

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

EIGHTEENTH REPORT

**THE PLANTATION CORPORATION OF KERALA LTD.,
KOTTAYAM**

(DEPARTMENT OF AGRICULTURE, GOVERNMENT
OF KERALA)



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18th Report of the Committee on Public Undertakings on the Plantation Corporation of Kerala Ltd., Kottayam.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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2. Shri Homi F. Daji.
3. Shri Surendranath Dwivedy.
4. Shri S. Hansda.
5. Shrimati Subhadra Joshi.
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14. Shri T. S. Pattabiraman.
15. Shri M. Govinda Reddy.

SECRETARIAT

Shri N. N. Mallya.—*Joint Secretary.*

Shri A. L. Rai.—*Deputy Secretary.*

*Appointed as Chairman w.e.f. 24-1-1966 *vice* Shri Panampilli Govinda Menon ceased to be a member of the Committee on his appointment as Minister.

**Elected w.e.f. 23-2-1966 in the vacancies caused by appointment of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

INTRODUCTION

I, the Chairman, Committee on Public Undertaken, having been authorised by the Committee to submit the Report on their behalf, present this Eighteenth Report on the Plantation Corporation of Kerala Ltd., Kottayam.

2. On a suggestion from the Governor of Kerala, the Speaker directed on the 18th December, 1965, that the Committee on Public Undertakings might examine the working of the State-owned Public Undertakings in Kerala. The Committee accordingly decided to examine the working of State Government Companies in Kerala in general and of the following seven in particular:—

- (1) Travancore Titanium Products Ltd., Trivandrum;
- (2) Travancore Cochin Chemicals Ltd., Udyogamandal;
- (3) The Plantation Corporation of Kerala Ltd., Kottayam;
- (4) The Trivandrum Rubber Works Ltd., Trivandrum;
- (5) Kerala Ceramics Ltd., Kundara;
- (6) Kerala Premo Pipe Factory Ltd., Trivandrum; and
- (7) Traco Cable Co. Ltd., Ernakulam.

3. This Report is based on the examination of the working of the Plantation Corporation of Kerala Ltd., Kottayam, upto the year ending 31st March, 1965. The Committee took the evidence of the representatives of the company and the State Government officials concerned on the 3rd February, 1966, at Trivandrum. The Report was adopted by the Committee on the 11th March, 1966.

4. The Committee wish to express their thanks to the officers of the Kerala State Government and the Plantation Corporation of Kerala Ltd., for placing before them the material and information that they wanted in connection with their examination.

NEW DELHI;

March 17, 1966.

D. N. TIWARY,

Chairman,

Phalgun 26, 1887 (S).

Committee on Public Undertakings.

HISTORICAL BACKGROUND

With the object of meeting the shortage of natural rubber within the country and saving foreign exchange, providing substantial revenue to the State by way of plantation and agricultural Income Taxes as also providing additional employment opportunities, it was decided by the Kerala State Government in 1958 to encourage the expansion of the area under rubber plantation. The first rubber plantation in the public sector was undertaken departmentally by the State Agriculture Department as early as 1959, in the Kodumon Forest in Quilon District. In 1961, the Forest Department took up the planting work in Chalakudi Division. When the scheme was formally accepted by the Planning Commission and the Government of India, these plantations were brought under a specially created Plantation Department. The Government of India, who were financing these plantations, however, felt that a large scale plantation could be efficiently established and operated only by a joint stock company. As a result the Plantation Corporation of Kerala Ltd., was formed in November, 1962. It took over 7398 acres of new plantations from the Plantation Department early in 1963. Subsequent plantings have been done by the Corporation.

II

PLANTATIONS

Present
Estates.

2. At present the Corporation has five estates, two in Quilon District, two in Ernakulam District and one in Trichur District as follows:—

Quilon District:

Kodumon Estate	3,000 acres
Chandanappally Estate	3,500 acres

Ernakulam District:

Kallala Estate	4,000 acres
Adirappally Estate	4,000 acres

Trichur District:

Vettilappara Estate	500 acres
	<hr/>
	15,000 acres.
	<hr/>

A. Third Plan Target

3. The target for planting rubber during the Third Five-Year Plan was originally fixed at 20,000 acres. However, this was subsequently reduced to 15,000 acres, in view of the paucity of forest lands available for the scheme. The Committee feel that paucity of land is not a new development and could have been foreseen at the time of fixing the target itself. Having once approved the programme for planting 20,000 acres, the State Government should have ensured that the required land was released to the Corporation in time. Certain instances of delay in the release of land have been discussed in the succeeding paragraphs.

B. Delays in release of land

4. After the land is released to the Corporation, it has to attend to several items of work before planting is undertaken. These include slash felling, burning, heaping and reburning of residual growth, lining, pitting, filling and

raising of cover crops. As such, the area required for planting in a particular season should be made available to the Corporation by December of the previous year at the latest. It was represented in this connection that except on 3 or 4 occasions, the forest department had been very irregular in the matter of release of land in time required for planting. Further, no information regarding the release of particular area was given to the Corporation in advance with the result that the latter could not prepare any programme for the construction of roads and buildings in advance. In the circumstances, the Corporation had to face many practical difficulties in planting and had also to leave out some areas from planting.

5. During their on the spot study of the Plantations of the Corporation, a case of delay in the release of land also came to the notice of the Committee where 617 acres of forest area ordered to be transferred to the Corporation in August, 1965, had not been actually released so far. According to the Chief Conservator of Forests, a part of this area, about 189 acres, had young trees, below three years and it was decided that the trees might be cleared departmentally and sold before handing over the land to the Corporation. An estimate of the cost of departmental work was prepared and tenders for engaging the labour invited. The estimated cost was not, however, within the schedule of powers of the Chief Conservator of Forests. The State Government had, therefore, to be approached for sanctioning the expenditure involved. He however assured the Committee that the entire area would be cleared and handed over to the Corporation before the next rainy season.

