port Trust. They have to pay the compensation to the extent of damage to the packages. Instances of deterioration of stores due to delay in clearance have not been reported so far to Army Headquarters."

1.39 Asked about the corrective measures taken to overcome delays in clearance of consignments due to each of the above reasons, the

Ministry of defence have stated in a note as follows ;

"The following corrective measures have been taken :—

(a) *Delay in Receipt of shipping Documents :—*

Instructions have been issued *vide* Ministry of Defence O.M. No. 24495/Q Move shipping/543/1/D(Mov) dated the 13th July, 1982 to insert a clause in the contract that the Shipping Documents should be made available to the Embarkation Headquarter by the supplier at least 14 days before the arrival of the vessel.

(b) *Difference in Physical Marking :—*

Controlling Headquarter are being instructed to include a clause in the contract stating that the losses/payment of extra wharfage arising on account of difference between markings, names and addresses, rebates, container number and their status indicated in the Bill of Lading/Manifest/Invoice will be recoverable from the Supplier/Consigner.

(c) *Manifest in Private List instead of Government List :—*

Ministry of Shipping and Transport has been approached to instruct the carrier's agents to show Embarkation Headquarter in Government List and not in Private List *vide* O.M. No. 24529 /Q Mov Shipping/ 879/D(Mov), dated the 19th October, 1983.

(d) *Bankers/Suppliers to Order :—*

All Controlling Headquarters have been instructed to avoid incorporation of clauses like 'Shipper/Banker to Order' *vide* Note No. 24529/Q Mov Shipping dated the 25th October, 1982.

(e) *Non-availability of Technical Representative for Marine Survey :—*

All Controlling Headquarters have been requested *vide* our letter No. 24491/Q Mov Shipping, dated the 26th March, 1982 to depute their representative for Marine Survey immediately on receipt of intimation from Embarkation Headquarter."

1.40 The Committee desired to know the steps taken to avoid delays in receipt of shipping documents which is one of the causes for payment of extra wharfage charges year after year. In reply, the Ministry of Defence have stated in a note as follows :—

- (a) "Ministry of external Affairs (MEA) was requested to instruct the Embassies and High Commissions abroad to ensure that the Shipping documents are despatched in advance so as to reach

Embarkation Headquarters at least 14 days ahead of the berthing of the vessel. Ministry of External Affairs has advised the missions accordingly. There is some delay in respect of consignments received through ISM, London. To improve the situation, MEA has been requested to appoint Freight Forwarders at ISM, London on the lines of ISM, Washington.

- (b) Instructions have been issued to all concerned [*vide* letter No. 24495/Q Mov Shipping/543/S/i/D(Mov) dated the 13th Sept., 1982] that a clause may be incorporated in the contract that a set of shipping documents are to be forwarded to Embarkation Headquarter and consignee simultaneously so as to reach them 14 days in advance of the arrival of the vessel and payment to the supplier will be made only on receipt of confirmation from the Embarkation HQrs concerned. Again, we had asked confirmation from various controlling sections about the implementation of these instructions."

1.41 The Committee desired to know the latest position with regard to the appointment of Freight Forwarders at ISM, London and also the other steps which are proposed to be taken to improve the situation. In a note, the Ministry of Defence have stated :

- (a) The case regarding appointment of Freight forwarders, as intimated by the Ministry of External Affairs is still under consideration with Committee of Secretaries.
- (b) The following proposal are under consideration :—
- (i) To appoint freight forwarder at GDANSK and KARAVELJO.
  - (ii) Despatch of shipping documents through Commercial Air Courier Service.
  - (iii) The supplier to make available the documents in India through their Embassies/representative in India 14 days prior to the berthing of the ships.
  - (iv) The ISM/MAS/Consigner to intimate directly to Embarkation HQrs the following information immediately on sailing of vessel :—
    - (aa) Name of Vessel.
    - (ab) Date of sail of vessel."

1.42 About the scope for improving the functioning of the Embarkation Headquarters, the Defence Secretary informed the Committee as follows :—

“.....Actually to be very frank with you this Audit Para has done one thing. I have been in this job for the last six months. I have had no time to devote to this particular aspect. But because of the Audit Para, not only my attention has been drawn to it but I am also applying myself fully to it. I am hundred per cent sure that we will have much better results from 1984 onwards. Some steps have also been taken in the last six months or so.”

1.43 Explaining the reasons for increase in payment of extra wharfage charges, the Defence Secretary informed the Committee during evidence as follows :—

“Residual rise is in terms of the character and volume of traffic in a given year. I agree that in every category, from 1-30 days there is a rise. There is rise for 16 days and from 16-30 days. Its cause is a matter of great concern and investigation....It can be broadly explained in terms of the growth in cargo handling. We can give you the cargo handled. From 14,000 in three years it has gone to 29,000.

I will not say that it is an adequate explanation because some delays may take place for a variety of reasons. For example, I have got certain very important components for which unless I get a particular type of wagon and unless I arrange for the security of transport, I will not be able to send that component there. Therefore, it depends on the mod of despatch. Despatch is substantially governed by the cooperation I get from the consignee. We can also arrange for the despatch in terms of the quality and categorisation. I accept that from 16 days to 1 month and 1 month to 90 days it has gone up in 1981. The delay has increased.”

1.44 He further stated :

“.....While this is the responsibility of the Embarkation Headquarters, they cannot discharge the responsibility unless there is concomitant, co-efficient and full cooperation from the consignees.

Therefore, the question is that it is not that they are just forwarding and clearing agents."

1.45 Explaining the difficulties faced with regard to the consignments coming through the Indian Supply Missions, the Defence Secretary stated before the Committee :—

".....There are certain supplies which coming from the ISM, London; there are some coming from ISM, Washington. There are also some supplies which come from the East European countries. With the ISM, London, actually speaking, we have a large number of problems. We are seriously thinking that for ISM, London despatches, we may appoint forwarding agents.

If we have got forwarding agents, then the shipping documents will go straight to the Embarkation Headquarters. Therefore, we are examining the question very seriously. This will cost about £ 2.50 lakhs as against £ 47,000 which are now being spent. Similarly we are taking action in respect of the East European countries as well as in respect of the ISM Washington."

1.46 He added :—

"There is a general financial rule according to which Government cargo should not be insured because our financial experts by doing a sort of plus/minus have come to a point and they feel that the risk involved is lesser because, if we have to pay the premium on the volume of the cargo handled—the premium is related to the volume the pay out will be much more than what is claimed as a loss."

1.47 The two other cases (cleared in 1981) by the Embarkation Headquarter at Port 'A' there was delay in clearance of the cargo—consigned to an Ordnance Factory and a Naval Store Depot—due to late receipt of Shipping Documents, which resulted in payment of extra wharfage of Rs. 0.37 lakh. The Committee desired to know :

"(i) What was the extent of delay in these two cases ?

