

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1969—70)**

(FOURTH LOK SABHA)

SIXTY-SECOND REPORT

**THE CENTRAL ROAD TRANSPORT
CORPORATION LTD.**

[Paras contained in Audit Report (Commercial) 1969]

MINISTRY OF SHIPPING AND TRANSPORT

(TRANSPORT WING)



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1970/Phalguna, 1891 (S)

Price : Rs. 1.00

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CORRIGENDA TO SIXTY-SECOND REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS (1969-70) PRESENTED TO
LOK SABHA ON 13TH APRIL, 1970.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
5	2.7	3	company.	Company,
6	2.8	5	etc.	etc."
7	2.12	1	year	years
7	2.15	2	196768	1967-68
7	2.15	4	v hicle	vehicle
15	3.8	18	'this' one day	'the' one day
19	4.10	4	officers	officer
25	4.28	6	Rs.48.350	Rs.48,350
29	4.47	2	'has' been found	'have' been found
40	6.12	6	setting	settling
51	6.42	1	It 'regard'	In 'regard'
52	7.2	2	undertaking	Undertaking
59	S.No.9	14	outstanding	outstandings
64	S.No.21	12	meetinig	meeting

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1969-70)

CHAIRMAN

*Shri M. B. Rana

MEMBERS

2. Shri R. K. Amin
3. Shri Bal Raj Madhok
4. Shri K. Ananda Nambiar
5. Shri Vishwa Nath Pandey
6. Shri T. A. Patil
7. Shri G. S. Reddi
8. Shri P. M. Sayeed
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10. Shri G. Viswanathan
11. Shri Nand Kishore Bhatt
12. Shri Godey Murahari
13. Shri Bhabhani Charan Pattanayak
14. Shri Rajendra Pratap Sinha
15. Shri Dattopant Thengari

SECRETARIAT

Shri S. C. Mookerjee—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

* Appointed Chairman w.e.f. 10th December, 1969 Vice Shri G. S. Dhillon resigned.

INTRODUCTION

1. The Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Sixty-Second Report on Central Road Transport Corporation Ltd. This Report is based on the examination of audit paras relating to this Undertaking contained in Audit Report (Commercial), 1969.

2. The Committee took evidence of the representatives of the Ministry of Shipping and Transport and the Central Road Transport Corporation Ltd. on the 5th September, 1969.

3. The Report was considered and adopted by the Committee on the 11th March, 1970.

4. The Committee wish to express their thanks to the officers of the Ministry of Shipping and Transport and the Central Road Transport Corporation Ltd. for placing before them the material and information that they wanted in connection with their examination.

5. The Committee also place on record their appreciation of the assistance rendered to them in this connection by the Comptroller and Auditor General of India.

NEW DELHI;
March 13, 1970.

Phalguna 22, 1891 (S)

M. B. RANA,
Chairman,
Committee on Public Undertakings.

INTRODUCTORY

Audit Report (Commercial), para 1, p. 91

The Company which was incorporated on 6th March, 1964 took over the running business of the Central Road Transport Organisation, a departmentally managed undertaking set up by Government in November, 1962, to meet the situation created in North-East India as a result of the Chinese aggression and the strike by the Pakistani crew of Joint steamer companies.

1.2. The Company was established mainly "to maintain the movement of supplies by carrying on, in the States of Assam, Bihar, West Bengal and/or in any other State/Union Territory in India, the business of road transport by running trucks, tractor-trailers, truck-trailers and vehicles of all kinds for hire or reward and to do all such other things as are incidental or conducive to the attainment of this object."

1.3. The operations of the Company are conducted through its branches located at Calcutta, Gauhati, Siliguri, Ahmedabad (closed from 31st July, 1968), Delhi (closed from 1st May, 1968), Nergundi (Orissa), Bombay, Kandla and Panskura.

1.4. During evidence the Secretary of the Ministry explaining the functions of the Corporation stated that it was initially set up as a departmental undertaking following the Chinese attack in Assam. He added that considering the fact that the North Bengal—Assam sector was vulnerable it was necessary to have certain fleet of vehicles ready as a measure of safety. The witness added that it was felt that in case railway traffic was disrupted, there should be an alternative arrangement or means of transport. Initially about 70 trucks were gathered and put into operation between North Bengal and Assam. The fleet was then extended and kept in that area for various emergencies. The witness stated that in 1965, when the steamer transport was totally closed due to Pakistan aggression and as the railways could not carry the traffic the Corporation was entrusted with that job. Other transport needs of the State Government were also met by the Corporation. The witness added that the Corporation also helped the Assam Government with its trucks on the Mizo Hills when the State Government was finding difficulty

to cope with the traffic. Again when the communications were disrupted in North Bengal due to floods, the Corporation provided its fleet.

1.5. Asked in which States the Corporation was operating at present, the witness stated that the Corporation was operating its trucks in Assam, West Bengal, Orissa and Bihar. In Bombay and Kandla, too, the Corporation was running trucks which had been gifted to it.

1.6. In reply to a question the Managing Director, C.R.T.C., stated that the Corporation was handicapped in certain aspects to compete with the private operators. The private operators often carried traffic more than the licensed capacity. They also carried passengers and evaded taxes which, the Managing Director stated, the C.R.T.C. could not do.

1.7. Asked whether any comparison had been made with any other transport company, the witness stated that a study of the working of one of the reputed private sector concerns, Southern Roadways, was made and it was found that the main reason for their success was that they mostly catered to small traffic *i.e.* parcels etc., whereas, the Corporation carried mostly bulk cargo and that too in difficult conditions in which private operators normally did not venture. Citing an example, the Managing Director said that the Corporation's truck had to carry iron ore over a hillock about 30 feet high and unload the same on both the sides. It was difficult to operate there and tyres wore out quickly. He added that when the railways were in trouble in Assam, the Corporation was asked to give trucks, as the private operators could not be expected to come forward for the operations involved.

1.8. The Managing Director informed the Committee that in dealing with the public sector undertakings the Corporation was having serious handicaps. Earlier, the Corporation had been given adequate traffic at negotiated rates, but now it was not getting any traffic from them because they were rigidly following tender procedure. He stated that the Corporation had suggested that the Financial Advisers of the Public Undertakings who gave business to them should form a review committee and scrutinise the cost of carrying cargo by the Corporation. He added that "if they are satisfied that we are carrying cargo at the bare cost or at cost plus normal profit, they should have no difficulty in giving traffic instead of encouraging distress rates."

1.9. The Committee find that the Corporation was set up to meet the emergent and immediate needs of the country arising out of Chinese aggression and the strike by the Pakistani crew of the joint steamer Companies. This Corporation has to suffer heavy losses year after year and is not likely to earn profit in the near future. The Corporation suffered a loss of Rs. 14.06 lakhs in 1966-67, Rs. 16.69 lakhs in 1967-68 and Rs. 24.80 lakhs in 1968-69. It appears, adequate study of the Corporation's capacity to generate the quantum of work needed to keep it fully engaged was not made by the Government at the time of its establishment. The Committee fail to appreciate the idea of setting up such a Corporation for meeting limited needs of the country without ensuring that the Corporation will be able to raise adequate work to keep it going. The Committee feel that once emergency period was over the Government should have examined whether in the changed situation the Corporation could play its useful role without putting any financial burden on the exchequer. It is regretted that such an assessment was not done. The Committee feel that in future while establishing such Corporations for meeting emergent needs a provision should be made for making a compulsory review of its work once the emergency period is over.

H

(A) Operations, Para 3, pp. 92-93

Operational forecasts in regard to the anticipated mileage to be covered and tonnage to be carried in a year by the fleet of the Company are not prepared. The Management have stated (November, 1968) that "attempts are being made to prepare both the financial and physical targets.....commencing from the year 1969-70."

2.2. The table below indicates the number of trucks deployed, mileage operated, gross turnover and average expenditure and earnings per truck mile of the Company for the last three years:—

	1965—66	1966—67	1967—68
Number of trucks deployed	137	168+80*	193+154*
Mileage operated (in lakhs of Kms.)	39.39	80.50+47.50**	60.30+25.40**
Gross turnover (in lakhs of rupees)	55.87	81.18	65.06
Average expenditure per truck mile (in rupees)	2.14	1.28@	1.97
Average earnings per truck mile (in rupees)	2.27	1.16@	1.57

2.3. It will be seen from above that while the average expenditure per truck mile in 1967-68 increased by 69 paise over that of 1966-67, the corresponding increase in the average earnings was only by 41 paise.

2.4. Asked during evidence whether the Company was preparing a revenue budget with adequate details sufficiently in advance, the

*Denotes trucks gifted by the Government of India for movement of foodgrains and fertilisers from Kandla/Bhavnagar to Ahmedabad.

**Denotes the mileage operated by the gift trucks.

@Average expenditure and earnings per truck mile for 1966-67 are inclusive of figures for gift trucks.

Managing Director stated that a sophisticated scientific revenue budget was not prepared earlier. However, there were several financial statements which could reasonably serve as a substitute for formal Budget. The Managing Director added that a quarterly statement was submitted to Government on the operational, financial and physical progress of the Company. Operational statistics were also submitted to the Board of Directors from time to time, which covered quantity or tonnage of cargo moved, mileage done, cost of operation etc. The Managing Director added that the Financial Adviser also submitted reports on specific sectors of operation. In these reports it was explained what had been expected or anticipated and what actually was the turn out. It was stated that in 1968-69 profit and loss accounts and balance sheets were drawn up for every meeting of the Board of Directors showing the results since the previous meeting. For 1969-70, the Managing Director stated, the Budget was prepared in 1968-69.

2.5. In reply to a question it was stated that the manual of functioning with regard to account control was drawn up in 1965 and was amended later in the light of Corporation's experience. The Managing Director also disclosed that formally no performance reporting systems were in vogue. These had been introduced now. At present reports and financial statements were being drawn up every two months and were placed before the Board of Directors. The Board of Directors reviewed them with a view to find out to what extent company's activities were profitable. The Managing Director added that half a dozen statistical statements drawn up by the Corporation showed the number of vehicles in operation, how and where they were deployed, if they were idle what were reasons for that. It was further stated that such statements would be compiled from month to month and placed before the Board.

2.6. Apart from ways and means statements the Corporation prepared profit and loss statements and the budget which were placed before the Board.

2.7. The Managing Director informed the Committee that 2 months back a Transport Economist for the CRTC and for another allied company. River Company, had been appointed and duty of the Economist was to present the statistics in an intelligible form from which proper conclusions could be drawn.

2.8. Asked whether the Managing Director had a grip over the organisation with the statistics made available to the Board of Directors prior to the introduction of financial reports mentioned above, the Managing Director replied that "in the past it was difficult because we did not have any ways and means statements etc. He added that the Company had only experience of 3-4 years in the road transport organisation. Road transport of goods was a difficult operation and the difficulties were inherent in the very nature of the organisation.

2.9. In response to a query the Committee were informed that the average expenditure per truck mile was more than the average earning. Reasons for the gap were stated to be mostly the 'inadequacy in the utilisation' of capacity and partly due to 'increase in the cost of operation.' In 1968-69, the average earnings per mile were stated to be Rs. 1.62 against the average expenditure of Rs. 2.10.

2.10. The Committee regret that the Corporation did not maintain a proper financial forecasting system and no budget was prepared in advance to inform the Management about the physical and financial targets of the coming year. Absence of such an essential procedure kept the Board in the dark and did not allow the Managing Director to have a grip over the organisation. The Committee feel that most of the ills from which the Corporation had suffered were due to the fact that it did not evolve a scientific system of working for itself. They hope that the changes now introduced will help the Management to have a complete hold on the working of the organisation and would prove beneficial to it. Despite its continuous working under losses the Ministry failed to obtain necessary information and to evolve necessary guidelines to reach at correct management decisions.

2.11. The Committee are unhappy to note that the gap between the average earning per truck mile and the average expenditure per truck mile of the Corporation has shown a steep rise—48 paise per truck mile in 1968-69 as against 12 paise in 1966-67. It is evident that this gap has led to huge losses to the Corporation. Unless the Government go into the entire working of the Corporation thoroughly it would be difficult to bridge this gap between average earning and expenditure per truck mile.

(B) Utilisation of Fleet—Para 4, pages 93-94

2.12. The vehicle utilisation position of the Company for the year from 1965-66 to 1967-68 is indicated below:—

Year	Total number of vehicles	Total number of vehicle days available.	Total number of total vehicle days	Total No. of idle vehicle days	Percentage of idle vehicles days to total vehicle days on account of			Total percentage of idle vehicle days to total vehicle days.
					Repairs and routine maintenance	Pre-departure	Transit.	
1965—66	137	39,469	27,234	12,235	16.32	7.28	7.39	30.99
1966—67	248*	83,168	49,323	33,845	29.26	6.20	5.23	40.69
1967—68	217@	77,699	35,822	41,877	35.22	15.28	3.39	53.89

2.13. It will be seen that the percentage of idle vehicle days to the total number of vehicle days available rose from 30.99 in 1965-66 to 40.69 in 1966-67 and to 53.89 in 1967-68.