6. Asked about the reasons for not handing over the land in question to the Corporation, along with the trees which could be cleared by the Corporation themselves, the Chief Conservator of Forests informed the Committee that the trees had been valued but the Corporation was not willing to pay the price fixed for them. The Managing Director of the Corporation stated that, out of 617 acres, only 50 acres had been offered @ Rs. 2,700 whereas they were willing to pay only Rs. 1,250, which was not accepted. Even at present, their offer was stated to be pending confirmation of the auction sale held on the 29th January, 1966. In this connection it also transpired that according to the standing orders, only 50 acres could be sold in open auction at a time.

Committee's
Observations.

7. From the foregoing, it would appear that the Chief Conservator of Forests, who incidentally is also a Member of the Board of Directors of the Corporation, strictly followed the existing Government rules in the matter of auction of trees and this has affected the planting programme of the Corporation. While the Committee appreciate the anxiety of the Forest Department to get the maximum price for the trees before making over the land to the Corporation, it was expected that they would attach a sense of urgency to the matter and devise special measures to expedite the work without delay, particularly when it was likely to delay the programme of work of a Government Undertaking by one year. This does not appear to have been done. Obviously such delays make it difficult for the Corporation to do preliminary planning for planting of the land and also render the preliminary and post-planting operations costly. In order to avoid these difficulties, the Committee recommend that such delays should in future be avoided.

C. Policy regarding release of Land

8. In the Kalady Plantations, 500 acres (in Kannimangalam) are about $1\frac{1}{2}$ miles away and not connected with the Estate. Another area of 500 acres in Vettilappara is a long strip across the Chalakudy river, unconnected with the main Estate. The Managing Director stated that as far as possible land was given to them in contiguous area but in certain areas the Forest Department had difficulties in doing so. In this particular case the two areas were treated as separate estates.

9. The Committee find that in regard to Vettilappara Estate, the Management Consultant has in his report observed as follow:—

“It is unfortunate that a large Plantation Corporation such as PCK should have undertaken to develop at all in the first instance an estate like Vettilappara. It is not only poorly located across the river in relation to the main estate in the Kaladi group but is also unfavourably spread over a large geographical area in bits and pieces, too small to be effectively maintained and managed as an integral part of a group of large estates.”

10. Contiguous plantations have the following advantages:

- (i) production and overhead charges are low;
- (ii) leakage of latex by theft/pilferage can be reduced to the minimum;

- (iii) wire fencing of the Estate becomes easy;
- (iv) better fire precautions can be taken;
- (v) elephant menace can be tackled in a better way; and
- (vi) disease prevention measures can be taken easily.

11. *The Committee recommend that as far as possible the Corporation should be allocated contiguous land for their plantations so that they can plan, organise, control and operate them efficiently.*

D. Earlier Plantations

12. The following plantings in Kalady area were done by the Government Department and were taken over by the Corporation in 1963:—

	Adirappally	Kallala	Vettilappara
1961	1264 acres	448.48 acres	408.70 acres
1962	465 acres	1406.72 acres	

13. During their visit to the Kalady Group of Estates, the Committee noticed that there were several vacant patches in the areas planted. They were informed that these plantings were done by the Forest Department and were taken over by the Corporation in 1963.

14. During evidence the Chief Conservator of Forests admitted that these plantings were not maintained properly. The Managing Director of the Corporation added that eupatorium had grown in the above plantations and in order to remove it the Corporation had to do six rounds of weeding every year, instead of the normal two or three rounds. As regards the extra cost involved in such large scale weeding, the Committee understand that the Corporation had to spend Rs. 145 per acre during 1963-64 and about Rs. 125 per acre during 1964-65 whereas under normal conditions, the weeding would cost only between Rs. 40 and Rs. 75 per acre. Thus, the Corporation had to incur an extra expenditure of about Rs. 75 per acre in order to eradicate the eupatorium.

15. In this connection, the Committee find that in his report on the "Development of PCK Rubber Estates" Shri H. N. Nanjundiah, Management Consultant (December, 1965) observed as follows:—

"...as a result of inadequate attention paid to the maintenance of first two years' plantings (of 1959

and 1960) and the extremely large area (of 4158 acres) planted in 1961 which proved to be of less than satisfactory quality, even T J-I seedling stock has not grown vigorous and healthy enough to be able to commence production as yet An unduly high percentage of vacancies and large patches of failure in the initial years on PCK estates also necessitated substantial replanting and consolidation work and this has contributed towards the highly uneven stand on almost every estate. With the result, it is anticipated that the earliest date of bringing any PCK estate into production is not likely to be earlier than September 1966".

16. In regard to the Kalady Plantation, the Visiting Agent (December 1964) also remarked as follows:

"The general impression one gets of the plantations is rather disappointing. In each clearing, plants of two or three distinct stages of growth can be seen. One can easily make out that extensive areas have been planted out originally, without proper after care, resulting in patchy establishment of plants. This reflects the absolute lack of planting experience of the 'pioneers' and their half-hearted attempts to grow rubber. Even well-established companies with experienced staff and labour would not attempt such gigantic schemes and hope to make a success of these Since the Corporation took over these assets, its efforts have been directed towards consolidating the 1961 and 1962 plantings ... the figures of vacancies supplied during these two years given below are staggering".