- (ii) Was the payment of extra wharfage charges of Rs. 0.37 lakh realised from the suppliers ?
- (iii) Was there any deterioration or loss in these two cases ? If so, who suffered this loss ?
- (iv) What corrective measures have been taken to guard against the recurrence of such cases in future ?”

1.48 In reply, the Ministry of Defence have stated :

- “(i) Ship berthed on the 26th December, 1980 (as State of Uttar Pradesh). Shipping Documents received from NSD, Bombay on the 2nd January, 1981. Custom clearance was arranged on the 12th January, 1981. The packages were cleared on the 13th January, 1981. The number of packages—15, Weight—34.07 tons.
- (ii) Ship berthed on the 26th December (as Uttar Pradesh) and packages pertaining to Ordnance Factory were cleared on the 13th January, 1981. Total number of packages were 170, weighing 36.87 tons.
- (iii) As there was no clause in the contract to recover the amount paid by Embarkation Headquarters on account of extra wharfage, due to late receipt of Shipping Documents by Embarkation Headquarter the suppliers were not asked to reimburse this amount.
- (iv) The consignee did not report any deterioration. Therefore, it is presumed that there was no loss due to deterioration.
- (v) A proposal to include a clause in the contract to cater for this eventuality is under consideration.”

*Claims for short-landed/damaged cargo*

1.49 The EHQs are responsible for lodging claims in respect of imported stores short-landed or landed in damaged condition. The claims are lodged on the carriers, port trust authorities and also insurance companies. According to the Audit Paragraph, claims valued at Rs. 4.76 crores were pending with carriers, Port Trust authorities and insurance companies. Further, in 206 cases, claims for Rs. 25.62

lakhs for short-landed/damaged cargo were either fully or partially rejected.

1.50 The Committee desired to know whether the reasons for rejection/partial rejection of the claims for short-landed/damaged cargo in 206 cases involving Rs 25.62 lakhs have been analysed with a view to fixing responsibility and/or taking suitable remedial measures. In reply, the Ministry of Defence have stated as follows :

“Embarkation Headquarters are responsible to realise compensation for loss or damage to the cargo from the carriers, insurance company, port authorities and under-writers as the case may be. To enable Embarkation Headquarters to lodge the claims with the concerned party, consignee is responsible to provide all the required documents to Embarkation Headquarters. In cases where required documents are not available, the claims are either rejected or partially accepted, The balance amount or rejected amount are to be regularised by the consignee concerned. At present claims for uninsured packages are being settled by the carriers for £ 400 and £ 100 being their maximum liability depending upon whether they are signatories to Gold Clause Agreement or not, and as such the remaining loss has to be borne by the State. As the value of Defence Stores is in most of the cases more than £ 400, filling of case under Gold Clause Agreement is not very helpful. Further, such cases have to be filled in U.K. which is not very convenient administratively. To minimise the loss to the State, the following measures have been initiated :

Ministry of Shipping and Transport have been requested to instruct Port Trust authorities to make available the remark list within 5 days' time so that survey can be held within prescribed limit. Alternatively, they have been requested to extend the survey period from 7 days to 12 days. The value of the claims recoverable under the Agreement is limited to £ 400 per package. This is a small amount given the high value of the Defence Stores. Consequently, consignees have been instructed to resort to insurance of Defence Stores against loss or damages. Alternatively, they have been advised to make it obligatory for the suppliers to give detailed break-up Cargo and value in the Bill of Landing so that full damage could be claimed in case of loss of stores.”



1.51 The Committee desired to know the steps taken or proposed to be taken for settlement of outstanding claims valued at Rs. 4.76 crores pending with carriers, Port Trust authorities and insurance companies. In reply, the Ministry of Defence have, in a note, stated as follows :

“Embarkation Headquarters contact Carriers/Port Trust/Insurance Companies periodically, demi-officially and by arranging meeting with them to expedite settlement of outstanding claims. Suits claiming compensation for damages are filled in Courts against private agencies. In case of public sector undertakings like Shipping Corporation of India such claims are settled mutually thus avoiding litigation between Government and a Government undertaking.

As a result of the efforts made by the Embarkation Headquarters, claims worth Rs. 2.19 crores have been settled so far upto 31-7-1983.”

1.52 The Committee desired to know the final outcome of the cases filled in Courts in respect of 3 claims of short-landed cargo amounting to Rs. 1.29 lakhs, Rs. 1.39 lakhs and Rs. 1.35 lakhs preferred by the EHQ at Port ‘B’. In reply, the Ministry of Defence have stated in a note :

“The position of three claims is as under :

(a) *Claim against the carriers for Rs. 1.29 lakhs (Consignee 5 BRD Sulur) Suit No. OS—5897.80*

The claims originally filed for the short-landed of one package consisting of 14 Nos. Pressure head, but the package has been cleared as excess landed cargo after a marine survey and adjusted accordingly. However, a few items were found deficient/damaged and as per the advice of Ministry of Law claim is being revised to cover only the cost of damaged/deficient items, amounting to Rs. 56,333.80 P.

(b) *Claim against carriers for Rs. 1.39 lakhs (Consignee 24 ED AF Station, Agra) Suit No. OS—60009/80.*

The contents of the damaged/deficient Parts were received by the consignee as replacement from the suppliers. Hence, the case was treated as closed on the 4th January, 1983.

(c) *Claim against carriers for Rs. 1.35 lakhs (Consignee Armed Forces Med Stores Depot Bombay) Suit No. OS—5859.80*

The suit is in progress and the outcome is still awaited.”

1.53 The Committee desired to know the amount involved in respect of claims for short-landed/damaged cargo, which were rejected as the required documents were not supplied by the consignees to the FHQ. In a note, the Ministry of Defence have stated as follows :

“The required information is given below :

*No. of claims rejected due to non-availability of documents*

S. No.	Period	By Carrier	By Port Trust	Total	Amount
1.	1977	2	1	3	6,734.03
2.	1978	10	1	11	63,437.76
3.	1979	1	2	3	7,310.02
4.	1980	4	—	4	53,836.02
5.	1981	13	—	13	2,26,172.64
Total		30	4	34	3,57,490.47

1.54 The Committee enquired whether a decision has since been taken in the matter of declaration of the value of stores in the Bill of lading, which was under consideration of the Ministry. The Ministry of Defence have stated as follows :

“Consignees have been advised to follow one of the following two procedures :

- (i) To get the Defence Stores insured against loss or damages with Indian Insurance Companies.
- (ii) To make it obligatory for the suppliers to give detailed break-up of cargo and value in the Bill of Lading.