2.14. In October, 1966 the Management laid down that the total idle days in a month should not exceed 20 per cent of the total vehicle days. On this basis, the avoidable idle vehicle days worked out to 4,341 in 1965-66, 17,211 in 1966-67 and 26,337 in 1967-68.

2.15. According to the Management's estimate based on the figures for 1965-66 (data for 1966-67 and 1967-68 not available), the loss due to idleness of vehicles worked out to Rs. 130 per idle vehicle day. On this basis, the loss for the idle vehicle days in excess of the limit of 20 per cent during the year 1965-66, 1966-67 and 1967-68 worked out to Rs. 5.64 lakhs, Rs. 22.37 lakhs and Rs. 34.24 lakhs respectively.

2.16. The Management have stated (December, 1968) that "the following were the reasons for actual percentage of idle days being in excess of prescribed limit:—

- (i) Detention in Ferry crossing at Ganga near Farakka.
- (ii) Absence of regular arrangement for maintenance and repairs.

*Includes 80 trucks gifted by the Government of India.

@Includes 24 trucks gifted by the Government of India, but excludes 130 gift trucks at Bombay in respect of which details regarding utilisation, idle days, etc. were not available.

(iii) Drivers' strike at Kalaikunda in February-March, 1968."

2.17. The Ministry have stated (March, 1969) that "there can be no improvement in the position until the Corporation has its own work-shop or, in the alternative, makes arrangements with properly equipped private workshops" and that "plans for setting up fullfledged workshops|repair|maintenance facilities at Gauhati, Haldia and Nergundi are under way."

2.18. The Committee during evidence, pointed out that the Management had cited absence of regular arrangements for repairs and maintenance of vehicles as the major reason for the excessive idleness of vehicles and asked why the Company did not have regular arrangements for repairs. The Managing Director replied that at Nergundi the Company had machinery and equipment for installation. At Calcutta a sister concern had a workshop and at Gauhati the Company was going to have a workshop within a period of 2 months.

2.19. The Committee were informed that as the Ministry felt concerned they had set up a committee, which submitted an interim report in June, 1967. One of the recommendations of the Committee was that a qualified engineer should be appointed and a proper workshop be set up. The Government accepted the recommendation and made a provision of Rs. 10 lakhs in the budget for 1967-68. The witness added that 'unfortunately arrangements could not be made to purchase the essential machinery in that year.' Orders had now been placed for the machinery.

2.20. Asked when the budget provision was made in 1967-68 what were the reasons for not setting up the workshop till now. The Managing Director stated that in June, 1967 there was a change of the Managing Director of the Company. The new Managing Director who took over, felt that a temporary workshop at Nergundi would serve the purpose as contract with MMTC, was only for a limited period. Whereas, at Calcutta the other Corporation, the Central Inland Water Transport Corporation, had workshop which could be utilized. Therefore, it was not necessary to have duplicate workshop. So far as Gauhati was concerned, the witness added that the operations had decreased substantially and, therefore, it was felt unnecessary to have an expensive workshop there. The witness added that the sum of Rs. 10 lakhs, provided for the purpose, was availed of as a ways and means loan, as money was required to purchase vehicles for executing the MMTC contract.

2.21. In reply to a further question it was stated that it was not necessary now to have full-fledged workshop at Calcutta. The Company was in fact getting a second hand tyre-retreading plant (from HSL) and a fuel injection equipment. Asked whether the Company had ensured that the items of work proposed to be done in the workshop were not available in private sector. The Managing Director stated: "It is certainly available at the various places but we have had unhappy experience with a private workshop at Cuttack in 1967-68; indigenous parts were supplied as imported components and bills were inflated to the extent of Rs. 20,000".

2.22. Asked whether the economics of the setting up of the plants had been examined, the witness stated: "Honestly we have not formed the cost or economics in great detail because no dependable data are available. It is only an academic exercise. The capital installation charges are not very high—the machinery cost is less than Rs. 1 lakh—but it is really skilled labour which is vital for the project and which we expect to develop." The total capital outlay of the workshop was stated to be Rs. 9 lakhs. Orders for machinery to the extent of Rs. 3½ lakhs had been placed. To start with not more than Rs. 6 lakhs would be spent, but if the workshop developed some machinery would have to be imported. It was added that including that the outlay would be Rs. 9 lakhs.

2.23. The Corporation has furnished the following information in regard to the utilization of vehicles during the year 1968-69.

Year	Total number of vehicles	Total number of vehicle days	Total on-road vehicle days	Total off-road vehicle days.	% of idle vehicle days to total vehicle days
1968-69	*210	69,453	26,272	43,181	62.17

2.24. The Corporation has attributed high idleness of vehicles to the reasons mentioned in para 2.25.

2.25. The principal reasons for the decline in mileage were (a) the go-slow tactics adopted by drivers in the Paradeep—Cuttack sector (in Orissa) from November, 1969 followed by a 39-day strike in February-March, 1969 not only in Orissa but over the entire Eastern Region; (b) Very bad road condition, both in the Haldia-Panskura and Paradeep-Cuttack routes, resulting in delay in turn round and frequent heavy damages to vehicles; (c) Tyre-famine from Oc-

*excluding 11 condemned vehicles and gifted trucks.

tober, 1968 resulting in vehicles being off the road for considerable periods; (d) Unprecedented floods in North Bengal in October, 1968 resulting in the dislocation of road transport services for over a month; (e) Undue detention at weighbridges at Paradeep where vehicles had to be weighed twice during each round trip, once with load and again without it; (f) The failure of the labour contractor at Nergundi to supply adequate labour force; (g) Shortage of working capital to purchase the required spares and stores in time; and (h) Unavoidable delay in procuring machinery and setting up a workshop at Nergundi, which is the major operational centre, and the absence of any facility in the Panskura-Haldia section.

2.26. In reply to Committee's query as to what was the cost of repairs and maintenance of trucks during 1967-68 and 1968-69, the Ministry have furnished the following figures:—

	1967—68	1968—69
	(Rs. in lakhs)	
Spare parts	3.33	3.65
Batteries	0.38	0.28
Other Stores	0.72	0.35
Servicing and repairs	2.23	1.96
	6.66	6.24

2.27. Incessant rise in the percentage of idle vehicle days has become a source of great concern to the Committee. They note that percentage of the idle vehicle days have increased from 30.99 in 1965-66 to 62.17 in 1968-69 indicating thereby gradual lowering down of the efficiency in the management of the Corporation. The Committee fail to understand as to why no investigation have been instituted either by the Corporation or the Government to enquire into the real reasons for the "low on road vehicle days".

2.28. The Committee feel that existence of a well equipped workshop is a primary pre-requisite for any transport undertaking. They are surprised that the undertaking did not have even an Automobile Engineer till last year what to say of a well equipped workshop. The provision of Rs. 10 lakhs in the Budget for 1967-68 was a welcome provision. The Committee are surprised at the statement of the Managing Director that the provision for workshop in 1967-68 could not be made use of "as arrangements could not be made to purchase the essential machinery" but no evidence was

presented before the Committee to convince that the Corporation made all possible efforts to obtain the machinery during that year. The Managing Director had further stated that "later the thinking to set up such a workshop had undergone a change" but no details or reasons were disclosed to the Committee to convince them whether such a change was necessary. The Committee are unable to appreciate that the Corporation did not attach any importance to the setting up of a repair workshop in spite of the interim report (of June 1967) of a Committee set up by the Government. The Government also did not show any concern about the deterioration in the efficiency of the management which was taking place.

III

CAPITAL STRUCTURE AND FINANCIAL RESULTS

(A) Capital Structure, para 2 pages 91-92

The authorised capital of the Company is Rs. 2 crores divided into 2,00,000 ordinary shares of Rs. 100 each. The issued and subscribed capital of the Company as on 31st March, 1968 was Rs. 34.005 lakhs subscribed as follows:—

	No. of Shares	Value (Rs. in lakhs)
The Government of India	29,005	29.005
The Government of West Bengal	2,500	2.500
The Government of Assam	2,500	2.500
	<u>34,005</u>	<u>34.005</u>

3.2. The Government of India have also from time to time advanced to the Company unsecured long-term and short-term loans which stood at Rs. 23.90 lakhs (excluding Rs. 19.59 lakhs representing 50 per cent, of the value of vehicles taken over from Central Road Transport Organisation treated as loan from Government) and Rs. 6.00 lakhs respectively as on 31st March 1968. In addition, the Company obtained in December, 1967 a secured loan of Rs. 6.91 lakhs from another Government Company against hypothecation of its 11 vehicles. The loan is to be repaid by adjustment of freight bills for transport of the consignments of the latter. As on 31st March, 1968 the loan remaining unadjusted amounted to Rs. 5.51 lakhs.

3.3. Regarding the loan taken from another Government Company (the Minerals and Metals Trading Corporation of India Limited), the Company auditors in their report to the shareholders on the accounts of 1967-68, have stated as follows:—

“The contract with M.M.T.C. has not been made available to us for our inspection. We have inspected letters in connection with business with this party whereby we are of the opinion that the position is not satisfactory inasmuch:

as M.M.T.C. has been expressing their dissatisfaction at the performance of the Corporation. Accordingly, we are doubtful whether the Corporation will be liable for non-fulfilment or otherwise."

3.4. During evidence the Committee pointed out that the Company Auditors in their Report on the accounts for 1967-68 had stated that the MMTC had been expressing their dissatisfaction at the performance of the Corporation and asked what was the basis for that view of the MMTC. The Managing Director replied that towards the close of 1967, CRTC had undertaken to transport iron ore in Orissa for MMTC. The movement order required about 2200 tonnes a day, which the CRTC was not able to cope with. This caused complaints from MMTC. The Managing Director added that Corporation had no complaint at all at present and periodical meetings were being held to sort out difficulties. In response to a query it was stated that the MMTC had not preferred any claims for compensation|damages etc. against the CRTC. It was also added that business with MMTC was remunerative.

3.5. The Committee are unhappy to read the Report of the Company Auditors to Shareholders on the accounts of 1967-68 regarding the loan taken from MMTC, expressing their dissatisfaction at the performance of the Corporation. They are surprised to note that the contract with MMTC was not made available to the auditors for inspection which convinces the Committee that all is not well with the management of the Corporation. The Committee strongly deprecate the attempt on the part of the Corporation to conceal the facts from the auditors.

(B) Financial Results, para 5, pages 94-95

3.6. The table below summarises the financial position of the company under broad headings for the last three years:—

(Rupees in Lakhs)

	1965—66	1966—67	1967—68
	1	2	3
Liabilities:			
(a) Paid-up capital	30.01	34.01	34.01
(b) Reserves and surplus	2.06	1.84	1.24
(c) Borrowings			
(i) From the Minerals and Metals Trading Corporation of India Ltd. (Short term)	5.51
(ii) From the Government of India	40.25	46.58	49.49
(d) From the Government of India (Representing 50 per cent. of the value of vehicles taken over from Central Road Transport Organisation)	19.59	19.59	19.59
(e) Trade dues and other current liabilities (including provisions)	26.15	36.40	37.02
TOTAL	118.06	138.42	146.86

	1	2	3
Assets:			
(f) Gross block	66.52	77.21	92.43
(g) Less: Depreciation	17.85	25.77	35.77
(h) Net fixed assets	47.67	51.44	57.66
(i) Capital Works-in-progress	0.17	8.28	0.16
(j) Current Assets, loans and advances (including tools)	70.22	62.38	55.88
(k) Miscellaneous expenditure—Losses	16.32	33.16
TOTAL	118.06	138.42	146.86
Capitalemployed	91.74	77.42	76.52
Net worth	32.07	19.53	2.09

NOTE—1. Capitalemployed represents net fixed assets plus working capital.

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

3.7 The working results of the Company for the last three years are tabulated below:

(Rupees in Lakhs)

	1965—66	1966—67	1967—68
(i) profit before tax/Loss	2.38	(-)14.06	(-)16.69
(ii) Tax provision	1.70		
(iii) Profit after tax/Loss	0.68	(-)14.06	(-)16.69
(iv) Percentage of Profit before tax.			
(a) To traffic earnings	4.3		
(b) To gross fixed assets	3.6		
(c) To capitalemployed	2.6		
2. Percentage of profit after tax			
(a) To net worth	2.1		
(b) To equity capital	2.3		
(c) To capital employed	0.7		

3.8. The Ministry have stated (March, 1969) that the losses in 1966-67 and 1967-68 were due to the following reasons:—

1966-67

- (a) "Increasing cost of operation on account of various unforeseen factors, without a corresponding increase in freight rates in a highly competitive market."

- (b) "High percentage of idleness of vehicles due to inadequate workshop facilities, excess trip time, hold ups at ferry ghats, difficulty in getting regular permits, restrictions on load imposed by the U.P. Government, sudden and unexpected fall in out-agency traffic from New Bongaigaon to Gauhati."
- (c) "Strike of private operators in Assam, Bihar and U.P., due to which the Corporation's vehicles could not also operate in those States during the period of the said strike."