		Adirappally	Kallala	Vettilappara
1961	Plantings: Supplied in 1963	67514	37451	10020
	1964	49045	3400	12038
		116559	40851	22058
1962	Plantings: Supplied in 1963	54866	167630	..
	1964	55302	84874	..
		110168	252504	..

17. The Managing Director admitted during evidence that the Forest Department was not organised for running the plantations. But it is surprising that the task of planting a huge area of about 4,000 acres of rubber was taken up by a State Government Department without proper organisation or planning. Due to improper planting, the growth of the plants has been affected and is not uniform, and a large number of vacancies had to be filled up in subsequent years at considerable extra cost. The plantation would start yielding from a later date with possible adverse effect on the yield. All these will ultimately affect the cost of production and the economic working of the Corporation. Now that the Visiting Agents have submitted their Report and the defects in the earlier plantations are known to the Corporation, the Committee hope that necessary steps would immediately be taken to put the earlier plantations in the best possible form.

E. Fire in Adirappally

18. During February, 1965, a serious fire accident occurred in the Adirappally Estate when 136 acres consisting of 1961, 1962 and 1963 plantations were lost. An amount of Rs. 1.09 lakhs had already been spent on these plantations prior to the accident. It has been estimated that a sum of Rs. 50,000 may have to be spent on the area to replant and restore it to its original condition.

19. During evidence the Committee were informed that the matter had been investigated and the Corporation were satisfied that the fire had originated in the forest area whose sparks had been carried by the high velocity winds into the rubber plantation.

20. The Committee recommend that the Corporation should consult experts, take precautionary measures to avoid the recurrence of such accidents in future and also provide adequate fire fighting measures in the Estates. They would further suggest that the feasibility of getting insurance cover against such risks might also be examined. They also hope that the Corporation will replant the denuded areas immediately.

F. Field History Registers

21. During their on-the-spot study of the Plantations, the Committee noted that the Corporation was not maintaining any field history registers in the Estates wherein field statistics could be recorded. During evidence, the Managing Director agreed that such field history registers were necessary and mentioned that a draft form of the register had been drawn up. During his recent visit to Malaya he had seen another form of the field register and the question of introducing it was under consideration.

22. *The Committee regret that no attention has so far been paid to the important aspect of maintaining basic statistics of the Estates. It was expected that, like all established rubber growers, the Corporation would from the very beginning devise suitable forms for the purpose. That this has not been done despite the fact that the Managing Director of the Corporation has visited the rubber plantations in Malaysia on two occasions and the Corporation employs Superintendents who have had experience of rubber plantations in that country is regrettable. The Committee would urge that such a Register should be introduced without any further delay for maintaining proper statistics. Such a form might inter alia contain the following information:*

- (i) Year of Planting.
- (ii) Plantation Materials used.
- (iii) Method of planting and planting distance.
- (iv) Number of each variety planted.
- (v) Stand per acre.
- (vi) Number of supplies made (year by year for three years).
- (vii) Girthing at the end of each year.
- (viii) Details of disease, spraying and other remedial measures taken.
- (ix) Manuring.
- (x) Annual cost per acre.
- (xi) Administrative Expenditure year by year.

- (xli) Details of areas brought under tapping.
- (xiii) System of tapping.
- (xiv) Yield record.
- (xv) Rainfall account.
- (xvi) Cost of production.
- (xvii) Sales proceeds.
- (xviii) Profit/Loss.

23. *The Committee would also suggest that the Corporation should take an annual census of the trees in the Estates.*

G Setting up of the Factory

24. While determining the product-mix for P.C.K. estates, it has been assumed that the Kodumon group factory will produce concentrated latex in the main with some pale crepe and thin brown crepe as an auxiliary product and that the Kaladi group factory will produce smoked sheets in the main, with thin brown crepe as an auxiliary product. It was considered uneconomical and also unnecessary to set up a separate factory on the Kodumon Estate if the first phase of development of the main Chandanappally factory could be immediately undertaken. It has accordingly been decided that a small sheeting factory comprising of a bulking tank, 4-5 coagulation tanks, a sheeting machine and an RRIM type 2200 smoke house be provided at the Chandanappally factory site. It has been suggested by PCK management that the processing factory should be located on the bank of the Chalakudi river adjoining the Adirappally Estate. A suitable site is being acquired for the purpose.

25. It is anticipated that the Adirappally Estate will go into production in September, 1966, with Kallala and Vettilappara joining during the following year. As regards the progress of construction of the factory to process the produced, the Committee were informed that the machinery required was available indigenously and the factory would be ready in time.

26. *As the processing of latex to be collected from September, 1966 onwards would entirely depend on the completion and commissioning of the factory, the Committee hope that every effort would be made to synchronise*

its setting up with the tapping. They further hope that necessary advance planning would be done and arrangements made for all ancillary activities like collection, storage, transportation etc. of latex.

H Target for Fourth Plan

27. The Corporation's programme for the Fourth Plan, which has been approved by the Government and submitted to the Planning Commission, provides for an additional 10,000 acres under rubber, 750 acres each under tea and Coffee and 500 acres under miscellaneous spices.

28. The Committee have been informed that in view of the prevalent pattern of use of land, no land is available in the Travancore-Cochin area. As such, the State Government had expressed their inability to provide further reserve forest lands in the Travancore-Cochin area for rubber plantation. Thus the Corporation had to find suitable areas in Malabar from among the private forests there. About 5000 acres in the Kuthali which is a private forest and which came into Government's hands under escheat, was found fit. The Government had agreed to give that land to the Corporation in annual instalments. The other area found suitable is the Nilambur Private Forests.