The consignees will follow one of the options depending on comparative cost as well as sensitivity of the Cargo (The detailed break-up of classified cargo cannot be revealed in Bill of lading for Security reasons).”

*Levy of Customs Duty*

1.55 According to the Audit Paragraph, the total value of refund claims of customs duty pending finalisation was Rs. 25.75 crores in August 1982. The Ministry of Defence intimated Audit in November 1981 and September 1982 that the following difficulties were experienced by the EHQ in clearing the stores from customs :

- (i) invoice/packing accounts were very often not available at the time of the arrival of the ship ; and
- (ii) invoice/packing accounts were received without showing details of items imported and value thereof.

1.56 The Committee desired to know the present position in regard to clearance of pending refund claims of Customs Duty amounting to Rs. 25.75 crores. In reply, the Ministry of Defence have stated in a note :

“Out of 1,509 outstanding refund claims totalling Rs 25.75 crores, 809 claims (671 settled+138 rejected) totalling Rs. 14.268 crores (Rs. 12.238 crores settled +Rs. 2.33 crores rejected) have been settled since August, 1982 as follows :

Emb. HQrs.	Nos.	<i>Settled</i>		<i>Rejected</i>	
		Amount in Crores	Nos.	Amount in Crores	Nos.
'A' (Bombay)	367	5.25	138	2.03	
'B' (Madras)	299	6.978	—	—	
'C' (Calcutta)	5	0.01	—	—	
<b>TOTAL</b>	<b>671</b>	<b>12.238</b>	<b>138</b>	<b>2.03</b>	

The following reasons are attributable for rejection of refund claims :

- (i) Non-receipt of Invoice/Packing Accounts.
- (ii) Invoice/Packing Accounts are received without showing details of items and imported value thereof.

- (iii) Non-production of Custom Duty Exemption certificate by the Consignees. Specific reasons for rejection of the refund claims of Custom Duty of Rs. 2.03 crores are being compiled Emb. HQ, Bombay and will be furnished as soon as received".

1.57. The Committee desired to know the specific reasons for the pendency of these claims, steps proposed to be taken to finalise the cases as also to obviate the chances of such accumulation in future. In reply, the Ministry of Defence have stated in a note as follows :

"The reasons for pending are as under :

- (a) Non-availability of documents from Consignees.
- (b) Non-receipt of Custom Duty exemption certificates from Consignees/Controlling Headquarters.
- (c) Delay on the part of Custom Authorities.

**Remedial Measures :**

- (a) Officers have been earmarked to pursue all the pending refund claims against Customs.
- (b) The Controlling Headquarter have been instructed to pursue their cases in the Appellate Tribunal, R.K Puram, New Delhi.
- (c) Ministry of Finance (Department of Revenue) are being approached to earmark exclusive Custom Staff for the clearance of Defence cargo.
- (d) The Controlling Headquarter have been requested to send Invoices, Technical Write-up and Custom Duty Exemption Certificates to Embarkation Headquarter".

1.58 The rejection/non-finalisation of the pending claims was attributed mainly to delay in preferring claims and non/incomplete production of documents in time. The Committee desired to know whether any responsibility has been fixed for such lapses and also whether any remedial steps have been initiated to minimise such lapses. In reply, the Ministry of Defence have stated in a note :

"Embarkation Headquartets prefer claims against the party concerned on the basis of the Survey Report. The responsibility

to make available the required documents rests with the consignees. Embarkation Headquarters have no administrative control over the consignees. However, the consignees have been advised to incorporate a clause in the contract stipulating that a set of Shipping documents are to be forwarded to Landing Officer (Embarkation Headquarters concerned) and consignee simultaneously so as to reach them at least 14 days in advance of the arrival of the vessel and payment to the suppliers will be made only on receipt of confirmation from the Landing Officer.

Ministry of External Affairs has been requested to advise the Missions abroad to send the Shipping documents well ahead of the arrival of the vessel. The problem is chronic in respect of ISM, London. So, Ministry of External Affairs has been requested to appoint Freight Forwarders at ISM, London on the lines of ISM, Washington."

1.59. 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of customs duty on motor vehicles parts (CKD) consigned to a Vehicle Factory were preferred by EHQ at port 'A' on the Customs authorities during January-December, 1978 on the advice of the consignee that these parts were intended for specialist vehicles. According to the Ministry of Defence, these claims had since been closed as the consignee failed either to produce the documentary evidence or to depute their representatives and the claims were being regularised at the consignee's end.

1.60. The Committee desired to know if the failure on the part of the consignee (Vehicle Factory) either to produce documentary evidence or to depute their representative in regard to 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of Customs Duty on specialised vehicle parts had since been investigated and if so, with what results. In reply, the Ministry of Defence have stated in a note :

"The matter has been referred to Department of Defence Production for investigation on the 14th July, 1983 vide our D.O. letter No. 4(3)/83/D (mov), dated 4th July, 1983".

1.61. The Committee enquired as to why the matter was referred to the Department of Defence Production so late. The Committee also desired to know the outcome of the investigation by the Department of

**Defence Production.** The Ministry of Defence have replied as follows :

“In the Report of C&AG for 1981-82, paragraph 39, Sub-para 3.4 reference was made to 14 refund claims amounting to Rs. 53.27 lakhs as incorrect levy of customs duty. The custom duty in these cases were levied on motor vehicle parts (CKD) consigned to Vehicle Factory, Jabalpur. It was mentioned in the Audit Para that the cases were closed since the consignee failed either to produce documentary evidence or to depute a representative.

During the draft stage on the working of Embarkation Headquarters, details obtained from Embarkation HQrs and the Army HQrs based on available documents was incorporated. It was only in June 83, in the list of questions received from Lok Sabha Sectt. a specific mention was made as question No. 1<sup>o</sup> whether the Ministry investigated the failure on the part of consignees (Vehicle Factory, Jabalpur) either to produce documentary evidence or to depute representative on account of incorrect levy of customs duty. Therefore, the matter was referred to the Department of Defence Production on 4th July, 1983.

As a result of the investigations carried out by the Ministry and the Department of Defence Production the following points emerged :

- (a) There were 14 cases of Vehicle Factory, Jabalpur regarding incorrect levy of customs duty. A refund claim was lodged by Commandant, Embarkation HQrs, Bombay on the letter sent by Vehicles Factory, Jabalpur that Customs had levied duty in respect of the motor vehicles parts considering them as machined. Whereas these parts were un-machined components and so the customs duty should have been levied at a lower rate (i.e. at 0% + 15%). It was intimated by the Vehicle Factory, Jabalpur to Commandant Embarkation HQrs that the invoices are already with them and no other documentary evidence is available with Vehicle Factory, Jabalpur. They also expressed their inability to depute a representative.