1967-68

- (a) "Increasing cost of operation on account of increase in the price of fuel, tyres, tubes spare parts, etc."
- (b) "High percentage of idleness of vehicles on account of inadequate workshop facilities and delays at ferry ghats etc."
- (c) Suspension of operations at Kalaikunda following a 47 day strike by the drivers and Khalassis from 9-2-1968 and this one day sympathetic strike by the same category of workers at Nergundi."

3.9. The Committee referred to the information conveyed by the Ministry to the audit that the losses in 1966-67 and 1967-68, were due to three factors and asked the extent to which each of the three factors contributed to the losses. The Managing Director stated that it was a difficult exercise. He, however, added that all the State Transport Undertakings which held an annual conference, had a machinery to work out necessary statistics. According to them the cost of operation had increased owing to increase in the prices of materials. But taking 1963 as a base, the increase in 1965 was 18 per cent and 44 per cent in 1967. The witness added that the taxes had also gone up.

3.10. The Committee agree that it may not be possible to apportion the losses to the individual factors. But they feel that the factors contributing to such losses year after year are susceptible of detection. The Corporation has suffered losses amounting to Rs. 14.06 lakhs in 1966-67 and Rs. 16.69 lakhs in 1967-68. According to the Audit Report, the losses do not take into account the possibility of bad debts which existed in their loan operations and also the availability of trucks either as a gift or on a scrapped value from the Government. If these advantages were accounted for

then the loss would have been much higher than the losses shown above. The loss of Rs. 16.69 lakhs suffered by the Corporation in 1967-68 as compared to its subscribed capital of Rs. 34.005 lakhs on 31st March, 1968 is nearly 50 per cent.

The Committee feel that the continuous increase in losses could have been arrested had the Corporation maintained an effective machinery to detect the factors leading to these losses in time and taken remedial measures promptly."

3.11. The Government allowed this state of affairs to continue without attaching any importance to the increase in the loss. They also failed to realise that by the time the year 1968-69 was over the entire capital will be eaten up by the Corporation in maintaining itself. The Committee strongly deprecate the indifference on the part of the Government to ensure the efficient running of the Undertaking and that the Ministry failed to take any remedial measures in time to arrest this deterioration and loss to the public exchequer.

IV

REVIEW OF DEBTS AND UNSECURED ADVANCES

(A) Sundry Debtors—Para 6, Pages 96-97

The table below indicates the position of the debts and the traffic earnings for the last three years ending with 31st March, 1968:—

(Rs. in lakhs)

As on	Debts due from		Total book debts	Traffic earnings	Percentage of total debtors to traffic earnings
	Govt. Deptts Undertakings	Private Parties			
31st March, 1966	32.31	8.81	41.12	55.17	74.5
31st March, 1967	40.32	9.59	49.91*	74.11	67.3
31st March, 1968	32.36	9.24	41.60	64.66	64.3

Notes:—1. *Includes debts amounting to Rs. 2.39 lakhs pertaining to the pre-Company period. The amount of pre-Company period debts included in the figures of sundry debtors as on 31st March, 1966 and 1968 was not known.

2. In the absence of confirmations from various parties of the amounts shown due from them, the genuineness of the outstandings could not be verified.

3. Year-wise break-up of the sundry debtors was not available.

4.2. The large accumulation of book debts was mainly due to the following factors:—

- (i) Absence of agreements:
- (ii) Delay in settlement of counter-claims preferred by various parties against shortage, damages, etc. of the consignments carried by the Company.
- (iii) Undertaking of credit business with private parties in violation of the orders of the Managing Director.
- (iv) Continuation of business dealings with parties in default.

4.3. The non-realisation of heavy outstandings has an adverse effect on the ways and means position of the Company. In this connection, the Managing Director, in his special report submitted to the Board of Directors in July, 1967, stated as follows:—

“The Corporation is in a precarious financial condition due to non-realisation of huge outstandings and the loss it has been incurring. Even after the diversion of funds to the tune of about Rs. 8 lakhs meant for Capital expenditure to meet the working expenses, it has been found extremely difficult to meet the day to day expenditure, not to speak of settlement of outstanding bills and compensation claims.”

4.4. The Management have stated (January, 1969) that “the financial position of the Company continues to be precarious even now.”

4.5. The Ministry have stated (March, 1969) as follows:—

“A large number of the parties from whom amounts had to be realised by the Company are either Government Departments or Undertakings. The Managing Director of the Corporation has been repeatedly requested by the Ministry to take up realisation of the heavy outstandings with the Departments concerned at a personal level. The Managing Director has taken action accordingly and the Ministry has also assisted the Corporation in this matter by approaching the concerned Ministries and State Governments.”

4.6. Asked what was the position of the outstanding debts on 31st March, 1969, the Managing Director stated that the ‘Sundry debtors’ had gone down from Rs. 41 lakhs to Rs. 30 lakhs. He added that they were expected to go down to Rs. 20 lakhs in the course of another year. In reply to a query it was stated that the company had written to all the debtors to confirm their outstandings. Some of the debtors had not confirmed because they had disputes with the company. It was added that out of Rs. 30 lakhs outstanding, about Rs. 20 lakhs were undisputed.

4.7. When pointed out that in the Audit Report it had been stated that the accumulation of debts was mainly due to the ‘absence of agreements’, the witness stated that it was not necessary to have a formal contract or agreement for every operation. The exchange of letters and the decisions taken at meetings had the force of an agreement.

4.8. Referring to the remarks of Audit that the accumulation of debts was also due to the undertaking of credit business from private parties in violation of the orders of the Managing Director, the Committee enquired whether any responsibility had been fixed for violating Managing Director's instructions. The witness stated that in certain cases credit facilities were given but it was not on record, whether the Managing Director's written concurrence was obtained. He, however, added that certain contracts had been accepted, presumably with the Managing Director's approval or his tacit knowledge, though there were no written orders. The witness further stated that the order of the Managing Director were issued to ensure that the credit transactions were not resorted to indiscriminately and it did not mean to be a total ban on credit transactions. The Secretary of the Ministry agreeing, to this view added that the Managing Director's order meant to prevent the lower level officers to enter into credit transactions.

4.9. It was added that the Managing Director's order served the purpose as the credit transactions were fewer in 1966-67, as compared to earlier years. The witness further stated that as the credit transactions had substantially diminished, it could reasonably be assumed that if there was still any big case of credit business during 1966-67 and 1967-68, it was within the personal knowledge of the Managing Director. The witness further stated; "It is true that if the Managing Director's attention has been specifically drawn to all cases of credit transactions and if it had been pointed out that in spite of his orders traffic had been booked on credit basis, he might have been able to take suitable action in some of the cases. It was for this very reason that the Managing Director had discharged or terminated the services of as many as five officers within three years."

4.10. Asked what action was taken against the defaulting officers, the Managing Director stated that six officers had been sent out with the knowledge or specific approval of the Board. Enquiries against the seventh officers were in progress. Elaborating the point, the witness added that no criminal or civil action could be taken against those officers, as the charges against them were of inefficiency rather than of dishonesty. Asked how did the Management come to the conclusion that the cases were not of misappropriation or cheating but of inefficiency? The witness replied that there was a complete record to proceed against these officers. There were certain specific cases of inefficiency which were not contemporaneously known. He added that the services of an officer could be and were dispensed with on the basis of performance, conduct etc.

4.11. The Ministry in their written note in regard to the present position of debts have stated that the value of debts due on 31st March, 1969 was Rs. 33.46 lakhs.

4.12. Asked to state the value of debts which were outstanding because of lack of agreements, the Corporation in their note stated:

"The absence of agreement has not been responsible for any debt becoming bad. The Forwarding Note, which a consignor has to sign at the time of offering traffic, constitutes *ipso facto* a contract of carriage. It is possible to file a civil suit against the consignor or consignee, as the case may be, for recovery of freight on the basis of these Forwarding Notes. However, difficulty has been experienced, particularly in the case of Government Undertakings, in the interpretation of correspondence that has passed between the Central Road Transport Corporation and the various undertakings. The undertakings concerned have taken the stand that the company's correspondence with them overrides the Forwarding Notes and such of the claims of the Company as are not supported by contemporaneous correspondence, will not be tenable."

4.13. The amount included in the sundry debtors which has been disputed by the parties had been stated to be Rs. 10.53 lakhs.

4.14. Measures taken to recover the outstanding and the cases where suits had been filed against the defaulting parties have been indicated by the Ministry in their note.

4.15. The Committee find that the position of debts is far from satisfactory. The Corporation has still to realise Rs. 33.46 lakhs from Government and private parties and the percentage of total debtors to traffic earning as on 31st March, 1968 was 64.3. The primary duty of a commercial undertaking is to see that it realises the debt that is due to it. The Committee found that the undertaking failed to take any worthwhile step to realise its debts so that it has not to borrow money on payment of interest in order to keep it going. They would urge upon the Corporation and the Ministry to take up the question of realisation of these outstandings at a higher level and ensure that at least the undisputed amount is realised by the Corporation immediately.

4.16. The Committee fail to understand that despite the Managing Director's order not to undertake any business on credit, the work on credit has been taken in several cases resulting in accumulation of lakhs of rupees as debts. The officers committing these

lapses have gone scot free. The Committee feel that it is worthwhile to make an investigation in such matters and fix the responsibility even at this stage. The Committee are also surprised that while the top executives of the Management were found to be functioning in an irresponsible manner and in utter disregard of norms and propriety, the Ministry's representative on the Board failed to report to the Government such lapses on the part of the executives.

(B) Non-recovery of dues owing to dispute regarding rates and claims for damages/shortages para 6(1) p. 97

4.17. In September, 1964, the Calcutta branch of the Company entered into an agreement with the Gauhati Refinery for carriage of goods between Calcutta and Gauhati.

4.18. A total sum of Rs. 1,36,965 (including Rs. 24,722 on account of disputed claim and Rs. 31,441 on account of claims for damages/shortages) was outstanding (March, 1969) against the Refinery on account of transportation bills issued up to 31st March, 1968.

4.19. The Ministry have stated (March, 1969) that "the question regarding settlement of the Indian Oil Corporation's dues to the Central Road Transport Corporation Limited and Central Road Transport Corporation dues to the Indian Oil Corporation was discussed at a meeting between senior officers of the two organisations some time ago and further action is being taken on the basis of the decisions reached during the discussion." Asked:

(a) As to what were the circumstances under which the outstandings against Gauhati Refinery could not be realised. Do these outstandings include claims apart from disputed claims?

(b) What was the present position about the realisation of these dues from the Gauhati Refinery?

4.20. The Ministry have in a written note stated as under:

"The account of the Indian Oil Corporation (Refineries Division) in the books of Central Road Transport Corporation shows a debit balance of about Rs. 1.98 lakh representing freight dues as on 31st March 1969. This is inclusive of Rs. 31,000/- on account of shortages, damages, etc. The

following are the reasons why these dues have not yet been cleared:—

- (i) There are disputes relating to freight aggregating to about Rs. 25,000|-. The following are the grounds of dispute:
 - (a) Unilateral increase in freight with effect from 1st January, 1966, based on a circular issued by the Central Road Transport Corporation on 26th December, 1965. Though there was no formal agreement between the Central Road Transport Corporation and the Indian Oil Corporation, there were minutes of meetings and exchange of letters, according to which the Central Road Transport Corporation had been entitled to a freight of Rs. 15|- per quintal or Rs. 1,500|- per truck load. The Circular issued by the company on 26th December, 1965, the object of which was to have uniform or standard freight rates in conformity with the prevalent market rates, implied in effect increase of freight to Rs. 1,700|- per truck i.e. by Rs. 200|- over the previous agreed rate. The Indian Oil Corporation have declined to accept the upward revision of the freight rate.
 - (b) There was a similar enhancement of the freight payable for transport of smalls i.e. less than a truck load of cargo. The Indian Oil Corporation's point of view is that there was no justification for increase of the freight even in respect of small consignments.
 - (c) Tax under the Assam Carriage of Goods (and Passengers) Act is payable on the portion of the freight which, according to Indian Oil Corporation, can be reasonably correlated to the route distance falling in Assam. The Central Road Transport Corporation has charged tax on the basis of the total route distance, including that falling in West Bengal and Bihar, where there was no liability to pay goods tax.
 - (d) The Central Road Transport Corporation started charging 50 paise per consignment as "statistical charges" (i.e. charges for routine documentation and other clerical work) at each terminal station. The Indian Oil Corporation have objected to this levy which was not sanctioned by them in any agreement

or correspondence, though the Central Road Transport Corporation had been customarily collecting it from other constituents.