29. The Nilambur Forests comprise of approximately 60,000 acres in Ernad and Wynad Taluks of Calicut District and are owned by the Nilambur Rajah's family. Out of this, 30,000 acres of land was sold in 1964-65 to the Gwalior Rayon Manufacturing Co. (a Birla Enterprise) by the family, after obtaining the permission of the Government of Kerala as required under the Madras Preservation of Private Forests Act, at a price of Rs. 250 per acre. Since a good portion of the balance of 30,000 acres was fit for growing Rubber, Coffee and Tea, the Board of Directors of the Plantation Corporation authorised the Chairman and the Managing Director to negotiate with the owners for its purchase. The owners agreed to sell the remaining 30,000 acres at the same price as paid by M/S Gwalior Rayons. The Board considered the proposal and then a forest officer from the State Government was requested to value the tree growth in the area. He reported that the price proposed to be paid for the land was reasonable. Thereafter, the Board decided on 30th April,

1965 to approve the proposed purchase and to get the prior sanction of the State Government for capital investment as required under its Articles of Association. Accordingly, the Government of Kerala was approached for necessary sanction on 5th May, 1965. After considering the matter at various levels the State Government finally declined the proposal on 9th July, 1965, as in their view "it would not be proper for the Corporation to go in for the purchase of the forest land in the wake of the impending legislation for the acquisition of private forests in the State."

30. During evidence, the representative of the State Government stated that the Government proposed to acquire the private forests at a comparatively low price under a proposed enactment. It was, therefore, felt that by allowing a fully Government-owned Corporation to purchase 30,000 acres @250/- per acre, they should not commit the Government to the higher price than what would be payable under the proposed Act.

31. The Committee regret to observe that although about a year has elapsed since the Corporation approved the proposal which had been examined by a State Forest Officer, the State Government have not approved it on the ground that they propose to acquire the land in question at a comparatively lower price. Even if the draft Bill is passed by Parliament without any delay, that legislation will not get any protection from judicial review. As such legislation is invariably challenged in courts of law there might be considerable time lag before the State Government can actually implement the provisions of the Act. In the circumstances, the Committee are not convinced of the stand taken by the Government which is adversely affecting the programme of work of the Corporation. They cannot help observing that the State Government have not taken a commercial view as they should.

Committee's
Observations.

32. It is obvious that the transaction would be extremely beneficial to the Corporation as the rich tree growth in these forests can be sold for a substantial amount. The Committee recommend that the State Government should reconsider the proposal of the Corporation and permit them to purchase the land without delay.

III

FINANCE AND ACCOUNTS

A. Capital

33. The authorised capital of the Plantation Corporation of Kerala is Rs. 7.5 crores. The issued capital, which is Rs. 2.26 crores at present, is expected to be raised to Rs. 4.50 crores for initial development. It has been stated that the entire project would be financed by equity capital as this is a long-term agricultural project, involving several years without any income and consequent inability to meet any interest charges. During evidence the Managing Director informed the Committee that even in the private sector, new plantations were financed either from equity capital or savings/reserves. The Corporation, however, proposed to resort to bank loans for working capital of about Rs. 50 lakhs when the plantations started yielding.

34. *The Committee trust that the Corporation would create adequate reserves for meeting the expenses of future expansion.*

B. Difficulty of getting funds

35. The Committee were informed that the Corporation had been experiencing difficulty in getting its equity funds released from time to time. The Kerala Government gets 100 per cent assistance for the project from the Central Government. Often there was delay in getting this assistance released from the Central Commerce/Finance Wing due to their budgetary difficulties. This delay frequently caused financial problems for the Plantation Corporation.

36. During evidence, it was stated that the officers of the State Government wrote letters and sent telegrams to the Central Government frequently. They also contacted the officers concerned personally. Even, at present Rs. 49 lakhs were stated to be due from the Centre and were expected to be received after the supplementary grants had been voted. In this connection it also came to the notice of the Committee that a sum of Rs. 30 lakhs was received by the Corporation on the 31st March, 1965, i.e. the last day of the financial year.

37. *The Committee recommend that the Kerala State Government should devise suitable measures for expediting the release of funds to the Corporation. One way of avoiding the delay would be to advance the funds required by the Corporation from the State Funds and to recoupe them from the Central Government.*

C. Bankers

38. In addition to the State Bank of Travancore, the Plantation Corporation is maintaining its Accounts with the Indian Overseas Bank. Referring to the need for maintaining accounts with two Banks, the Managing Director explained that the Corporation had previously only one Bank Account with the State Bank of Travancore. But it charged two per cent commission for transfer of Corporation's funds from the centre. The Corporation had, therefore, invited quotations from all the Banks for handling this money and the Indian Overseas Bank had offered the most advantageous terms.

39. *While the Committee appreciate the efforts made by the Corporation to get the most favourable terms for transfer of its funds from the Centre, they do not see why the Corporation could not secure the same terms from the State Bank of Travancore. The Committee would suggest that the State Government (Department of Finance) might examine this matter in Consultation with the State Bank of Travancore.*

D. Accounts

40. In its Second Annual Report, the Plantation Corporation had published separate Profit & Loss Accounts for each of its Divisions. It, however, discontinued that practice and published in its Third Annual Report, only a consolidated Profit and Loss Account for the Corporation as a whole.

41. During evidence, the Managing Director stated that under the Company Law, only one Profit and Loss Account was required to be published. The Corporation, however, maintained separate accounts for each unit for their own reference.

42. *The Committee feel that for a proper appreciation of the working of the Corporation, it would be desirable to publish the accounts of its each division separately. In*

fact, all multi-unit undertakings of the Central Government (e.g. Hindustan Steel Limited, Fertilizer Corporation of India) are already doing so. They recommend that the Plantation Corporation should revert to the old practice of publishing the accounts of each division separately from its next annual report.