- (b) In spite of the Embarkation HQrs. Bombay bringing it to the knowledge of customs authorities that the parts were unmachined components, the Customs authorities on examination chose to levy customs duty considering them as machined components. The Packing Note clearly contained these descriptions as unmachined components.
- (c) The refund claims filed by Embarkation HQrs. Bombay were rejected by the Appellate Collector at appeal stage. As intimated by the Commandant, Embarkation HQrs., Bombay, they discussed this matter also with the Joint Secretary, Ministry of Finance who said that the customs duty has been assessed correctly and they cannot entertain the refund claim in the absence of any additional documentary evidence, which was not available with either Embarkation HQrs. or Vehicle Factory, Jabalpur. The Deptt. of Defence Production have already sent a note to the Deptt. of Revenue for issue of suitable instructions to the field customs authorities”.

1.62. A claim for refund of customs duty amounting to Rs. 6.81 lakhs levied on stores consigned to Gas Turbine Research Establishment was preferred in September, 1980 by the EHQ at Port 'B' but it was rejected in April, 1982 by the Customs authorities due to non-production of requisite documents. The Ministry stated in September, 1982 that a revision petition was being filed by the EHQ at port 'B'.

1.63. Asked as to when the revised petition was filed against the rejection by Customs authorities, of refund claim, the Ministry of Defence has stated in a note :

“The revised petition filed with the Ministry of Finance on the 27th September, 1980 vide Petition No. Emb. MAS/164712/R/Cus/975 dated the 27th September, 1980 is pending with the Ministry of Finance”.

#### *Delay in redemption of Provisional Deposit Bonds*

1.64. According to the Audit Paragraph, with effect from June 1976 payment of customs duty in respect of consignments received from some foreign countries was based on the bills of entry and where requisite information/documents were not produced at the time of assess-

ments of duty, payments were made to the customs authorities on Provisional Deposit Bonds. These bonds were later required to be redeemed on production of necessary documents. It is stated that bonds amounting to Rs. 361.99 lakhs for the years 1977 to 1981 were awaiting to be redeemed as on 20 July 1982. The delay in redemption of bonds was attributed to non-availability of purchase orders, packing lists, price details etc. and negligible response from the consignees in furnishing the documents.

1.65. The Committee desired to know the present position of 165 Provisional Deposit Bonds amounting to Rs. 361.99 lakhs for the years 1977-81 pertaining to EHQ at Port 'B' which were pending to be redeemed as on 20th July, 1982 and whether there were any cases where there was failure to redeem these bonds due to non-production of requisite documents, resulting in payment of Customs Duty. The Committee also asked for the specific reasons for delay in making available the various documents (purchase orders, packing lists, price details etc.) by the consignee, thereby resulting in huge accumulation of unredeemed bonds. The Committee further enquired whether there were any such bonds to be redeemed in the case of EHQ, at Ports 'A' and 'C'. In reply, the Ministry of Defence have stated :

- “(i) Out of 165 Provisional Deposit Bonds amounting to Rs. 361.99 lakhs, 155 Provisional Deposit Bonds amounting to Rs. 336.87 lakhs have been redeemed. The balance 10 Provisional Deposit Bonds amounting to Rs. 25.12 lakhs is under process of redemption in consultation with the consignees. The bonds are redeemed on the receipt of documents from consignees. No such cases have come to light.
- (ii) (a) Non receipt of the documents from the suppliers.
- (b) Lack of attention on the part of consignees to despatch the documents in time.
- (iii) No.”

1.66 Asked as to why suitable procedure has not been evolved so far for receipt of requisite documents in time both from the consignees and the supplier, the Ministry of Defence have stated as follows :

“Controlling Headquarters have been instructed to incorporate a clause in the Contract stipulating that a set of Shipping Documents



are to be forwarded to Embarkation Headquarters concerned and consignee simultaneously to reach them at least 14 days before the arrival of the vessel.

Instructions have also been issued to Controlling Headquarter to forward Technical Write-up/Pamphlet/Brochure and Duty Exemption Certificates and NMI Certificates to Embarkation Headquarters”.

1.67. According to the Audit Para, as many as 7 bonds of 1977, 21 bonds of 1978 and 58 bonds of 1979 were not redeemed till 26th July 1982. The Committee desired to know the reasons for this abnormal delay of 3 to 5 years in redeeming the bonds. In reply, the Ministry of Defence have stated :

“The reason-wise position is as follows :

Year	Total No. of cases	No. of cases filed late by Emb. HQ. after 3 years due to non-receipt of documents from the consignees.	No. of cases pending with Customs for more than 3 years.
1977	7	2	5
1978	21	6	15
1979	58	4	54”

*Delay in despatch of consignments (Sea Cargo) to ultimate consignees.*

1.68 The responsibility for the prompt despatch of imported cargo to the ultimate consignees rests on the EHQs. The Committee pointed out that in as many as 251 cases (EHQ ‘A’ 140, EHQ ‘B’ 23, and EHQ ‘C’ 88) pertaining to the years 1979—1981 there was delay of over 3 months in despatch of consignments (sea cargo) to the ultimate consignments. The Committee enquired as to why this delay could not be avoided specially in the case of collection of stores by local consignees. The Ministry of Defence have stated:—

“As per Para 16 of the Import, Shipping Procedure, 1975, Embarkation Headquarters are required to despatch the Cargo by

train only. The arrangement for collecting the cargo by road is to be made by the consignee.

The Controlling Headquarters have already been avoided to issue disposal instructions immediately on receipt of Shipping documents/intimation from Embarkation Headquarters."

*Non-receipt of returnable copies of Packing accounts*

1.69 As per the procedure prescribed for the receipt and disposal of packing accounts, the packing accounts on receipt in India by the EHQs are to be forwarded to the ultimate consignees who after noting the particulars of receipt and discrepancies, if any, on the packing accounts would return the landing officer's copy to the former through the Controller of Defence Accounts concerned.

1.70 The analysis of the number of cases of non-receipt of returnable copies of packing accounts indicated in the Audit Paragraph brings out that out of 9,939 packing accounts sent to ultimate consignees during 1977-1981, there were as many as 4,845 cases (about 49 per cent) where returnable copies of packing accounts were not received back from the consignees. This indicated that the procedure for ensuring receipt of imported stores as invoiced and paid for as well as preferring claims for short receipt of stores in the packages at the consignees was not working satisfactorily. The Committee desired to know the steps taken to review the procedure. The Ministry of Defence have stated:—

“As per procedure in vogue, on receipt of Final Out Turn Report (FOTR) from the Docks Branch, the details of Stores despatched along with returnable copy of Packing Accounts are sent by Embarkation Headquarters to consignee under a registered covering letter. It is further stated that as per present instructions, Embarkation Headquarter is responsible for sending the returnable copy of Packing Accounts to the consignee. Since the consignees invariably receive the FOTR and returnable copy of Packing Accounts, it is for them to check the correctness of the stores as per the Packing notes received by them and raise discrepancies, if any. In view of the above, to call for returnable copy of Packing Accounts from the consignee through their respective Audit authority does not serve any purpose to Embarkation Headquarters. This procedure, therefore, needs

change. In order to avoid difficulties as brought out in the Audit Para the procedure is being reviewed in consultation with CGDA, Embarkation Headquarters and Ministry of Defence."