- (ii) The Central Road Transport Corporation owes about Rs. 2.24 lakhs according to its books to the Indian Oil Corporation (Marketing Division) for supply of fuel. The Indian Oil Corporation (Marketing Division) also got a considerable amount of transport work done by the Central Road Transport Corporation for which, as per the books of the Central Road Transport Corporation it owes about Rs. 1.83 lakhs, including its Aviation Division. There are disputes between the Central Road Transport Corporation and the Indian Oil Corporation (Marketing Division) of certain shortages and damages of Indian Oil Corporation cargo. These disputes are being sorted out by reference to the records of the Company at its Siliguri and Gauhati Branches. The Indian Oil Corporation have avoided clearing their dues of Refineries Division till all the pending disputes between the Central Road Transport Corporation and the Marketing Division are finally resolved. This has resulted in the locking-up of considerable amount of the Company's dues from the Indian Oil Corporation."

4.21. The Ministry have further stated: "The accounts are in the final stages of reconciliation. It is hoped that a settlement will be reached in the course of the next four weeks.

(C) Non-settlement of disputed claims, para 6(ii) pages 97-98

During the year 1963-64 to 1967-68 a Public Sector Undertaking disallowed a sum of Rs. 61,429 from the freight bills raised by the Company on the following grounds:—

- (a) Billing at higher rates.
- (b) Inclusion of Assam Goods Tax.
- (c) Inclusion of crane|unloading charges.
- (d) Deduction on account of discount.

4.22. The Undertaking also deducted a sum of Rs. 32,273 from the Company's bills against the claims for damages|non-delivery of consignments. Besides, other freight bills amounting to Rs. 68,845 raised during the years 1964-65 to 1967-68 were also not paid by it. A total sum of Rs. 1,54,714 (Rs. 61,429 plus Rs. 32,273 plus Rs. 68,845 minus Rs. 7,833 paid but remaining unlinked) was outstanding against

the undertaking as on March, 1969 with which no formal agreement was entered into by the Company.

4.23. The Ministry have stated (March, 1969) as follows:—

“The freight billed by the Central Road Transport Corporation is being challenged by the party on the ground that the freights were reduced by Corporation from 1st January, 1966. The correct position is that a misunderstanding appears to have arisen from a circular issued by the Company offering reduced rates from the said date. The effect of this reduction, not only in respect of the Fertiliser Corporation of India but also other Government companies with whom the Central Transport Corporation has dealing, is being assessed to enable a final decision being taken.”

4.24. The Committee enquired during evidence whether any settlement had been arrived at with the FCI for the recovery of Rs. 61,429, which had been disallowed by them earlier. The witness replied that the CRTC had carried heavy machinery and equipment for the FCI. The rates were raised from 1st January, 1966, at the instance of Assam Government and also because a keen competition had developed. The Managing Director added that one contention was that the revised rates were only for the traffic carried after 1st January, 1966 and not for the traffic carried earlier for which billing was done later. Individual bills were being sorted out and efforts were being made to arrive at a settlement. The Committee were informed that the Board of Directors had agreed to scale down the amount and the FCI had also agreed to that.

4.25. The Committee are not happy to find the financial dealings between the Central Government undertakings (Fertilizer Corporation of India, Indian Oil Corporation and Central Road Transport Corporation) entering into a stalemate like this. They feel that the matters such as these should be immediately taken up at ministerial level so that the image of the working of the public sector is not tarnished by the mutual disputes. Since the loss incurred in any of the Public Undertakings is ultimately loss to the Government and to the public exchequer, the Committee would like that an inter-Ministry machinery be set up with a view to consider such inter-undertaking disputes and to arbitrate on them expeditiously.

(D) Delay in settlement of claims, para 6(iii), pp. 98-99

4.26. During 1966-67 the Company, acting as out-agent of the N.F. Railway, transported from Gauhati to Chandrapur a large number

of consignments of sulphur and rock-phosphate belonging to a private party.

4.27. A sum of about Rs. 1.79 lakhs (about Rs. 1.59 lakhs as Railway freight and about Rs. 0.20 lakh as road freight) was due for recovery from the private party as on 29th August, 1967. As against this the Company was holding undelivered quantities of about 288 M. tons of rock phosphate and 42 M. tons of sulphur. The party had, however, a counter-claim of Rs. 48350 on account of contamination with foreign material of 40 M. tons of sulphur delivered by the Company and the cost of empty bags supplied by the party to the Company for rebagging of sulphur before delivery.

4.28. In a meeting held in August, 1967 between the Company and a representative of the private party the latter agreed to pay a sum of Rs. 1.40 lakhs by way of freight at the rate of Rs. 425 per M. ton of the undelivered quantity of rock phosphate and sulphur lying with the Company. The balance amount of Rs. 0.39 lakh (approximately) was to be adjusted against party's claim of Rs. 48.350 which was under examination by the Company.

4.29. The Ministry have stated (March, 1969) as follows:—

- (a) "The concerned firm has since paid an amount of Rs. 91,000 with regard to the balance, the Corporation proposes to file a suit."
- (b) "The entire quantity of rock-phosphate has since been delivered and only 20 tonnes of contaminated sulphur now remains with the Company."

4.30. It was stated during evidence, that the balance due was about Rs. 41,000/-. The Corporation had to deliver about 20 million tons of sulphur, which according to the party (M/s. Associated Industries) was contaminated. The witness added that jointly a sample of sulphur was taken and sent to the Alipore Test House, 99 per cent had been declared to be sulphur and less than one per cent was mixed up with rock phosphate. The Managing Director added that the Company now wanted to take legal steps to sell sulphur in auction and realise the rest of the freight out of the sale proceeds. For recovering the balance dues, the Company proposed to file a suit against the Associated Industries of Gauhati, in which the Assam Government were also a Share-holder.

4.31. The Committee are surprised that the Corporation has taken two years to initiate action in this matter. They feel that even at

this late stage the good offices of the Assam Government may be utilised to settle the dispute with M/s Associated Industries, Gauhati, in which the former is also share-holder.

(E) Undertaking of credit business in contravention of the orders of the Managing Director, para 6(iv) p. 99

4.32. Notwithstanding the fact that the undertaking of credit business with private parties was prohibited by an order of the Managing Director issued in April, 1966, the Gauhati branch of the Company transported during 1966-67 on credit the tea consignments of a private party from Assam to Calcutta.

4.33. Freight bills of the Company amounting to Rs. 1,26,756 were not paid by the private party which preferred counter-claims for Rs. 1,28,777 on account of delay in delivery of consignments (Rs. 1,17,478) and shortages|damages to the consignments delivered (Rs. 11,299).

4.34. The Company did not accept the party's counter-claim for delay in delivery on the ground that "it was due to unavoidable circumstances, like floods and disturbances due to strike in West Bengal and Assam during the relevant period of time, over which the Corporation had no control." The counter-claim of Rs. 11,299 for shortages|damages was, however, admitted by the Company without any investigation of the circumstances in which shortages|damages occurred and the party was asked in December, 1967 to pay the balance of the freight charges amounting to Rs. 1,15,457.

4.35. The party has not paid the outstanding amount of Rs. 1,15,457 so far (March, 1969). The Ministry have stated (March, 1969) that "the Company proposes to file a suit for the realisation of the dues from this firm."

4.36. The Committee were informed that the case referred in the Audit Para related to the Dibrugarh Tea Garden House and a statement of accounts had been filed for the recovery of Rs. 1,15,457. Asked to state whether credit business was undertaken in violation of orders of the Managing Director, the total amount involved in these cases, and the action taken against the defaulting officers. The Corporation has submitted as follows:—

"The Managing Director issued an order on 23-4-66 banning acceptance of credit business with private parties. There was no prohibition on carrying goods on credit basis for Government Departments|Undertakings."

"It is necessary to point out in this context that the Managing Director and the Financial Adviser were aware of the credit facilities extended in the following cases of comparatively large freight outstandings:

(i) Jalan Industries Ltd. Rs. 1.32 lakhs (Suit filed)

(ii) Shaw Wallace & Co. Ltd., Rs. 1.68 lakhs (Suit being filed)

"There has been no case where action has been specifically taken for breach of the Managing Director's orders dated 23-4-66."

Shri A. K. Mazumdar, IAS, Managing Director, who issued the order in question, left the Company on 31-5-67. Col. CH. H. Bowden (an Officer of the Traffic & Commercial Dept. of the Railways) succeeded Shri Mazumdar on 12-7-67. The Financial Adviser and Chief Accounts Officer of the Company during 1966-67 and 1967-68 was Shri H. P. Bhattacharjee, an Officer on deputation from the Indian Audit & Accounts Department. No case in which either of the Managing Director or the Financial Adviser had taken any officer to task for either deliberate or even inadvertent breach of the M.D's order (dated 23-4-66) has so far come to notice. It is significant that the volume of credit transactions relating to private parties diminished substantially in 1966-67 and the subsequent years as compared to the previous years."

**(F) Hiring of trucks without executing agreements—Para 6(v)
pp. 99-100**

4.37. In December, 1966, the Gauhati branch of the Company placed some trucks at the disposal of the State Transport Department, Assam for plying on Gauhati-Shillong route. No formal agreement stipulating hire charges, terms of payment, etc. was, however, entered into.

4.38. The Department did not pay the full amount of hire charges billed for by the Company on the ground that the rates charged by the latter were higher. According to the Management (April, 1968), a sum of Rs. 49,465 was outstanding against the Department in respect of the transport bills raised in 1966-67.

4.39. It may be mentioned that the State Transport Department had also not cleared the dues of the Company amounting to Rs. 8,685 for the year 1964.

4.40. The Ministry have stated (March, 1969) that "the matter regarding recovery of the dues from the Assam State Transport has been taken up by the Corporation with the Transport Secretary, Assam, who is also a Director of the Corporation."

4.41. The Managing Director stated, during evidence that this case related to a business with the State Government. The Company did not consider it always necessary to have a formal agreement. The dispute arose on the increase of freight rates by the Company after the commencement of job. Revised rates had not been formally accepted by the State Transport Department. Discussion had been held with the Transport Secretary of the Assam Government and it was hoped that a compromise would be reached in the course of a month. Asked was there any formal agreement, the witness stated that the State Government had not repudiated the claim, rather they had paid most of the bills.

**(G) Incomplete and delayed delivery of consignments—para 6(vi)
p. 100**

4.42. The Agriculture Department of the Government of Assam entrusted to the Company the work of transporting tubular structures from Calcutta to different consignees in Assam.

4.43. The Department withheld the payment of the freight charges amounting to Rs. 41,580 due to the Company for the material delivered by it up to 31st March, 1967 on the ground that the structures had not been delivered in full and that "the Department had to lose a sum of about Rs. 5 lakhs for non-supply of the structures in time." The Department also requested the Company in December, 1966 that the materials should be fully delivered before preferring claims for the outstanding amount.

4.44. In October, 1967 the Department further intimated that "even Government has ordered that the Corporation should not be paid the road transport fares in view of the inordinate delay."

4.45. The action taken by the Company on the various communications referred to above is not known. Meanwhile, the amount of Rs. 41,580 remains unrecovered (March, 1969).

4.46. In this connection, the Ministry have stated (March, 1969) as follows:—

"The relevant papers were not readily available and the position could not, therefore, be satisfactorily explained to the

audit. Steps have, however, since been taken to collect the information from the Gauhati Branch of the Corporation. On receipt of the details, the position will be explained....."

4.47. During evidence it was stated that receipted challans for the freight to the extent of Rs. 25,000 has been found and bills had been submitted to the State Government. Efforts were being made to trace out the remaining bills and challans from the Gauhati Office. Asked how was it that challans worth so much amount were missing. The Managing Director replied that they were not traceable and it was likely that they might have been misplaced or not delivered.

**(H) Non-execution of agreement for carriage of consignments—
para 6(vii) pp. 100-101**

4.48. Between December, 1964 and March, 1965 the Company carried "freight to pay" consignments booked by a firm from Calcutta to be delivered to P.W.D. authorities in Assam. No agreement was however, entered into with the firm.

4.49. The goods were delivered to the consignee without realising the freight charges amounting to Rs. 23,240. On being requested to pay the freight bills, the Government of Assam (Public Works Department) informed the Company that, as no orders for such carriage had been placed by them on the Company the question of payment by the Department did not arise. It was also suggested by the Department that the settlement of the case might be made with the firm concerned.

4.50. No action to recover the outstanding freight charges amounting to Rs. 23,240 has so far (March, 1969) been taken.

4.51. The Ministry have stated (March, 1969) that "the matter is under the consideration of the Company, in consultation with its Gauhati Branch."

4.52. The Managing Director informed the Committee at the time of evidence that this was really a case of cheating. The Company was trying to take a legal action. Asked what safeguards did the Company take to watch its interests. The Managing Director stated that so far as earlier cases were concerned, the Company could only try to recover the dues as best as it could. From the last two years, however, the Company had taken a decision that no credit transactions should be permitted in the case of private parties. It was stated

in reply to a query that the services of an officer responsible for the case, had been terminated.