E. Value of Assets and Liabilities taken over by the Corporation

43. From the Third Annual Report of the Corporation the Committee noted that negotiations were still in progress with the Government of Kerala about the value of the Assets and Liabilities taken over from them as on 1st February, 1963. The Corporation had accepted the value of net assets taken over at Rs. 64.62 lakhs, as against Rs. 68.04 lakhs refixed by the Government and shares worth Rs. 60.00 lakhs had already been issued for consideration other than cash, in discharge of part of the above liability. Further shares would be issued to the Government of Kerala to the value of Rs. 4.60 lakhs after getting the consent of the Controller of Capital Issues, in part satisfaction of the above liability. The balance consideration of Rs. 2291 was proposed to be settled in cash.

44. During evidence it was explained that the matter could not be settled because Government wanted the Corporation to pay Rs. 10 per acre as lease rent. Ultimately, Government had agreed to reduce it to Rs. 3 per acre and a revised draft agreement had been prepared and the value of assets as refixed by Government had been accepted.

45. *The Committee consider it regrettable that it should have taken as much as 3 years to finalise this matter and suggest that the settlement should be reached without further delay.*

IV

COST, YIELD AND PROFITS

A. Capital Cost

46. In a written note furnished to the Committee, it was stated that the Corporation had conducted a costing study and all efforts had been made to keep the capital cost of planting as low as possible, at not more than Rs. 3000 per acre. The agricultural cost amounted to Rs. 2100 per acre. During evidence it was, however, stated that, as against the capital cost of raising rubber plantation estimated at Rs. 2500 per acre in 1959, the cost was expected to be Rs. 3700 per acre.

47. According to the report submitted by Shri H. N. Nanjundiah (December, 1965), the estimated capital cost per acre of plantation in production amounts to Rs. 2100 on agricultural development operation, Rs. 929 on engineering works, Rs. 30 on training of tappers, Rs. 30 on tapping tools and utensil kits, Rs. 401 on processing equipment and factory facilities and Rs. 135 in working capital, or a total of Rs. 3490 per acre excluding working capital and Rs. 3625 per acre including working capital.

48. As stated in paras 12-17, the earlier plantings done by the Forest Department had not been maintained properly with the result that the Corporation had to do extra weeding, and supply vacancies in those plantations on a large scale, entailing considerable extra expense. All these naturally added to the capital cost. A part of the increase has also been attributed to the higher prices of raw materials and increase in wages.

49. *The Committee recommend that the Corporation should exercise utmost economy in their operations and ensure that the capital cost of plantings is kept to the minimum and brought to the level of well managed plantations in the private sector.*

B. Yield

50. Rubber is a plantation crop which takes seven years to reach maturity and yield. The earliest plantings of the Corporation was done in 1959. This area would start yielding from September, 1966. The final production in 1973 would be of the order of 7500 tons at the rate of $\frac{1}{2}$ ton per acre on the average, from 15,000 acres planted during the Third Plan.

51. During evidence, it was stated that the anticipated yield of 1000 lbs. per acre was reasonable in view of the fact that a substantial portion of plantings of the Corporation was of high yielding varieties. In Malaysia, TJIR varieties were stated to yield upto 1200 lbs per acre whereas GG and RRIM varieties yielded over 2,000 lbs. per acre. As to the reasons for not planting high yielding varieties, the Committee were informed that, based on the result of their research, the Rubber Board had issued directions that the Corporation should not plant these varieties more than a certain percentage. According to the representatives of the Rubber Board, the high yielding varieties had not proved to be disease resistant.

52. *While the Corporation felt that their anticipated yield of 1000 lbs. per acre was satisfactory, the Committee hope that the actual performance of the Corporation would be reviewed from time to time and necessary steps taken to improve upon the anticipated yield, particularly when a substantial portion of the plantings of the Corporation is stated to be of very high yielding variety.*

53. As regards the future plantings to be done by the Corporation, the Committee would like to refer to the following observations of the Managing Director of the Corporation in the report on his last visit to Malaya:—

“With regard to planting material, I am afraid we have erred on the side of safety very much. Our new areas must be planted with RRIM buddings and Prang Besar buddings mainly hereafter.”

54. *The Superintendents of the Estates, who have experience of Plantations in Malaya were also of the same view. In the circumstances, the Committee recommend that the Corporation should examine the matter carefully*

and decide whether they should continue to follow a conservative policy in the matter of introducing new varieties after sufficient trial or make a bold decision to go in for high yielding varieties in so far as their future plantings are concerned. The Committee hope that the Rubber Board will grant the necessary permission.

C. Cost of Production and Profits

55. The cost of production of rubber by the Corporation is expected to be approximately 85 paise per lb. This was stated to compare favourably with other similar sized units in the private sector. The average sale price of rubber was Rs. 1 50 per lb. In view of the high demand for the product, no marketing problems are anticipated.

56. As regards the profits anticipated by the Corporation, it has been stated that rubber cultivation is a profitable venture in view of the increasing demand and slow increase in supplies. The Company is expected to be in a position to declare a maiden dividend by 1970-71 of 4 per cent. Two years thereafter, the dividend is expected to be raised to 6 per cent and maintained at that level, the balance being kept as reserve.

57. *The Committee feel that there is sufficient scope for reducing the cost of production and earning higher profits, as was admitted by the Managing Director during evidence. They hope that the Corporation would address themselves to this task.*

V

ORGANISATION

A. Head Office and Plantations

58. The organisation of the Corporation at its head office is headed by the Managing Director who is assisted by an Executive Assistant, Secretary, Chief Accounts Officer, Labour Welfare Officer and Chief Construction Engineer. Each Plantation is looked after by a Superintendent/Senior Superintendent who directly reports to the Managing Director.