1.71 Asked as to when necessary steps were initiated for the review of the procedure, the Ministry of Defence stated as follows:—

"Reply to the advance questionnaire, duly vetted by the Audit was sent in October 1983 and soon thereafter we had taken up the steps for reviewing of the procedure regarding receipt of returnable copy of packing accounts.

In the views of CGDA and the Embarkation Commandants have been obtained. In view of the divergent views expressed by CGDA and Embarkation Hqrs., the procedural review has not yet been completed."

*Airlifting of consignment of imported stores*

1.72 In the case of imported stores airlifted subject to *post-facto* sanction for airlifting, payment of air freight is made by the EHQs out of provisional advance drawn for the purpose. According to the Audit paragraph, non-adjustment of such advance drawn 1978-1981 amounted to Rs. 20.72 lakhs.

The Committee desired to know the reasons for delay in clearance of unadjusted advance of Rs. 20.72 lakhs (608 cases) drawn for payment of air freight charges and steps taken to expedite issue of such sanctions. The Ministry of Defence have stated:—

- (i) Delay in adjustment of provisional payments made to Airlines is attributed to non-receipt of airlift sanctions. It is the Indentor/Consignee under whose instructions the stores are airlifted and they have to obtain sanction of the competent financial authority. Embarkation Headquarters have necessarily to depend upon these sanctions for regularisation of these advances.
- (ii) The various consignees are reminded to obtain competent financial authority sanctions and forward the same to respective Embarkation Headquarters.
- (iii) Half-yearly returns of cases pending for Airlift sanctions are prepared and they are scrutinised at the Army Headquarters.

The matter is than taken up by Army Headquarters with the controlling headquarters of the various consignees for expending issue of sanctions.”

1.73 Non-clearance of Air cargo within prescribed time-limit resulted in avoidable payment of warehousing charges amounting to Rs. 19.51 lakhs. One of the contributory factors for the delay of 3-4 months in clearance of Air cargo was the late submission of Airway Bills by the consignees. The Committee desired to know the steps taken to ensure prompt submission of Airway Bill by the consignees. In reply, the Ministry of Defence have stated:—

“The main contributory reasons are:—

- (i) Ultimate consignees not endorsed on the Airway Bill/Package for whom the consignment is meant.
- (ii) Consignor not addressing consignment/documents correctly *i.e.* C/o. Embarkation Headquarters, Bombay/Calcutta/Madras
- (iii) Consignment being airlifted by other than Air India flights.
- (iv) Delay on the part of ultimate consignee in obtaining Bank endorsements where required as per the arrival notice.

To avoid the payment of extra wharfage charges on imports by air, on account of the reasons given above, the controlling Headquarters have been requested to issue necessary directions to the consignees to rectify these snags and for taking prompt follow-up actions.”

1.74 In a subsequent note, the Ministry of Defence have stated as follows:—

“Reasons for late submission of Airway Bills and other related documents by the consignees were brought to the notice of Controlling Headquarters *vide* our letter No. 26023/I.Q/Mov Air dated the 4th April, 1983. The Controlling Headquarters have issued necessary instructions to the various consignees under the control to ensure prompt despatch of Airway Bills and connected documents to Embarkation Headquarters for clearance.

Besides the above, efforts are being made to secure custom-bounded warehouses at Bombay/Calcutta/Madras so as to avoid delay in segregation and identification of Defence stores to ensure prompt clearance."

1.75 The Committee desired to know the final outcome of the case for increasing Free Time Limit for clearance of Air Cargo, which was taken up with the Ministry of Tourism and Civil Aviation. The Ministry of Defence have stated —

"The case was taken up by the Ministry of Defence for increase in Free Timing Limit from seven to ten days for clearance of Air cargo has not been accepted by the Ministry of Tourism and Civil Aviation. It is proposed to take up the case again."

1.76 The Committee desired to know whether the cases of delay of over 3 months in despatch of air consignments (after their clearance) to the ultimate consignees have been investigated with a view to fixing responsibility. In reply, the Ministry of Defence have stated :—

"The following reasons are attributable to the delay of over 3 months in despatch of Air consignments to the consignees :—

- (1) Consignees did not arrange collection, despite repeated reminders.
- (2) Air lift sanction is invariably received late by the consignees.
- (3) Consignees do not forward sanctions to Embarkation Headquarters to enable them to despatch the Cargo.
- (4) Indian Airlines not accepted the restricted items in domestic flights."

1.77 Asked about the steps proposed to be taken to remove the above bottle-necks, the Ministry of Defence have stated as follows :

"Following are the steps taken to remove the bottlenecks in this regard :—

- (1) Instructions have been issued to Embarkation Headquarters to despatch consignments received by Air on freight to pay basis.

- (ii) Where due to booking restrictions or any other reasons, it is not feasible to despatch the consignment by air, the same should be despatched by rail keeping in view its safety in transit."

1.78 For handling the cargo imported from abroad for Defence Services and other organisations under the Ministry of Defence, there are three Embarkation Headquarters located at Bombay, Calcutta and Madras which came into existence in 1936, 1940 and 1961 respectively.

1.79 The Committee note that stores shipped from abroad and landed at ports are subject to levy of wharfage charges at ordinary rates where clearance of the cargo from the docks is effected within the last free date. The cargo not so cleared by the last free date attracts payment of extra wharfage charges. In spite of the instructions contained in the Defence Service Regulations (Army) that payment of extra wharfage is to be viewed as wasteful expenditure, non-clearance of sea cargo within the prescribed time limit at the above three Embarkation Headquarters has resulted in avoidable payment of extra wharfage charges amounting to Rs 49.87 lakhs during the period 1977-1981. During the years 1980 and 1981, there were 13,248 cases of delay in clearance of consignments of which cases of delay of over three months after the last free date number 230. From these facts, the Committee are led to conclusion that the working of the Embarkation Headquarters is far from satisfactory and needs to be improved. What is really surprising is that this state of affairs has been allowed to continue for years. The Committee would like to know why timely and effective steps were not taken to avoid the payment of such a huge amount of extra wharfage charges.