4.53. The instances narrated above reveal that the Corporation has so far functioned in a most unbusiness-like manner. Credit business had been undertaken in disobedience to the Managing Director's orders. Trucks were hired and consignments carried without executing agreements. These indicate that no proper organisation was created for the company when it was set up. The Committee hope that the Government would draw a lesson from this experience and would take requisite precautions in future, before setting up an organisation by ensuring the availability of right personnel and organisation to it. The Committee do not approve of the lenient view taken of numerous acts of omission committed by the officers of the Corporation and would suggest a comprehensive enquiry may be instituted to locate the responsibility and take action against those held responsible for such default.

(I) Unsecured Advances—para 7, pages 101-102

4.54. The table below indicates the position of unsecured advances (viz. imprest advance, advance to staff and outside parties) outstanding as at the end of the last three years:—

(Rupees in lakhs)

Year	Amount
1965-66	4.35
1966-67	5.26
1967-68	6.44

4.55. A review of certain cases of outstanding advances indicated the following position:—

- (i) A total amount of Rs. 33,163 was outstanding against staff for recovery/adjustment as on 30th June, 1968, as per details given below:—

Sl. No.	Name of the Branch	Period during which the advance was made	Amount outstanding
1.	Siliguri	1964-65 to 1966-67	Rs. 30,341
2.	Cakutta	4th January, 1966	2,822

4.56. The Ministry have stated (March, 1969) that "appropriate steps have since been taken to regulate the grant of advances to the staff and effect recoveries in time" and that "it is expected that there will be a substantial reduction in the amount of unsecured advances by 31st March, 1969."

(ii) During the period from July, 1966 to October, 1966 the Company advanced a total sum of Rs. 10,291 to Maintenance Supervisor of Gauhati Branch for the purchase of spare parts, stores, lubricants, etc. The official rendered accounts for an amount of Rs. 4,975 only and as on 20th December, 1966 a sum of Rs. 5,316 was outstanding against him. An amount of Rs. 206 was subsequently recovered in instalments from the salary of the official during the period from December, 1966 to February, 1967, leaving a balance of Rs. 5,110 to be recovered.

4.57. The whereabouts of the official are not known. In April, 1967 the branch reported the matter to police authorities whose investigation report is still (March, 1969) awaited.

4.58. The Committee pointed out that Rs. 4 to 6 lakhs (each year) were outstanding during 1965-66 to 1967-68 as unsecured advances and asked what was the position in 1968-69. The witness stated that the advances as on 31st March, 1969 rose to Rs. 6.59 lakhs from Rs. 6.44 lakhs. By the end of the current year, a substantial adjustment would be made and the balance sheet would represent correct position.

4.59. Asked what was the normal amount of such outstanding advances. The witness stated that the normal limit was about Rs. 2 lakhs.

4.60. The Committee enquired who made an advance of Rs. 5,000 and when did the company come to know of that lapse. The Managing Director replied that the advance was made by the Dy. General Manager, Gauhati, and the case was brought to the Company's notice through the Audit Report. The Managing Director added that the Company had no internal audit. The Committee were informed that the Dy. General Manager was not competent to sanction that advance and his explanation had been called.

4.61. The Committee understand from Audit that the Advances as on 31st March, 1968 included an amount of Rs. 70,042 given to the employees some of whom have already left the service of the company. Besides, the Advance Accounts were not maintained properly,

inasmuch as these included old balances which were either irrecoverable or adjustable or in respect of which complete details were not available or adjustment had not been made properly.

4.62. The Committee are surprised to find laxity in maintenance of Advance Accounts and in the recovery|adjustment of amounts advanced. They are also very much concerned to note the large accumulation of unsecured advances. The normal limit of advances is stated to be Rs. 2 lakhs, whereas the outstanding advances have ranged between Rs. 4.35 to Rs. 6.59 lakhs during the last four years. The Committee are of the opinion that even the minimum financial restraint was not practised in regard to grant of advances with the consequences that the limit was exceeded by two to three times during 4 years. The Committee strongly recommend the strict observance of financial rules by the officers of the Corporation in future. They would like to be informed of the recovery/adjustment of the advances outstanding as on 31st March, 1969, the magnitude of irrecoverable amounts and the action taken against the defaulters.

4.63. In spite of repeated glaring acts of financial irregularities and mal-practices the Ministry have kept silent without interfering into the affairs of the Company. This defeats the very purpose of the Ministry's representative on the Board and the Committee feel that the Ministry's representative on the Board should be held responsible for such repeated acts of commission and omission in financial matters for not having kept the Government informed of the various activities of the Corporation.

ACCOUNTING MANUAL AND AUDIT

(A) Accounting Manual, para 8, pages 102-103.

In accordance with the decision taken by the Board of Directors on 14th October, 1965, the Company, with effect from 1st October, 1965 switched over to the commercial system of accounting on accrual basis instead of cash basis followed by it earlier.

5.2. As Accounting Manual has been compiled and introduced by the Management with effect from 1st April, 1967. In connection with the preparation and implementation of the Accounting Manual, the following points deserve mention:—

- (i) The Manual does not lay down procedural details according to which records|registers prescribed therein are to be maintained.
- (ii) The Manual does not deal with many important aspects e.g. costing records, compilation of cost data, freight structure, purchase of stores and stock, maintenance of vehicle log books, procedure for write-off, etc.
- (iii) It was noticed by Audit that the Branch Offices and the Head Office did not maintain certain records e.g. adjustment of advance bill register, register of commission charges, register of condemned stores and spares, vehicle maintenance register, operating report, register of assets, register of claims, etc., as prescribed in the Accounting Manual.
- (iv) The Functional Budgets and the Master Budgets are not prepared by the Branch Offices and the Head Office respectively, as provided in the Accounting Manual.

5.3. In this connection, the Ministry have stated (March, 1969) as follows:—

“The shortcomings pointed out by the Audit will be kept in view while revising the Manual. Meanwhile, suitable instructions are issued from time to time⁸ with respect to the various procedural matters relating to maintenance of accounts.”

5.4. The Committee enquired during evidence whether the Accounting Manual had been revised and was the Company satisfied that the instructions issued from time to time in regard to the maintenance of accounts were being implemented. The Managing Director replied that an Accounting Manual was drafted and placed before the Board of Directors in March, 1967. Instructions were given in the Manual and it was for the officers and staff to follow them implicitly and correctly. The Managing Director added that some of the instructions had to be revised from time to time in the light of experience. He also stated that supplementary instructions had been issued from time to time to give effect to the advice given by the Audit.

5.5. The witness informed the Committee that apart from the Accounting Manual, the Company had started internal Audit organisation last year and had also prepared a Manual for Internal Audit. This Manual was stated to be in the draft stage and was likely to be placed before the Board at their next sitting. The Managing Director expected that most of the troubles would be avoided when the Internal Audit started functioning in full swing.

5.6. The Committee understand from Audit that according to the Supplementary Report of the Company Auditors on the accounts of the Company for the year 1968-69 submitted in January, 1970, the Accounting Manual had not been systematically and effectively implemented and that "sufficient records were not available in different units to ascertain whether each and every movement of vehicles was brought into account and freight due to the Corporation was billed for".

5.7. Asked whether Log Books were maintained, the witness replying in the affirmative stated that the Company had got worksheets in which all the data were available. Registers were also maintained at the point of traffic origin and also at the destination. The witness added that the Company had devised a kind of log book which had to be maintained for each vehicle. It indicated the cargo carried and the movement etc.

5.8. The Committee were further informed that all the trucks with the Company were not fitted with milometers. Many of them had milometers but they were out of order. It was stated that it was proposed to fit some of the trucks with techograph as an experiment. The techograph noted the actual movement undertaken by the truck and also indicated the haltague of the vehicle. Orders for six such techographs had been placed. With the installation of

tachographs, the witness stated, the milometers would not be necessary.

5.9. In reply to a query it was stated that all the vehicles had milometers, but those damaged or destroyed could not be repaired or replaced. The milometers were sometimes deliberately destroyed by the drivers. The witness further stated that till January, 1968, the Company did not have a qualified and experienced engineer. For some time, the Company had an engineer from the Assam State Transport Department but he did not meet its requirements.

5.10. Asked if it would be correct to assume that there was no system of recording mileage of the vehicles. The witness replied that it was not always necessary because in normal course vehicles operated on specific routes, the mileage etc. of which was known.

5.11. The Committee hope that the Accounting Manual under preparation will satisfy the requirements of Audit in all respects and shall serve as a complete guide to all the officers of the Corporation. They would like the Managing Director to introduce a system of effective internal control to ensure that the instructions laid down in the Manual are fully implemented and that they are not treated as instructions on paper only.

5.12. The Committee are also surprised to learn that most of the vehicles of the Corporation are without milometers. Absence of milometers has been primarily attributed to the non-availability of the services of a qualified engineer to the Corporation. No evidence has been given before the Committee to convince that the Corporation made any attempts to obtain the services of a qualified engineer. The Committee are unable to accept this contention as the country has no dearth of unemployed engineers. The Committee recommend that the Corporation should ensure the installation of milometer to every vehicle.

(B) Internal Audit; para 9, p. 103

5.13. In terms of the Managing Director's order issued on 17th January, 1967, the Company set up an Internal Audit Organisation with a view to exercising internal checks on the transactions of the different units. No Manual laying down the scope and extent of internal audit has, however, been finalised so far (March, 1969).

5.14. It was also noticed that most of the transactions|records| documents were not covered by the internal audit checks.

5.15. The Ministry have stated (March, 1969) that "detailed procedure for audit covering all aspects" is being drawn up.

5.16. The Committee were informed that the Company had an internal audit unit, which was organised in two wings. The audit would be not merely an "accounting audit" or "financial audit", but also a "technical audit." When asked to whom was the chief internal auditor responsible, it was stated that he was responsible to the Managing Director through the Financial Adviser and Chief Accounts Officer. In reply to a further query it was stated that he had the freedom to point out mistakes in sanctions etc. It was also stated that the defects pointed out by the Company's auditor in 1967-68 had been completely set right and they had been confirmed by him.

5.17. The Committee fail to understand why no efforts were made by the Corporation to set up an internal audit organisation earlier. They are of the opinion that the Ministry should have seen that the Internal Audit organisation was set up in the very second year of the Company's coming into being which would have brought to light the organisational and financial weaknesses of the undertaking and safeguards could have been taken well in time before the company came to such a precarious financial condition.

VI

OTHER TOPICS OF INTEREST

(A) Claims for short delivery/non-delivery of Government consignments, para 11(i), pages 104-105

In March, 1965 the Company entered into an agreement with the Controller of Stationery, Calcutta for transporting consignments of stationery during the year 1955-56 (period extended in February, 1966 up to 31st March, 1967) from Railway godowns to Government stationery depots in Calcutta and its suburbs.

6.2. The work was done by the Company by its own trucks and staff during the period from 1st April, 1965 to 21st December, 1965 and thereafter through the agency of a sub-contractor to whom it was awarded on 16th December, 1965 for a period of three months (subsequently extended up to March, 1967) without inviting open tenders and without entering into a formal agreement. An amount of Rs. 5000/- was taken from the sub-contractor as a security deposit for the satisfactory performance of the contract.

6.3. The sub-contract was terminated on 31st March, 1967. On this date the sub-contractor had not submitted cart challans relating to 236 Railway Receipts, which had been handed over to him for clearing, carriage and delivery of the consignments to the Controller of Stationery. 184 out of the 236 cart challans, were subsequently received from the sub-controller and the remaining 52 cart challans have not been returned by him so far (June, 1968) in spite of notices issued by the Management.

6.4. Against the dues of the sub-contractor amounting to Rs. 90, 277, the Company paid a total amount of Rs. 56,210 (including *ad hoc* payments amounting to Rs. 29,300), thereby leaving a balance of Rs. 34,067 still to be paid.

6.5. During the period from 1st April, 1965 to 31st March, 1967 the Controller of Stationery preferred claims aggregating Rs. 5.11 lakhs against the Company for demurrage and wharfage charges, short delivery and non-delivery of consignments. Out of these, claims of the value of Rs. 4.63 lakhs pertained to the period during which the work was done by the sub-contractor. The claim of the Controller of Stationery is yet (April, 1968) to be settled by the

Company. Meanwhile, the Controller of Stationery has withheld the dues of the Company for transportation charges and reimbursement of wharfage charges, which aggregated Rs. 1.01 lakhs.

6.6. No formal agreement was entered into with the sub-contractor by the Company. The Company reported the case on 8th|15th March, 1968 to the Central Bureau of Investigation for a detailed investigation.

6.7. The report of the Bureau is (March, 1969) awaited.

6.8. The Ministry have stated (March, 1969) that "it is proposed to file a suit for the realisation of the Company's dues."