59. *As the plantations would start yielding from September, 1966, production and marketing arrangements would have to be made. The organisational set up of the Corporation might also require certain changes in relation to the new/ancillary items of work to be undertaken by the Corporation. The Committee recommend that the matter might be carefully examined and necessary changes introduced in time both at the head office and estates level.*

B. Board of Directors

60. The Board of Directors of the Corporation consists of eight members, 4 officials and 4 non-officials, including the Chairman (Dr. E. K. Madhavan). Shri K. S. Menon, I.A.S., was appointed as the first Managing Director. The present Managing Director (Shri K. C. Sankaranarayanan, I.A.S.) took charge in May, 1964.

61. The Committee note that the Rubber Research Institute is not represented on the Board, although the Corporation was stated to be maintaining close liaison with the former and all technical problems were referred to it. *The Committee feel that it might be useful to include a senior officer of the Rubber Research Institute on the Board of Directors of the Corporation. They recommend that the possibility of doing so might be examined.*

C. Managing Director

62. Referring to the transfer of the first Managing Director, after about 18 months' stay in the Corporation, the representative of the State Government stated that it was not desirable to make such frequent changes and it was not usually done. In fact, a minimum period of 3 years was laid down in the terms of appointment of the present Managing Director. The change of the previous incumbent was stated to have become necessary due to his promotion in the Government as a Member of the Board of Revenue.

63. *It takes an officer some time to familiarise himself with the working and problems of an undertaking. In order to enable him to make an effective contribution towards its successful working, it is necessary that he should stay there for a minimum period of 5 years. The Committee recommend that a minimum tenure of 5 years should be fixed for the incumbents of these posts. Further, with a view to avoiding changes where an officer becomes due for promotion, Government might examine whether it is not possible to give him higher scale of pay in the existing job so that the working of the undertaking is not adversely affected.*

D. Training of Tappers

64. As stated elsewhere, the tapping of certain areas would start from September, 1966. For this purpose the Corporation would need 110 tappers. The Committee were informed that a Tappers' Training School would be started by the end of February, 1966, in cooperation with the Rubber Board to train labourers for the job, who would be given 6 weeks' training.

65. *The training and expertise of the tappers would determine the efficiency of the Estates to a great extent as inexperienced tappers could ruin the trees. In view of this, it is hoped that the Corporation would pay due attention to this matter so as to ensure that the tappers acquire the necessary skill by the time the trees are ready for tapping.*

E. Delegation of Powers

66. Being a commercial concern, the outlook of the Corporation in regard to Delegation of Powers to the officers on the spot should be realistic and in the best interests

of efficiency of the organisation. The Superintendents in the Estates should have adequate powers to manage their problems without reference to the head office at Kottayam for financial sanctions which, apart from being a time-consuming process, is likely to affect the working of the Estates. The Committee however noticed that a Superintendent had powers for making local purchases like cowdung, cudjan leaves, spare parts of vehicles etc. upto Rs. 50 at a time but not exceeding Rs. 250 per month. This financial limit is on the low side for an officer managing an estate of 2000 or 3000 acres. As the Estates go into production, the demands are likely to be larger than now and it is necessary that the Estate Superintendents have adequate powers to take decisions on the spot and make speedy purchases for their needs.

67. The Committee suggest that every estate should have a Budget sanction under various detailed heads. Elaborate Financial Rules should be framed stating the financial procedures to be followed in regard to various matters. The Superintendents should be given powers to spend the amounts within the Budget sanctions in accordance with the Rules. All moneys spent should be reported to the Head Office which may watch the expenditure and review the position periodically. For common purchases for all the Estates, the Corporation could enter into rate contracts with the suppliers and empower the Estate Superintendents to operate those rate contracts. The Committee hope that decision in this regard would be taken soon and detailed rules framed.

F. Welfare Measures

68. The Committee went through the report of the Visiting Agent, Shri Sivasankaran Nair on the Kalady and Kodumon Groups of Estates and found him very critical of the welfare activities of the Corporation. For example commenting on the medical facilities made available by the Corporation in the Kalady Estate he stated:—

“These estates are getting away with such inadequate facilities, purely because they are public sector undertakings. The existing arrangements are certainly inadequate, for such group of plantations. There must be a dispensary each

on Vettilappara, Kanimangalam and Kallala and a hospital with facilities for inpatient treatment on Adirappally. The Hospital shall be on the lines of a Garden Hospital envisaged in the Kerala Plantations Labour Rules."

69. Referring to the housing problem he stated:

"Accommodation for staff and labour at present available on the Estates except on Kanimangalam Block is not sufficient enough to meet the actual requirements. Priority should be given to this important aspect, at least from a humanitarian point of view. The situation of Adirappally and Kallala does not allow access by public transport and lack of proper housing only adds to demoralisation caused by the former."

70. Referring to the housing provided for senior staff at Kallala Estate, he stated:

"Accommodation is woefully inadequate for staff and managerial personnel".