1.80 Out of the total amount of extra wharfage charges levied/paid during 1977-1981 in respect of the three Embarkation Headquarters, nearly three-fourths relates to EHQ, Bombay. The amount of extra wharfage charges levied/paid in the case of that EHQ has been increasing from year to year and, surprisingly, the amount so levied/paid in case of that Headquarters in 1981, viz., Rs. 15.64 lakhs was even more than the total wharfage charges of Rs 14.60 lakhs levied/paid for all other consignments. According to the Ministry of Defence, delay in clearance of cargo takes place mainly on account of late receipt of relevant documents from abroad by Embarkation Headquarters, difference in case markings, packages landed in damaged conditions and non availability of Railway wagons of requisite type. In view of the fact that the Embarka-

tion Headquarters at Bombay has been in existence for nearly 50 years, the Committee feel that Government should have been able to take adequate steps to remedy the situation by now.

1.81 The Committee note that in order to evolve methods for speedy clearance of cargo with a view to avoiding unnecessary extra wharfage, a meeting was held in the Ministry of Defence under the Chairmanship of Director (Q) on the 5th June, 1980 at which the following decisions were arrived :

- (a) To incorporate a clause in the contract stipulating that a set of shipping documents are to be forwarded to Embarkation Headquarters concerned and consignees simultaneously to reach them at least 14 days in advance of the arrival of the vessel.
- (b) That the supplier will be held responsible to bear the extra wharfage incurred due to late clearance of packages on account of wrong marking obliterated marking on the packages contrary to what has been mentioned in the Bill of Lading.

1.82 The Committee are concerned to note that instructions to implement the above decisions were issued only in July 1982, i.e. more than two years after the decisions were taken. This clearly shows the lackadaisical approach of the authorities concerned and their lack of concern for the financial interests of Government. The Committee would recommend that the reasons for delay of over 2 years in issuing the aforesaid instructions should be investigated with a view to fixing responsibility.

1.83 Even though the instructions were issued in July, 1982, so far suppliers have not been asked to bear extra wharfage on account of wrong marking obliterated marking even in a single case, as suitable provision has not been included in the contract. Further instructions have been issued only now to the Controlling Headquarters in this regard. The Committee would like to be informed of the cases in which suppliers have since been asked to bear extra wharfage on account of wrong obliterated markings.

1.84 According to the Ministry of Defence, in spite of the instructions issued in July, 1982, there are still delays in respect of consignments received through India Supply Mission, London. To improve the position, the Ministry of External Affairs have been requested to appoint Freight Forwarders at India Supply Mission, London as at India Supply Mission,

Washington. The Committee have been informed that the matter is still under the consideration of the Committee of Secretaries. The Committee desire that an early decision should be taken in the matter and the Committee informed of the same.

1.85 Embarkation Headquarters are also responsible to realise compensation for loss or damage to the cargo from carriers, insurance companies; port authorities and under-writers, as the case may be. The Committee are concerned to find that as on August, 1982, claims amounting to Rs. 4.76 crores were pending settlement on account of short-landed damaged cargo. Claims amounting to Rs. 25.62 lakhs were rejected on grounds of delay in marine survey, limited liability of carriers and defective preparation of the documents by the suppliers. In 1981 alone 13 claims amounting to Rs. 2.26 lakhs were rejected on ground of non supply of documents by the consignees. This is really disturbing. The Committee have, however, been informed that as result of efforts made by the Embarkation Headquarters, claims worth Rs 2.19 crore (out of above mentioned Rs. 4.76 crores) have been settled upto 31.7 1983. The Committee emphasise that all-out efforts should be made to settle the remaining claims at an early date, and the latest position intimated to them. To minimise the loss to the State due to such rejections, consignees are stated to have been instructed either to resort to insurance of Defence Stores against loss or damage or to make it obligatory for the suppliers to give detailed break-up of cargo (wherever possible) and value in the Bill of Lading so that full damage could be claimed in case of loss of stores. The Committee would like to be informed if these instructions are being followed in actual practice.

1.86 Another disquieting feature of the working of the Embarkation Headquarters is the heavy pendency of refund claims of Customs Duty. The total value of such claims pending finalisation was Rs 25.75 crores in August 1982. What is particularly disturbing is that claims for Rs. 7.13 crores have been rejected due to delay in preferring claims, non-production of required documents in time and production of incomplete documents etc. As to the latest position, the Committee have been informed that out of 1509 outstanding refund claims for Rs. 25.75 crores, 809 claims (671 settled + 138 rejected) totalling Rs. 14.268 crores have been settled. The Committee would like to stress that efforts should be made to settle the remaining claims for over Rs. 11 crores at the earliest. Suitable steps should also be taken to reduce such pendency to the barest minimum.



1.87 The Committee note that 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of customs duty on motor vehicle parts consigned to a vehicle factory were preferred by the EHQ, Bombay on the customs authorities during January-December 1978 on the advice of the consignee that those parts which were in fact unmachined parts had been assessed to customs duty at the rates applicable to machined parts. But, surprisingly, except the invoices which were already with the customs authorities, the Vehicle Factory had no other documentary evidence to prove their contention. What is even more disgusting is that the Vehicle Factory did not even depute their representative at the hearing of the case. The Committee take a serious view of such a lack of concern by the Vehicle Factory for financial interests of Defence Services. The Committee would like the Department of Defence Production to investigate this lapse on the part of the Vehicle Factory with a view to fixing responsibility and taking suitable action. The Committee further recommend that the matter which has already been taken up with the Department of Revenue, should be conclusively pursued with them.

1.88 The Committee note that as on 20th July, 1982, provisional deposit bonds for Rs. 3.62 crores furnished by the EHQ, Madras towards payment of customs duty remained to be redeemed. According to the Ministry of Defence, out of 165 provisional deposit bonds amounting to Rs. 361.99 lakhs, 155 bonds amounting to Rs. 336.87 lakhs have since been redeemed. The Committee urge that immediate steps should be taken for redemption of the remaining 10 provisional deposit bonds amounting to Rs. 12 lakhs. The Committee also recommend that a suitable procedure should be devised in consultation with the consignees so that delay in redemption of provisional deposit bonds is obviated in future.

1.89 The Committee are concerned at the delay in despatch of consignments (sea cargo) to the ultimate consignees. There were as many as 251 cases pertaining to the three Embarkation Headquarters for the year 1979-1980 alone involving delay of over 3 months. According to the Ministry of Defence, one of the reasons for delay is the time involved in getting suitable type of wagons. The Committee feel that with proper coordination with the Railways, the position can be considerably improved. The Committee hope that urgent steps would be taken in this regard.