6.9. The Committee enquired what were the considerations which weighed with the Management in awarding the work to the sub-contractor? Was it because of the fact that departmental execution was found uneconomical or was the Company not in a position to execute the work departmentally? In the latter case, why was this fact ignored at the time of submission of tender to the Controller of Stationery? According to the Ministry the following were the main reasons why the services of sub-contractors were engaged to carry on the work of the Controller of Stationery:

- "(i) delays and other practical difficulties in clearing goods from the railway sidings;
- (ii) difficulties in getting "cart challans" or proper receipts from the staff of the Controller of Stationery for goods delivered to them; and
- (iii) diversion of a part of the Company's fleet of vehicles to Bongaigaon towards the close of 1965 and in 1966 to do out-agency work for the N.F. Railway.

"Two mistakes have, however, been committed by the Company in this connection:

- (a) The Company should have formally reported to Controller of Stationery that it had entrusted this work to M|s. Indian Transport & Forwarding Co. on a sub-contract basis.
- (b) This fact should, in any case, have been brought to the notice of the Ministry of Transport and the Ministry of Werks, Housing & Supply when the latter, in spite of the Company's disinclination to agree to renewal of the contract for 1966-67, brought pressure to bear on it for

this purpose. It is note worthy that the Company did not submit tenders in respect of the second year."

6.10. The Ministry have further stated that "The Controller of Stationery cannot also be absolved of his responsibility for acquiescing in the unsatisfactory services which have eventually landed him and the Company in avoidable losses and litigation. He could not claim to have been kept in the dark about the sub-contractors, because his staff had to deal with the sub-contractors from day to day and were fully aware of the fact that CRTC was not using its own vehicles for the transport work."

"The use of "attached" vehicles or vehicles procured on sub-contract basis is not uncommon in the private sector. The Company would have been able to make a reasonable margin of profit—Rs. 4 per ton—if the contract had been executed properly: the rate contracted with the Controller of Stationery was Rs. 12.50 per ton while the freight payable to M/s Indian Transport & Forwarding Co. was Rs. 8.50 per ton. Even so, the Company should not have engaged sub-contractors, since its agreement with the Controller of Stationery did not provide for the utilisation of sub-contractors' service. The Company should, in any case, have consulted the Controller of Stationery formally or got the agreement amended by the end of 1965 or early in 1966.

6.11. In reply to the further query of the Committee as to how was sub-contractor selected, were any quotations invited or were the financial stability and antecedents of the sub-contractor verified before awarding the contract to the firm the Ministry have stated as under:—

"It would appear that the sub-contractors were selected through the verbal enquiries made by one of the officers of the Company, viz. Shri S. R. Raha, Commercial Officer-cum-Dy. General Manager. According to a note recorded by Shri Raha on 15-12-65, oral quotation and written offer made by M/s Indian Transport and Forwarding Co. alone were accepted. Shri Raha has added that the proposed sub-contractors had telephone connection both at office and their residence and had agreed to deposit Rs. 5,000 as security. Shri Raha's services were terminated on 21-3-68 and there is no further information on record to show whether and, if so, how the financial stability and antecedents of the parties were verified before the work was awarded to them."

"It has been alleged that the sub-contractors concerned viz. M|s Indian Transport & Forwarding Co., served the Controller of Stationery as contractors after the expiry of the Central Road Transport Corporation's contract with him. If this allegation is correct, the conclusion would be that the Controller of Stationery was not dissatisfied by the performance of M|s. Indian Transport & Forwarding Co. in spite of the disputes arising from their sub-contract during 1965-66 and 1966-67."

6.12. The Committee pointed out that it had been observed from the correspondence exchanged between the Company and the sub-contractor that the unsatisfactory performance of the latter had come to the notice of the Management as early as in February, 1966, and asked why was sub-contract extended for the period from 1st April, 1966 to 31st March, 1967 without setting the claims, if any, of the Controller of Stationery and whether the extension of the sub-contract was authorised by the competent authority? The Ministry have in reply thereto stated:—

"There was no agreement in the form of a stamped document between the Company and the sub-contractors. Letters had, however, been exchanged spelling out the terms of the sub-contract. One of the stipulations was that the contract would continue for a period "not exceeding three months for the present."

"The sub-contract could have been terminated when the sub-contractors' performance was found to be unsatisfactory. In the absence of any action to terminate it, the sub-contractors carried on indefinitely till the expiry of the Company's contract with the Controller of Stationery."

"The Managing Director was aware of the continuance of the sub-contract beyond the 1st April, 1966."

"The Controller of Stationery made claims against the Company from time to time. Some of these claims were repudiated promptly. The others were passed on to the sub-contractors who would be liable for them in the event of their being established. There were also counter-claims e.g. regarding wharfages, made by the Company against the Controller of Stationery. These claims and counter-claims could not be sorted out or settled before 31-3-67. Since the Company merely played the part of an intermediary, and since the Controller of Stationery did not at any stage administer any severe warning or threat-

ened the Company with the termination of the contract on the ground of unsatisfactory performance, the service of the sub-contractors continued till 31-3-67. It is admitted however, that if there had been stricter and closer supervision of the sub-contractors' work or better co-ordination with the Controller of Stationery, the sub-contractors' services should have been dispensed with at the earlier stages."

6.13. Asked (a) to indicate the details of the claims lodged by the Controller of Stationery from time to time with the Company and the action taken by the Company to verify and settle these claims;

(b) Whether Railway Receipts were handed over to the sub-contractor for clearance and delivery of the consignments to the Controller of Stationery even after claims of the Controller of Stationery were first known to the Management and were not settled by the sub-contractor?

(c) Whether any departmental investigation has been conducted by the Management for failure to safeguard the interest of the Company? If not, why? and

(d) Were the payments made to the sub-contractor after verifying that the goods had actually been delivered to the Controller of Stationery and that there was no claim of the Controller of Stationery in respect of the consignments delivered? If not, can the Management indicate the particulars of payments made without verification and the reasons therefor? Why were *ad hoc* payments made to sub-contractor?

The Ministry have replied in their written Note as follows:—

"Details of the claims lodged by the Controller of Stationery are at Appendix..... (Particulars of these claims had been intimated to the sub-contractors from time to time, as according to the terms of agreement they were responsible for settlement of these claims).

"It was suggested to the Controller of Stationery that a tripartite meeting could be held and efforts be made to induce the sub-contractors to settle the claims without litigation. The meeting did not, however, materialise."

"On the contrary, the Controller of Stationery pressed the Company for settlement of his claims directly and pro-

posed arbitration for the purpose. In the absence of any alternative course, the Company has filed a suit against its previous sub-contractor viz. M/s Indian Transport & Forwarding Co., making the Controller of Stationery also an interested party to the suit. The Controller of Stationery has further been requested to defer arbitration till the disposal of the Company's suit against M/s Indian Transport and Forwarding Co."

"Railway Receipts continued to be handed over to the sub-contractors for clearance and delivery of consignments even after it had become known that the earlier claims of the Controller of Stationery had not been settled by them."

"No departmental investigation was conducted. If the Controller of Stationery had taken serious notice of the losses|demurrages etc. incurred in respect of the consignments and demanded contemporaneous enquiries or effective action to prevent their recurrence, the Company might have realised the risks to which it was exposing itself through the action or inaction of its sub-contractors."

"Most of the payments were made to the sub-contractors after they had submitted their bills along with the receipts showing that the consignments had actually been delivered to the Controller of Stationery. In a few cases ad-hoc payments were made to the sub-contractors under orders of the then Managing Director to help them to keep the work going."

6.14. The Committee asked:

- (a) It is understood from Audit that the Dy. General Manager had sought for the instructions of the Managing Director on 3rd September, 1966 whether the matter should be referred to the Police. The Managing Director, however, ordered that a personal enquiry be held.

What was the special advantage in holding the personal enquiry in preference to reporting the case to the Police? When was the personal enquiry held and what were its findings? What was the time-lag between the date when the results of the personal enquiry were known and the date on which a detailed report was made to the Central

Bureau of Investigation? Has the report of the Bureau since been received;

- (b) Has the Company filed the suit for the realisation of its dues, as stated by the Ministry in March, 1969, and
- (c) what happened to the claims of the Controller of Stationery amounting to Rs. 0.48 lakh (Rs. 5.11 lakhs which pertained to the period in which the work was done departmentally? What is holding up their verification and settlement?"

The Ministry have stated, in reply:

"The Managing Director's object was presumably to recover the undelivered goods from the sub-contractors to the extent possible before handing over the case to the Police. It is not evident from the records who held the enquiry and what his findings were. The Company sent a report to the Central Bureau of Investigation on 10/11-1-68. The Bureau first doubted whether on the basis of the information reported to them a criminal case would lie against the sub-contractors. Later, however, they undertook the necessary investigation but their report has not yet been received."

"The Company filed a suit against M/s Indian Transport & Forwarding Co. for the realisation of Rs. 4,64,547.55 on the basis of the claims made against it by the Controller of Stationery."

"In the Company's plaint filed in the High Court against the sub-contractors, impleading the Controller of Stationery also as a party, it has been proposed that claims amounting to Rs. 41,530.09 which pertain to the period when the work was done departmentally might be adjusted against the outstanding bills of the Company on account of freight dues."

6.15. The Committee are amazed at the inept handling of this case from the very beginning by the Corporation. They have not been informed of the reasons which led the Company to entrust further work to the sub-contractor, when it had become known that the earlier claims of the Controller of Stationery had not been settled' by the latter. They are also surprised that the Corporation in its anxiety to explain the issue has stated that the "Controller of

Stationery cannot also be absolved of his responsibility for acquiescing in the unsatisfactory services which have eventually landed him and the Company in avoidable losses and litigation." The Committee feel that the Corporation having employed a sub-contractor was fully responsible for the faithful execution of the work, consequently it was its duty to ensure that the contractor executed the job entrusted to him honestly. In the Committee's view, the argument of the Company that the Controller of Stationery was also responsible for this unfortunate state of affairs, is hardly tenable. The Company should own its responsibility and do its best to settle the issue. The Committee hope that the C.B.I. investigation will reveal the true facts and the Company will not only take necessary corrective measures to avoid similar happenings in future but also punish the officials found guilty of various lapses in this case.

(B) An un-business like deal Para 11(ii) pp. 105-106

6.16. On 18th August, 1965 the Company entered into an agreement with a firm for three months in the first instance but to be extended up to one year on being found acceptable to both the parties, for securing transport business in Asansol coal field area. According to the draft agreement sent to the firm, the latter was to act as an agent of the Company on payment of a consideration of 5 per cent on the earnings from the business done by it in the company's own vehicle and/or by trucks hired from the private parties.

6.17. On 15th September, 1965 the Company gave one Articulated Leyland tractor with two big trailers to the firm which was to ply in Asansol-Durgapur area on the latter's assurance of arranging a net income of Rs. 6,000 per month. No agreement was, however, entered into with the firm, nor was any security deposit obtained from it though the past dealings of the firm with the Company had not been satisfactory.

6.18. In a meeting held on 3rd December, 1965 the Company agreed to accept from the firm a net income of Rs. 3,000 per month with effect from the last week of October, 1965. For the period from 15th September, 1965 to the last week of October, 1965 for which the tractor and trailers remained idle for want of driver, the Company agreed to accept a reasonable sum from the firm. It was also agreed that the tractor and trailers would be handed over by the firm to the Company on or before 20th December, 1965 in good condition.

6.19. The firm failed to return the tractor and trailers by the prescribed date and to deposit the amount of assured income.

6.20. On 7th February, 1966 the tractor was found abandoned on a road in Calcutta and one of the trailers was found lying at a petrol pump. The Company took over the tractor from the Police authorities on production of proof of ownership and the trailer was got released from the owner of the petrol pump on payment of rent. The second trailer (without tyres and tubes) was recovered in June, 1966 from the firm's proprietor.

6.21. The Company also made a total advance of Rs. 13,100 to the firm for octroi and hire of private trucks. The freight of goods transported in these trucks amounting to Rs. 21,885.91 was not paid by the firm.

6.22. The total dues recoverable by the Company in respect of the deal amounted to Rs. 62,431.91 as indicated below:—

	Rs.
(a) Charges for the Company's vehicles hired by the firm	22,116.00
(b) Advances paid to the firm for octroi and hire of private trucks.	13,100.00
(c) Freight of the goods booked through the firm but amount still to be received.	21,885.91-
(d) Damage caused to the tractor and trailers.	5,330.00
Total :	<u>62,431.91</u>

6.23. On 20th March, 1967 the Company filed a civil suit in the Calcutta High Court. Judgement of the Court is awaited (March, 1969).

6.24. In response to Committee's query the Managing Director stated, during evidence that the particular party involved in the case, was seemingly respectable, as he was the Secretary of the Calcutta Branch of the Road Transport Institute. No formal agreement was signed with him, there was only exchange of letters. Asked who made the advance of Rs. 13,000 to the firm towards octroi and hire charges, the witness stated that it was made by the Financial Adviser of the Company at that time. He added that he was not competent to make the advance. The concerned Financial Adviser had reverted to his parent department viz. Railway Accounts Deptt. The Committee were informed that this matter was reported to the Board of Directors in November, 1966. Asked when was this brought to the notice of the Ministry, the Secretary of the Ministry stated that it came to his notice only recently, when

Managing Director was asked to come prepared with the details of each case.