71. *During their visit to the Estates, the Committee also found the position not satisfactory. In an estate situated far away from town. It should be obligatory for the employer to provide suitable housing accommodation and medical facilities. That even the senior managerial personnel have not been provided with proper housing accommodation is a matter of regret.*

72. *The Committee also saw during their visit that there was no separate building for the office and this was situated in one of the workers' houses. The Visiting Agent has also pointed out the shortcomings in this regard. In Kallala and Vettilappara Estates there are no office buildings or suitable building for stores. The Committee expect that the Corporation will attend to these matters and make good the deficiencies.*

VI

OTHER MATTERS

A. Future Development

73. The Committee understand that in certain cases, the Corporation in their anxiety to finish the work in time, have fared rather badly in their performance. For example in Kallala Estate, part of the planting was under paddy which was harvested only after the actual planting. Part of the area was handed over late and the Estate rushed through the preliminary work in a hurry. This ended in confusion and approximately 40 acres were planted with a mixture of clones. Stumps obtained from the Rubber Board were not cut to proper lengths before planting, resulting in bad growth. The Committee hope that the experience gained from these instances will be utilised by the Corporation with a view to avoiding such results. The Committee would also suggest that the Corporation should prepare a detailed manual on the subject for the guidance of the Estates wherein instances of difficulties likely to be encountered are listed and remedial measures suggested. A list of Dos and Dont's might also be useful. The Rubber Board might help in the preparation of such a Manual.

74. The Committee also noticed in the Visiting Agents' Report that he had stressed that a Superintendent should not be allowed to tackle more than 500 acres of new planting in a year. He had stated further:—

“Targets of 1000 acres and more, look spectacular on paper but in actual practice these are far more than one can chew. All the ills of this property can easily be traced to faulty planning by which extensive areas have been planted up, without reckoning the after-care involved.”

75. The Committee believe that the Corporation has taken adequate notice of the warning. In their anxiety to accomplish targets and to achieve economy the minimum requirements of the plantation should not be forgotten.

B. Plantations in Andamans

76. The Committee understand that the Central Ministry of Rehabilitation had requested the Corporation to consider the possibilities of establishing commercial plantations of rubber and oil palm in the Andaman and Nicobar Islands. The Managing Director had visited the islands in January 1966 and three islands were found to be capable of being developed into large plantations. They are Kachal, Rutland and Little Andamans with a total area of about 500 sq. miles.

77. In a note furnished to the Committee, it has been stated that it would be possible for the Corporation to take up establishment of commercial plantations provided the local administration is able to provide the basic transportation and communication facilities like jetties and landing places, shipping and water craft of all kinds, wireless telegraph connections, etc.

78. The Committee understand that with a view to fostering the development of plantations in the Island, the Central Government had sometimes back extended financial and other assistance to certain private planters.

79. The Committee suggest that the Corporation should study the performance of private planters in the islands carefully with a view to profit by their experience and thereafter draw a detailed report on the subject before taking up work in the Andamans. The Corporation should ensure that suitable facilities are provided by the Government of India for the purpose.

NEW DELHI;
17th March, 1966.
Phalguna 26, 1837 (S)

D. N. TIWARY,
Chairman,

Committee on Public Undertakings

APPENDIX

Summary of Conclusions and Recommendations*

S. No.	Para No. of the Report	Summary of Conclusions/Recommendations
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1	3	The target for planting rubber during the Third Five Year Plan was originally fixed at 20,000 acres. However, this was subsequently reduced to 15,000 acres, in view of the paucity of forest lands available for the scheme. The Committee feel that paucity of land is not a new development and could have been foreseen at the time of fixing the target itself. Having once approved the programme for planting 20,000 acres, the State Government should have ensured that the required land was released to the Corporation in time.
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A case of delay in the release of land came to the notice of the Committee where 617 acres of forest area ordered to be transferred to the Corporation in August 1965 had not actually been released so far. It would appear that the Chief Conservator of Forests, who incidentally is also a Member of the Board of Directors of the Corporation, strictly followed the existing Government rules in the matter of auction of trees and this has affected the planting programme of the Corporation. While the Committee appreciate the anxiety of the Forest Department to get the maximum price for the trees before making over the land to the Corporation, it was expected that they would attach a sense of urgency to the matter and devise special measures to expedite the work without delay, particularly when it was likely to delay the programme of work of a Government Undertaking by one

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year. This does not appear to have been done. Obviously such delays make it difficult for the Corporation to do preliminary planning for planting of the land and also render the preliminary and post—planting operations costly. In order to avoid these difficulties, the Committee recommend that such delays should in future be avoided.

II

The Committee recommend that as far as possible the Corporation should be allocated contiguous land for their plantations so that they can plan, organise, control and operate them efficiently.

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13-17

The Committee noted that there were several vacant patches in the areas planted. They were informed that these plantings were done by the Forest Department and were taken over by the Corporation in 1963. The Managing Director admitted during evidence that the Forest Department was not organised for running the plantations. But it is surprising that the task of planting a huge area of about 4000 acres of rubber was taken up by a State Government Department without proper organisation or planning. Due to improper planting, the growth of the plants has been affected and is not uniform, and a large number of vacancies had to be filled up in subsequent years at considerable extra cost. The plantation would start yielding from a later date with possible adverse effect on the yield. All these will ultimately affect the cost of production and the economic working of the Corporation. Now that the Visiting Agents have submitted their Report and the defects in the earlier plantations are known to the Corporation, the Committee hope that necessary steps would immediately be taken to put the earlier plantations in the best possible form.

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During February 1965, a serious fire accident occurred in the Adirappally Estate where 136 acres consisting of 1961, 1962 & 1963 plantation were lost. The Committee recommend that the Corporation should consult experts, take precautionary measures to avoid the recurrence of such accidents in future and also provide adequate fire fighting measures in the Estates. They would further suggest that the feasibility of getting insurance cover against such risks might also be examined. They also hope that the Corporation will replant the denuded areas immediately.

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21-22

The Committee regret that no attention has so far been paid to the important aspect of maintaining basic statistics of the Estates. It was expected that, like all established rubber growers, the Corporation would from the very beginning devise suitable forms for the purpose. That this has not been done despite the fact that the Managing Director of the Corporation has visited the rubber plantations in Malaysia on two occasions and the Corporation employs Superintendents who have had experience of rubber plantations in that country, is regrettable. The Committee would urge that such a Register should be introduced without any further delay for maintaining proper statistics. Such a form might *inter alia* contain the following information:

(i) Year of Planting

(ii) Plantation Materials used.