1.90 The Committee are deeply concerned to note that non-clearance of air cargo within the prescribed time-limit has resulted in avoid-

able payment of warehousing charges amounting to Rs. 19.51 lakhs. The Committee would like to point out that airlifting of stores is resorted to only when such stores are required urgently. The very purpose of incurring huge expenditure on airlifting of the stores is defeated if such stores are allowed to remain in the Customs Warehouse for long periods of 3-4 months. The Committee accordingly recommend that proper procedure should be evolved in consultation with all concerned for the early despatch of air cargo to the consignees.

1.91 In the case of imported stores airlifted subject to post-facto sanction for airlifting, payment of air-freight is made by the EHQs out of provisional advance drawn for the purpose. Provisional advances amounting to Rs. 20.72 lakhs pertaining to the years 1978-1981 remained unadjusted (September 1982). It is a matter of serious concern that three to four years should be taken in getting sanction for stores already airlifted. From a note furnished by the Ministry of Defence, the Committee observe that it is the responsibility of the indentors/consignees, under whose instructions the stores are airlifted, to obtain the sanction of the competent financial authority. The Committee desire that Ministry of Defence should look into the matter and streamline the existing procedure with a view to ensuring that as far as possible prior sanction of the competent authority is obtained for airlifting of stores. However, in cases where on considerations of urgency, airlifting has to be resorted to subject to *post-facto* sanction, the indentors/consignees should see to it that the requisite sanction is conveyed to the EHQs within a period of four weeks from the date of their instructions to EHQ to airlift stores.

1.92 The facts narrated above make it clear that the working of the three existing EHQs is far from satisfactory and effective remedial steps need to be taken to improve their working. Not only there has been huge avoidable and infructuous expenditure, but there have also been inordinate delays in the receipt of defence stores by the ultimate consignees. The Committee feel that delays in respect of stores particularly in the field of a vital sector like defence is inexcusable. The Committee fail to understand why steps to improve the working of these Embarkation Headquarters have not been taken so far. In the opinion of the Committee, the consignees are not free from blame. In a large number of cases dealt with in the Audit Paragraph, the consignees have shown utter lack of concern in minimising costly delays or safeguarding Government financial

interest. The Defence Secretary with frank enough to admit during evidence before the Committee "Because of the Audit Para, not only my attention has been drawn to it but I am also applying fully to it. I am hundred per cent sure that we will have much better results from 1984 onwards". The Committee hope that in compliance with this assurance, necessary steps would be taken by the Ministry to streamline the working of the Embarkation Headquarters.

NEW DELHI;  
*August 21st, 1984*  

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*Srayana 30th, 1906 (S)*

SUNIL MAITRA  
*Chairman,*  
*Public Accounts Committee.*

## APPENDIX

### *Conclusions and Recommendations*

Sl. No.	Para No.	Ministry/Department concerned	Conclusion/Recommendation
1	2	3	4
1.	1.78	Defence	For handling the cargo imported from abroad for defence Services and other organisations under the Ministry of Defence, there are three Embarkation Headquarters located at Bombay, Calcutta and Madras which came into existence in 1936, 1940 and 1961 respectively.
2.	1.79	Defence	The Committee note that stores shipped from abroad and landed at ports are subject to levy of wharfage charges at ordinary rates where clearance of the cargo from the docks is effected within the last free date. The cargo not so cleared by the last free date, attracts payment of extra wharfage charges. In spite of the instructions contained in the Defence Service Regulations (Army) that payment of extra wharfage is to be viewed as wasteful expenditure, non-clearance of sea cargo within the prescribed time limit at the above three

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Embarkation Headquarters has resulted in avoidable payment of extra wharfage charges amounting to Rs. 49.87 lakhs during the period 1977-1981. During the years 1980 and 1981, there were 13,248 cases of delay in clearance of consignments of which cases of delay of over three months after the last free date number 230. From these facts, the Committee are led to conclusion that the working of the Embarkation Headquarters is far from satisfactory and needs to be improved. What is really surprising is that this state of affairs has been allowed to continue for years. The Committee would like to know why timely and effective steps were not taken to avoid the payment of such a huge amount of extra wharfage charges.

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Defence

Out of the total amount of extra wharfage charges levied/paid during 1977-1981 in respect of the three Embarkation Headquarters, nearly three-fourths relates to EHQ, Bombay. The amount of extra wharfage charges levied/paid in the case of that EHQ has been increasing from year to year and, surprisingly, the amount so levied/paid in case of that Headquarters in 1981, viz., Rs. 15.64 lakhs was even more than the total wharfage charges of Rs. 14.60 lakhs levied/paid for all other consignments. According to the Ministry of Defence, delay in clearance of cargo takes place mainly on account of late receipt of relevant documents from abroad by Embarkation Headquarters, difference in case markings, pack-

ages landed in damaged conditions and non-availability of Railway wagons of requisite type. In view of the fact that the Embarkation Headquarters at Bombay has been in existence for nearly 50 years, the Committee feel that Government should have been able to take adequate steps to remedy the situation by now.

4. 1.81 Defence

The Committee note that in order to evolve methods for speedy clearance of cargo with a view to avoiding unnecessary extra wharfage, a meeting was held in the Ministry of Defence under the Chairmanship of Director (Q) on the 5th June 1980 at which the following decisions were arrived :

- (a) To incorporate a clause in the contract stipulating that a set of shipping documents are to be forwarded to Embarkation Headquarters concerned and consignees simultaneously to reach them at least 14 days in advance of the arrival of the vessel.
- (b) That the supplier will be held responsible to bear the extra wharfage incurred due to late clearance of packages on account of wrong marking/obliterated marking on the packages contrary to what has been mentioned in the Bill of Lading.

5. 1.82 Defence

The Committee are concerned to note that instructions to implement the above decisions were issued only in July, 1982, i.e. more than two years after the decisions were taken. This clearly shows the Lackadaisical approach of the authorities concerned and

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their lack of concern for the financial interests of Government. The Committee would recommend that the reasons for delay of over 2 years in issuing the aforesaid instructions should be investigated with a view to fixing responsibility.

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Defence

Even though the instructions were issued in July, 1982, so far suppliers have not been asked to bear extra wharfage on account of wrong marking/obliterated marking even in a single case, as suitable provision has not been included in the contract. Further instructions have been issued only now to the Controlling Headquarters in this regard. The Committee would like to be informed of the cases in which suppliers have since been asked to bear extra wharfage on account of wrong/obliterated markings.

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Defence

According to the Ministry of Defence, in spite of the instructions issued in July, 1982, there are still delays in respect of consignments received through India Supply Mission, London. To improve the position the Ministry of External Affairs have been requested to appoint Freight Forwarders at India Supply Mission, London as at India Supply Mission, Washington. The Committee have been informed that the matter is still under the consideration of the Committee of Secretaries. The Committee desire that an early decision should be taken in the matter and the Committee informed of the same.