6.25. The Committee regret to find that unauthorised advance of Rs. 13,000/- was given to a firm for octroi charges by the then Financial Adviser of the Company. As the Managing Director informed the Committee the Financial Adviser was not competent to make that advance, the Committee feel that the deal conducted by the then Financial Adviser be promptly investigated and action initiated through his parent department namely Railway Department for disciplinary and penal action as the case may be.

Curiously enough the shabby transaction relating to the advance of Rs. 13,000 came to the notice of the Ministry when the matter was under examination of the Committee. The Committee feel that the Transport Ministry which are controlling the Undertaking have shown acute indifference to performing their normal and reasonable duty, and it should be enquired and established why such a glaring case of irregularity did not come to the notice of the Ministry in time. It is evident from this that the Ministry even did not care to go through the Audit Report (Commercial) where all these facts are mentioned and which was presented to Parliament as far back as in April, 1969.

6.26. The Committee pointed out that in September, 1965, the firm assured an income of Rs. 6,000 per month but in December, 1965, the Company agreed to accept from the firm a net income of Rs. 3,000 p.m. and asked under what circumstances, the reduction was made. The Managing Director stated that from the minutes of the meeting it was not possible to indicate reasons for that reduction.

6.27. Asked to furnish a detailed note on this case and also to state whether the Government Director was present on the Board meeting held on 17th November, 1966, and what action was taken by him to bring this case to the knowledge of the Ministry, the Ministry have furnished following note:—

“The 19th meeting of the Board of Directors, which was held on 17-11-1966, was attended by the following Directors:—

- (a) Shri A. S. Bhatnagar, Deputy Secretary, Ministry of Transport.
- (b) Shri R. S. Krishnan, Ministry of Finance.
- (c) Shri V. B. Ahuja, Joint Director, Railway Board.

(d) Shri A. K. Mazumdar, I.A.S., Managing Director.

Shri Ahuja was elected as Chairman for the meeting.

There was a difference of opinion among the Directors in the matter of recording the minutes of the meeting, with reference to the Company's transactions with Shri ———, which have come in for audit criticism in para 11(ii) of Audit Report (Commercial), 1969. The following was the record of the discussion at the above meeting, according to the Managing Director:—

“The Managing Director explained that the deal had been entered into by ex-Financial Adviser and Chief Accounts Officer, without his approval or knowledge. The Board noted with great dissatisfaction and regret the facts of the case in the memorandum and desired that the Managing Director should urgently take further necessary action to finalise the case and submit a report at the next meeting of the Board”.

The draft minutes were, however, amended by the other Directors as under:—

“The Board noted with great dissatisfaction and regret the story related in the memorandum and desired that the Managing Director should urgently take necessary further action to finalise this case and submit a fresh report within a month.

The Board also pointed out that the arrangements made with Shri ——— were contrary to the canons of financial propriety and in violation of the principles approved of by the Board at their meeting held on 14-10-1965.”

“It will be noticed that the Financial Adviser and Chief Accounts Officer was to blame for the transactions in question, according to the Managing Director, while the Board's stricture was in more general sweeping terms.”

“The F.A. and C.A.O's deputation with the Corporation was not extended beyond 2-1-1966. There is, however, nothing in the Company's records to show that his deputation had been prematurely terminated or that he had not been given extension because of any error of commission or omission on his part.”

“There is no justification for drawing an adverse inference about the Managing-Director conduct in this case since he had filed a criminal complaint against Shri _____ to the Police authorities in connection with the latter’s alleged attempt to misuse the name of the Central Road Transport Corporation for securing quick transit facilities at the Farakka ferry. Shri_____ was arrested and released on bail on the basis of search of his house conducted in pursuance of this case and a criminal case is also pending against him.”

“The Company’s Board of Directors included Senior Officers, not merely from the Ministry of Finance and other Central Ministries concerned, but also from the Governments of Assam and West Bengal. There was no occasion for the Ministry to interfere in the day-today conduct of the Company’s business or issue any directive to it, since the Board of Directors never specifically drew their attention to any problem. The Administrative Reforms Commission have recently recommended that the Board of Directors of a Company should be vested with all the powers necessary to ensure that the Company’s business is carried on smoothly. Nothing prevented the Board of Directors of the Central Road Transport Corporation Limited from taking whatever action they considered essential in the circumstances of the case, either against its Financial Adviser or even its Managing Director. If, therefore, the Board decided, as would be evident from the censure recorded by them, the obvious implication is that no further action was called for in the Ministry in respect of this case.”

6.28. The Committee regret the way this particular deal was transacted especially when the past dealings of the firm with the Company had not been satisfactory. Neither any formal agreement was signed with the firm nor was any security deposit obtained. The Committee are also surprised that the observations made by the Board at its meeting held in November, 1966, that “the arrangements made with were contrary to the canons of financial propriety and in violation of the principles approved of by the Board at their meeting held on 14th October, 1965” did not attract Government’s attention. They feel that the Ministry’s representative on the Board has failed in his duty as he did not bring the serious charge made by the Board to the specific notice

of the Ministry. They feel that the Government's representative on the Board of Directors owes greater responsibilities in so far as he is expected to safeguard the financial interests of the Government. The Committee hope that Government will study the details of the case and lay down proper guidelines for the Government's representatives on the Boards of the Public Undertakings and the necessity of observing them.

6.29. The Committee recommend that the conduct of this particular officer, Managing Director and the Ministry's Representative, who failed to report it to the Ministry, be enquired into and responsibility fixed.

(C) Loss of component parts, Para 11(v) pp. 107-108

6.30. In October, 1966 the work of re-assembling and repairs of a truck was entrusted to a private party without inviting tenders and also without any formal agreement. The financial status of the party and the fact whether he had the necessary workshop facilities for carrying out the work were not however, verified before handing over the chassis and, other components of the vehicle.

6.31. The Local Management did not take any action to enquire about the progress of repairs till the end of February, 1967 when it was found out that the party had no engineering workshop. The chassis of the truck along with some component parts were found lying scattered in a broken thatched house. The party could not be contacted in the absence of any permanent address. In March, 1967 some more component parts of the truck were recovered from an individual claiming to be an assistant of the party.

6.32. On a comparison of the list of the parts handed over to the party with the parts recovered it was found that component parts (including gear box assembly) valued at Rs. 16,270 were missing.

6.33. The total loss to the Company worked out to Rs. 17,270 (value of missing parts Rs. 16,270 plus advance payment of Rs. 1,000 made to the party in August, 1966).

6.34. In April, 1967 the matter was referred to the Police authorities for investigation. The results of investigation are awaited (March, 1969).

6.35. The Committee were informed that from 1968 all repairs were done by the Company itself or through a sister concern, the

Central Inland Water Transport Corporation Ltd. The Company did not go to any private party for repairs. As regards the past, the Witness stated, the Company did not have a garage of its own and so went to private parties. In this particular case, repair of a vehicle was entrusted to a party which had done some repair work for the Company earlier, but it disappeared and removed parts worth Rs. 13,000. The Managing Director added that a vigilance officer had now been appointed to watch against such cases. He also stated that whereabouts of the party had been traced and a case was being filed against it.

6.36. The Committee are unhappy to note that the company decided to entrust its repair work to a firm without (a) inviting tenders; (b) verifying financial status and technical capability of the party; and (c) executing a formal agreement. The lapse on the part of the Company had not only led to a loss of Rs. 17,270 but had also involved it in an unnecessary litigation. The Committee feel that this is an instance of gross negligence coupled with indifference to duty on the part of the officers of the Corporation and recommend that the officers responsible for this deal deserve to be proceeded against.

(D) Irregular payment to a transport firm, Para 11(vi) p. 108

6.37. The Company appointed a transport firm for carriage of consignments of a party. The firm transported the consignments of the party during the period from November, 1965 to August, 1966.

6.38. In July and August, 1966 the firm preferred three bills amounting to Rs. 19,285 for detention charges of its trucks. Notwithstanding the fact that there was no stipulation in the agreement with the firm regarding the payment of detention charges and that the detention of the trucks of the firm had not been certified by the party, who might have been held responsible for the delay in supplying loads, a sum of Rs. 12,442 was paid to the firm.

6.39. The Manager of the Gauhati branch of the Company in his note dated 22nd November, 1966 observed as follows:—

“.....We should ask the party to refund the amounts over-paid. It is also noticed that as per letter of contractthe bills should have been countersigned by R.S.N. but this has not been done. Party may be asked to do so.”

6.40. The amount has not been recovered so far (March, 1969). The Ministry have stated (March, 1969) that “the question whether

the payment of Rs. 12,442 to the firm was justified is still under examination by the Gauhati Branch of the Corporation.”.

6.41. It was stated that the case related to detention charges paid to a concern which had placed its truck at the disposal of the Rivers Steam Navigation Co. Ltd. at Jogighopa at the instance of the Central Road Transport Corporation. The Company expected to get detention charges from RSNC Ltd. @ Rs. 80 per day and had accordingly paid Rs. 70 per day to the owner of the trucks. It had, however, been pointed out by the Navigation Company that the trucks had been gainfully employed by the owner for others jobs, on some of the days for which he had claimed detention charges.

6.42. It regard to the formal agreement with the firm, it was stated that there was no formal agreement. However, there was correspondence to show that the party demanded detention charges.

6.43. The Committee regret that a sum of Rs. 12,442 was paid to a private transport Company as detention charges for which no provision existed in the agreement. Even the fact of detention was not verified by the River Steam Navigation Company for whom services of the private firm were hired. No action seems to have been taken by the Company on the Note of November, 1966, of the Manager of the Gauhati Branch suggesting that the party be asked 'to refund the amount over-paid'. The Committee feel that such lapses confirm the inaction on the part of the Management in this case.

VII

CONCLUSION

7.1. The foregoing pages not only reveal a dismal picture of the operational and functional activities of the Central Road Transport Corporation Ltd. but also indicate that the Corporation has neither justified its existence nor served the purpose for which it was created.

7.2. After going through the Audit Report and also examining the undertaking and the Ministry the Committee have come to the conclusion that this is a fit case for instituting a proper enquiry, either by the Ministry or under the provisions of the Company Law, to enquire into the working of this Undertaking and to recommend to the Government what action need be taken against the various officers of the Ministry and of the Undertaking who are responsible for bringing the Company to the financial losses whereby the entire capital has been wiped out and also to recommend what remedial actions be taken to ensure that such things do not happen in future either in this undertaking or in any other public undertaking. A thorough enquiry and report of this Committee will be helpful to the Government to streamline their machinery and control over the various public undertakings.

7.3. The Committee have examined in detail the financial results of this undertaking and have noted that networth of the undertaking for the year 1965-66 was Rs. 32.07 lakhs. This networth has been reduced to Rs. 2.09 lakhs in the year 1967-68. The Undertaking has reported that as on 31st March, 1969, the bad debts were Rs. 0.68 lakhs and doubtful Rs. 4.37 lakhs making a total of Rs. 5.05 lakhs. Thus it is evident that the entire capital invested in this undertaking has been eaten up and is now giving a debit balance of Rs. 2.96 lakhs.

7.4. The Audit Report Commercial, 1969, has pointed out various irregularities as a result of which the Company has lost heavily from year to year. There is also inefficient operation and the two put together have brought the Corporation to this helpless state.

7.5. It is also evident from the Audit Report and other Reports submitted by the undertaking to the Committee that there has been a great laxity in the control and management of this company.

The Ministry have failed in their duty to keep proper control over the affairs of this Company, since its very inception. The Undertaking has not been able to give any figures of the traffic in terms of tonnage carried by them in the different years. From the statistics given the percentage of idle vehicle days to total vehicle days were 30.09, 40.69 and 53.89 in 1965-66, 1966-67 and 1967-68 respectively. The operational cost have been also above the earnings (in 1967-68 the average expenditure per truck mile was Rs. 1.97 and the average earning was Rs. 1.57). The Undertaking has been asking that unless the Public Sector Undertakings give to it their traffic on a negotiated basis at cost plus something, the company would not be able to make its two ends meet. It has been clearly stated that on tender basis it cannot beat the private operators to get the traffic. It amounts to that, unless Public Undertakings subsidise the operations this Undertaking cannot run on a commercially profitable basis. If the Government feel that such an organisation is necessary to ensure the viability of goods traffic in an emergency, the Government should go into this question carefully whether they consider that such a fleet of trucks are a necessity to be maintained as an insurance of any breakdown in an emergency of the goods traffic system in the Eastern Zone. If the Government consider that it is a necessity then they must carefully examine and determine what they must pay in order to take an insurance against such an emergency. Such a subsidy, in view of the Committee, should be paid directly by the Government on a vote of Parliament instead of encumbering the Public Sector Undertakings to pay a veiled subsidy for the survival of the Central Road Transport Corporation.