(iii) Method of planting and planting distance.

(iv) Number of each variety planted.

(v) Stand per acre.

(vi) Number of supplies made (year by year for three years).

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		<p>(vii) Girdling at the end of each year.</p> <p>(viii) Details of disease, spraying and other remedial measures taken.</p> <p>(ix) Manuring.</p> <p>(x) Annual cost per acre.</p> <p>(xi) Administrative Expenditure year by year.</p> <p>(xii) Details of areas brought under tapping.</p> <p>(xiii) System of tapping</p> <p>(xiv) Yield record.</p> <p>(xv) Rainfall account.</p> <p>(xvi) Cost of production.</p> <p>(xvii) Sales proceeds.</p> <p>(xviii) Profit/Loss.</p>
7	23	<p>The Committee would also suggest that the Corporation should take an annual census of the trees in the Estates.</p>
8	26	<p>As the processing of latex to be collected from September, 1966 onwards would entirely depend on the completion and commissioning of the factory, the Committee hope that every effort would be made to synchronise its setting up with the tapping. They further hope that necessary advance planning would be done and arrangements made for all ancillary activities like collection, storage, transportation etc of latex.</p>
9	27-31(i)	<p>The Committee regret to observe that although about a year has elapsed since the Corporation approved the proposal for purchase of 30,000 acres in private forest of Nilambur Rajah's family which had been examined by a State Forest Officer, the State Government have not approved it on the ground that they propose to acquire the land in question at a comparatively lower price. Even if the draft Bill is</p>

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passed by Parliament without any delay, that legislation will not get any protection from judicial review. As such legislation is invariably challenged in courts of law there might be considerable time lag before the State Government can actually implement the provisions of the Act. In the circumstances, the Committee are not convinced of the stand taken by the Government which is adversely affecting the programme of work of the Corporation. They cannot help observing that the State Government have not taken a commercial view as they should.

(ii) It is obvious that the transaction would be extremely beneficial to the Corporation as the rich tree growth in these forests can be sold for a substantial amount. The Committee recommend that the State Government should re-consider the proposal of the Corporation and permit them to purchase the land without delay.

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The Committee trust that the Corporation would create adequate reserves for meeting the expenses of future expansion.

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The Corporation had been experiencing difficulty in getting its equity funds released from time to time. The Committee recommend that the Kerala State Government should devise suitable measures for expediting the release of funds to the Corporation. One way of avoiding the delay would be to advance the funds required by the Corporation from the State Funds and to recoupe them from the Central Government.

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While the Committee appreciate the efforts made by the Corporation to get the most favourable terms for transfer of its funds from the Centre, they do not see why the Corporation

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could not secure the same terms from the State Bank of Travancore. They would suggest that the State Government (Department of Finance) might examine this matter in consultation with the State Bank of Travancore.

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The Committee feel that for a proper appreciation of the working of the Corporation, it would be desirable to publish the accounts of its each division separately. In fact, all multi-unit undertakings of the Central Government (e.g. Hindustan Steel Limited, Fertilizer Corporation of India) are already doing so. They recommend that the Plantation Corporation should revert to the old practice of publishing the accounts of each division separately from its next annual report.

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43—45

Negotiations were still in progress with the Government of Kerala about the value of the Assets and Liabilities taken over from them as on 1st February 1963. The Committee consider it regrettable that it should have taken as much as 3 years to finalise this matter and suggest that the settlement should be reached without further delay.

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The Committee recommend that the Corporation should exercise utmost economy in their operations and ensure that the capital cost of plantings is kept to the minimum and brought to the level of well managed plantations in the private sector.

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While the Corporation felt that their anticipated yield of 1000 lbs per acre was satisfactory, the Committee hope that the actual performance of the Corporation would be reviewed from time to time and necessary steps taken to improve upon the anticipated yield, particularly when a substantial portion of the plantings of

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the Corporation is stated to be of very high yielding variety.

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The Committee recommend that the Corporation should examine carefully and decide whether they should continue to follow a conservative policy in the matter of introducing new varieties after sufficient trial or make a bold decision to go in for high yielding varieties in so far as their future plantings are concerned. The Committee hope that the Rubber Board will grant the necessary permission.

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The Committee feel that there is sufficient scope for reducing the cost of production and earning higher profits, as was admitted by the Managing Director during evidence. They hope that the Corporation would address themselves to this task.

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27 73—75(i) In certain cases, the Corporation in their anxiety to finish the work in time, have fared rather badly in their performance. The Committee hope that the experience gained will be utilised by the Corporation with a view to avoiding such results. The Committee would suggest that the Corporation should prepare a detailed manual on the subject for the guidance of the Estates wherein instances of difficulties likely to be encountered are listed and remedial measures suggested. A list of Dos and Don'ts might also be useful. The Rubber Board might help in the preparation of such a Manual.

(ii) The Committee believe that the Corporation has taken adequate notice of the warning contained in the Report of the Visiting Agent regarding the area to be placed under a Superintendent. In their anxiety to accomplish targets and to achieve economy the minimum requirements of the plantation should not be forgotten.

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The Committee suggest that the Corporation should study the performance of private planters in the Andaman & Nicobar islands carefully with a view to profit by their experience and thereafter draw a detailed report on the subject before taking up work in the Andamans. The Corporation should ensure that suitable facilities are provided by the Government of India for the purpose.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.—1	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School annexe, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			