Embarkation Headquarters are also responsible to realise compensation for loss or damage to the cargo from carriers, insurance companies, port authorities and under-writers, as the case may be. The Committee are concerned to find that as on August, 1982, claims amounting to Rs. 4.76 crores were pending settlement on account of short-landed/damaged cargo. Claims amounting to Rs. 25.62 lakhs were rejected on grounds of delay in marine survey, limited liability of carriers and defective preparation of the documents by the suppliers. In 1981 alone 13 claims amounting to Rs. 2.26 lakhs were rejected on ground of non-supply of documents by the consignees. This is really disturbing. The Committee have, however, been informed that as a result of efforts made by the Embarkation Headquarters, claims worth Rs. 2.19 crores (out of above mentioned Rs. 4.76 crores) have been settled upto 31-7-1983. The Committee emphasise that all-out efforts should be made to settle the remaining claims at an early date, and the latest position intimated to them. To minimise the loss to the State due to such rejections, consignees are stated to have been instructed either to resort to insurance of Defence Stores against loss or damage or to make it obligatory for the suppliers to give detailed break-up of cargo (wherever possible) and value in the Bill of Lading so that full damage could be claimed in case of loss of stores. The Committee would like to be informed if these instructions are being followed in actual practice.

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9	1.86	Defence	<p>Another disquieting feature of the working of the Embarkation Headquarters is the heavy pendency of refund claims of Custom Duty. The total value of such claims pending finalisation was Rs. 25.75 crores in August 1982. What is particularly disturbing is that claims for Rs. 7.13 crores have been rejected due to delay in preferring claims, non-production of required documents in time and production of incomplete documents etc. As to the latest position, the Committee have been informed that out of 1509 outstanding refund claims for Rs. 25.75 crores, 809 claims (671 settled+138 rejected) totalling Rs. 14.268 crores have been settled. The Committee would like to stress that efforts should be made to settle the remaining claims for over Rs. 11 crores at the earliest. Suitable steps should also be taken to reduce such pendency to the barest minimum.</p>
10	1.87	Defence	<p>The Committee note that 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of customs duty on motor vehicle parts consigned to a vehicle factory were preferred by the EHQ, Bombay on the customs authorities during January-December 1978 on the advice of the consignee that those parts which were in fact unmachined parts had been assessed to customs duty at the rates applicable to machined parts. But, surprisingly, except the invoices which were already with the customs authorities,</p>

the Vehicle Factory had no other documentary evidence to prove their contention. What is even more dis-gusting is that the Vehicle Factory did not even depute their representative at the hearing of the case. The Committee take a serious view of such a lack of concern by the Vehicle Factory for financial interests of Defence Services. The Committee would like the Department of Defence Production to investigate this lapse on the part of the Vehicle Factory with a view to fixing responsibility and taking suitable action. The Committee further recommend that the matter which has already been taken up with the Department of Revenue, should be conclusively pursued with them.

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The Committee note that as on 20th July, 1982, provisional deposit bonds for Rs. 3.62 crores furnished by the EHQ, Madras towards payment of customs duty remained to be redeemed. According to the Ministry of Defence, out of 165 provisional deposit bonds amounting to Rs. 361.99 lakhs, 155 bonds amounting to Rs. 336.87 lakhs have since been redeemed. The Committee urge that immediate steps should be taken for redemption of the remaining 10 provisional deposit bonds amounting to Rs. 25.12 lakhs. The Committee also recommend that a suitable procedure should be devised in consultation with the consignees so that delay in redemption of provisional deposit bonds is obviated in future.

51

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12	1.89	Defence	<p>The Committee are concerned at the delay in despatch of consignments (sea cargo) to the ultimate consignees. There were as many as 251 cases pertaining to the three Embarkation Headquarters for the year 1979-1980 alone involving delay of over 3 months. According to the Ministry of Defence, one of the reasons for delay is the time involved in getting suitable type of wagons. The Committee feel that with proper coordination with the Railways, the position can be considerably improved. The Committee hope that urgent steps would be taken in this regard.</p>
13	1.90	-do-	<p>The Committee are deeply concerned to note that non-clearance of air cargo within the prescribed time-limit has resulted in avoidable payment of warehousing charges amounting to Rs. 19.51 lakhs. The Committee would like to point out that airlifting of the stores is resorted to only when such stores are required urgently. The very purpose of incurring huge expenditure on airlifting of the stores is defeated if such stores are allowed to remain in the Customs Warehouse for long periods of 3-4 months. The Committee accordingly recommend that proper procedure should be evolved in consultation with all concerned for the early despatch of air cargo to the consignees.</p>

14

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In the case of imported stores airlifted subject to *post facto* sanction for airlifting, payment of air-freight is made by the EHQs out of provisional advance drawn for the purpose. Provisional advances amounting to Rs. 20.72 lakhs pertaining to the years 1978 79, 1981 remained unadjusted (September 1982). It is a matter of serious concern that three to four years should be taken in getting sanction for stores already airlifted. From a note furnished by the Ministry of Defence, the Committee observe that it is the responsibility of the indentors/consignees, under whose instructions the stores are airlifted, to obtain the sanction of the competent financial authority. The Committee desire that Ministry of Defence should look into the matter and streamline the existing procedure with a view to ensuring that as far as possible prior sanction of the competent authority is obtained for airlifting of stores. However, in cases where on considerations of urgency, airlifting has to be resorted to subject to *post-facto* sanction, the indentors/consignees should see to it that the requisite sanction is conveyed to the EHQs within a period of four weeks from the date of their instructions to EHQ to airlift stores.

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The facts narrated above make it clear that the working of the three existing EHQs is far from satisfactory and effective remedial steps need to be taken to improve their working. Not only there has been huge avoidable and infructuous expenditure, but there have also been inordinate delays in the receipt of defence

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stores by the ultimate consignees. The Committee feel that delays in respect of stores particularly in the field of a vital sector like defence is inexcusable. The Committee fail to understand why steps to improve the working of these Embarkation Headquarters have not been taken so far. In the opinion of the Committee, the consignees are not free from blame. In a large number of cases dealt with in the Audit Paragraph, the consignees have shown utter lack of concern in minimising costly delays or safeguarding Government financial interest. The Defence Secretary was frank enough to admit during evidence before the Committee "Because of the Audit Para, not only my attention has been drawn to it but I am also applying fully to it. I am hundred per cent sure that we will have much better results from 1984 onwards". The Committee hope that in compliance with this assurance, necessary steps would be taken by the Ministry to streamline the working of the Embarkation Headquarters.

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