7.6. The Committee have come to this conclusion that there is no justification for continuing this organisation because the Ministry have failed to put this organisation on a commercially sound footing during the course of last six years and during the period the entire investment in the undertaking amounting to Rs. 34.01 lakhs as paid up capital and Rs. 1.24 lakhs in shape of reserve and surpluses has been practically consumed. In view of this, the Committee recommend for the winding up of this Corporation, as early as possible.

M. B. RANA,

Chairman,

Committee on Public Undertakings.

NEW DELHI;

March 13, 1970.

Phalguna 22, 1891 (S).

APPENDIX I

(Vide para 4.11 of Report)

Value of the debits due to the Corporation on 31st March, 1969

The total value of debts due to the Corporation as on 31.3.1969 is Rs. 33.46 lakh of which Rs. 24.95 lakh pertain to Government Public Undertakings/Statutory bodies and 8.51 lakh to private parties.

2. Debts considered bad would amount to Rs. 0.68 lakh and doubtful Rs. 4.37 lakhs. The balance amount is considered still to be good. The break-up of 'Bad' and 'Doubtful' debts is as follows:—

	Govt. Dept. etc.	Private Parties
Bad	Rs 0.68 lakh	—
Doubtful	Rs 3.60 lakh	Rs 0.77 lakh

3. Most of the bad and doubtful debts relate to dispute regarding conditions of carriage e.g whether the Assam Carriage of Goods Tax was payable by the owners of the cargo or was part of the freight, shortage and damage claims, etc.

NOTE:—Provisional pending certificate by Statutory Audit.

APPENDIX II

Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

S.No.	Reference to para no. in the Report	Summary of Conclusions/Recommendations.
(1)	(2)	(3)
1	1.9	<p>The Committee find that the Corporation was set up to meet the emergent and immediate needs of the country arising out of Chinese aggression and the strike by the Pakistani crew of the joint steamer Companies. This Corporation has to suffer heavy losses year after year and is not likely to earn profit in the near future. The Corporation suffered a loss of Rs. 14.06 lakhs in 1966-67, Rs. 16.69 lakhs in 1967-68 and Rs. 24.80 lakhs in 1968-69. It appears, adequate study of the Corporation's capacity to generate the quantum of work needed to keep it fully engaged was not made by the Government at the time of its establishment. The Committee fail to appreciate the idea of setting up such a Corporation for meeting limited needs of the country without ensuring that the Corporation will be able to raise adequate work to keep it going. The Committee feel that once emergency period was over the Government should have examined whether in the changed situation the Corporation could play its useful role without putting any financial burden on the exchequer. It is regretted that such an assessment was not done. The Committee feel that in future while establishing such Corporations for meeting emergent needs a provision should be made for making a compulsory review of its work once the emergency period is over.</p>

(1)	(2)	(3)
2	2.10	<p>The Committee regret that the Corporation did not maintain a proper financial forecasting system and no budget was prepared in advance to inform the Management about the physical and financial targets of the coming year. Absence of such an essential procedure kept the Board in the dark and did not allow the Managing Director to have a grip over the organisation. The Committee feel that most of the ills from which the Corporation had suffered were due to the fact that it did not evolve a scientific system of working for itself. They hope that the changes now introduced will help the Management to have a complete hold on the working of the organisation and would prove beneficial to it. Despite its continuous working under losses the Ministry failed to obtain necessary information and to evolve necessary guidelines to reach at correct management decisions.</p>
3	2.11	<p>The Committee are unhappy to note that the gap between the average earning per truck mile and the average expenditure per truck mile of the Corporation has shown a steep rise—48 paise per truck mile in 1968-69 as against 12 paise in 1966-67. It is evident that this gap has led to huge losses to the Corporation. Unless the Government go into the entire working of the Corporation thoroughly it would be difficult to bridge this gap between average earning and expenditure per truck mile.</p>
4	2.27	<p>Incessant rise in the percentage of idle vehicle days has become a source of great concern to the Committee. They note that percentage of the idle vehicle days have increased from 30.99 in 1965-66 to 62.17 in 1968-69 indicating thereby gradual lowering down of the efficiency in the management of the Corporation. The Committee fail to understand as to why no investigation have been instituted either by the</p>

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Corporation or the Government to enquire into the real reasons for the "low on road vehicle days".

5 2.28 The Committee feel that existence of a well equipped workshop is a primary pre-requisite for any transport undertaking. They are surprised that the undertaking did not have even an Automobile Engineer till last year what to say of a well equipped workshop. The provision of Rs. 10 lakhs in the Budget for 1967-68 was a welcome provision. The Committee are surprised at the statement of Managing Director that the provision for workshop in 1967-68 could not be made use of "as arrangements could not be made to purchase the essential machinery" but no evidence was presented before the Committee to convince that the Corporation made all possible efforts to obtain the machinery during that year. The Managing Director had further stated that "later the thinking to set up such a workshop had undergone a change" but no details or reasons were disclosed to the Committee to convince them whether such a change was necessary. The Committee are unable to appreciate that the Corporation did not attach any importance to the setting up of a repair workshop in spite of the interim report (of June 1967) of a Committee set up by the Government. The Government also did not show any concern about the deterioration in the efficiency of the management which was taking place.

6 3.5 The Committee are unhappy to read the Report of the Company auditors to Shareholders on the accounts of 1967-68 regarding the loan taken from MMTC, expressing their dissatisfaction at the performance of the Corporation. They are surprised to note that the contract with MMTC was not made available to the auditors for inspection which convinces the Committee

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that all is not well with the management of the Corporation. The Committee strongly deprecate the attempt on the part of the Corporation to conceal the facts from the auditors.

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3.10

The Committee agree that it may not be possible to apportion the losses to the individual factors. But they feel that the factors contributing to such losses year after year are susceptible of detection. The Corporation has suffered losses amounting to Rs. 14.06 lakhs in 1966-67 and Rs. 16.69 lakhs in 1967-68. According to the Audit Report, the losses do not take into account the possibility of bad debts which existed in their loan operations and also the availability of trucks either as a gift or on a scrapped value from the Government. If these advantages were accounted for then the loss would have been much higher than the losses shown above. The loss of Rs. 16.69 lakhs suffered by the Corporation in 1967-68 as compared to its subscribed capital of Rs. 34.005 lakhs on 31st March, 1968 is nearly 50 per cent.

The Committee feel that the continuous increase in losses could have been arrested had the Corporation maintained an effective machinery to detect the factors leading to these losses in time and taken remedial measures promptly.

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The Government allowed this state of affairs to continue without attaching any importance to the increase in the loss. They also failed to realise that by the time the year 1968-69 was over the entire capital will be eaten up by the Corporation in maintaining itself. The Committee strongly deprecate the indifference on the part of the Government to ensure the efficient running of the Undertaking and that the Ministry failed to take any remedial measures in time to arrest this deterioration and loss to the public exchequer.

(1)	(2)	(3)
9	4.15	<p>The Committee find that the position of debts is far from satisfactory. The Corporation has still to realise Rs. 33.46 lakhs from Government and private parties and the percentage of total debtors to traffic earning as on 31st March, 1968 was 64.3. The primary duty of a commercial undertaking is to see that it realises the debt that is due to it. The Committee found that the undertaking failed to take any worthwhile step to realise its debts so that it has not to borrow money on payment of interest in order to keep it going. They would urge upon the Corporation and the Ministry to take up the question of realisation of these outstanding at a higher level and ensure that at least the undisputed amount is realised by the Corporation immediately.</p>
10	4.16	<p>The Committee fail to understand that despite the Managing Director's order not to undertake any business on credit, the work on credit has been taken in several cases resulting in accumulation of lakhs of rupees as debts. The officers committing these lapses have gone scot free. The Committee feel that it is worthwhile to make an investigation in such matters and fix the responsibility even at this stage. The Committee are also surprised that while the top executives of the Management were found to be functioning in an irresponsible manner and in utter disregard of norms and propriety, the Ministry's representative on the Board failed to report to the Government such lapses on the part of the executives.</p>
11	4.25	<p>The Committee are not happy to find the financial dealings between the Central Government undertakings (Fertilizer Corporation of India, Indian Oil Corporation and Central Road Transport Corporation) entering into a stalemate like this. They feel that the matters such as these should be immediately taken up at minis-</p>

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terial level so that the image of the working of the public sector is not tarnished by the mutual disputes. Since the loss incurred in any of the Public Undertakings is ultimately loss to the Government and to the public exchequer, the Committee would like that an inter-Ministry machinery be set up with a view to consider such inter-undertaking disputes and to arbitrate on them expeditiously.

12	4.51	The Committee are surprised that the Corporation has taken two years to initiate action in this matter. They feel that even at this late stage the good offices of the Assam Government may be utilised to settle the dispute with M/s. Associated Industries, Gauhati, in which the former is also shareholder.
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13	4.53	The instances narrated above reveal that the Corporation has so far functioned in a most un-business-like manner. Credit business had been undertaken in disobedience to the Managing Director's orders. Trucks were hired and consignments carried without executing agreements. These indicate that no proper organisation was created for the company when it was set up. The Committee hope that the Government would draw a lesson from this experience and would take requisite precautions in future, before setting up an organisation by ensuring the availability of right personnel and organisation to it. The Committee do not approve of the lenient view taken of numerous acts of omission committed by the officers of the Corporation and would suggest a comprehensive enquiry may be instituted to locate the responsibility and take action against those held responsible for such default.
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14	4.62	The Committee are surprised to find laxity in maintenance of Advance Accounts and in the
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recovery/adjustment of amounts advanced. They are also very much concerned to note the large accumulation of unsecured advances. The normal limit of advances is stated to be Rs. 2 lakhs, whereas the outstanding advances have ranged between Rs. 4.35 to Rs. 6.59 lakhs during the last four years. The Committee are of the opinion that even the minimum financial restraint was not practised in regard to grant of advances with the consequence that the limit was exceeded by two to three times during 4 years. The Committee strongly recommend the strict observance of financial rules by the officers of the Corporation in future. They would like to be informed of the recovery/adjustment of the advances outstanding as on 31st March, 1969, the magnitude of irrecoverable amounts and the action taken against the defaulters.

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4.63

In spite of repeated glaring acts of financial irregularities and mal-practices the Ministry have kept silent without interfering into the affairs of the Company. This defeats the very purpose of the Ministry's representative on the Board and the Committee feel that the Ministry's representative on the Board should be held responsible for such repeated acts of commission and omission in financial matters for not having kept the Government informed of the various activities of the Corporation.

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5.11

The Committee hope that the Accounting Manual under preparation will satisfy the requirements of Audit in all respects and shall serve as a complete guide to all the officers of the Corporation. They would like the Managing Director to introduce a system of effective internal control to ensure that the instructions laid down in the Manual are fully implemented and that they are not treated as instructions on paper only.

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- 17 5.12 The Committee are also surprised to learn that most of the vehicles of the Corporation are without milometers. Absence of milo meters has been primarily attributed to the non-availability of the services of a qualified engineer to the Corporation. No evidence has been given before the Committee to convince that the Corporation made any attempts to obtain the services of a qualified engineer. The Committee are unable to accept this contention as the country has no dearth of unemployed engineers. The Committee recommend that the Corporation should ensure the installation of milometer to every vehicle.
- 18 5.17 The Committee fail to understand why no efforts were made by the Corporation to set up an internal audit organisation earlier. They are of the opinion that the Ministry should have seen that the Internal Audit organisation was set up in the very second year of the Company's coming into being which would have brought to light the organisational and financial weaknesses of the undertaking and safeguards could have been taken well in time before the company came to such a precarious financial condition.
- 19 6.15 The Committee are amazed at the inept handling of this case from the very beginning by the Corporation. They have not been informed of the reasons which led the Company to entrust further work to the sub-contractor, when it had become known that the earlier claims of the Controller of Stationery had not been settled' by the latter. They are also surprised that the Corporation in its anxiety to explain the issue has stated that the "Controller of Stationery cannot also be absolved of his responsibility for acquiescing in the unsatisfactory services which have eventually landed him and the Company in avoidable losses and litiga-
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tion." The Committee feel that the C.R.T.C. having employed a sub-contractor was fully responsible for the faithful execution of the work, consequently it was its duty to ensure that the contractor executed the job entrusted to him honestly. In the Committee's view, the argument of the Company that the Controller of Stationery was also responsible for this unfortunate state of affairs, is hardly tenable. The Company should own its responsibility and do its best to settle the issue. The Committee hope that the C.B.I. investigation will reveal the true facts and the Company will not only take necessary corrective measures to avoid similar happenings in future but also punish the officials found guilty of various lapses in this case.

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6.25

The Committee regret to find that unauthorised advance of Rs. 13,000 was given to a firm for octroi charges by the then Financial Adviser of the Company. As the Managing Director informed the Committee the Financial Adviser was not competent to make that advance, the Committee feel that the deal conducted by the then F.A. be promptly investigated and action initiated through his parent department namely Railway Department for disciplinary and penal action as the case may be.

Curiously enough the shabby transaction relating to the advance of Rs. 13,000 came to the notice of the Ministry when the matter was under examination of the Committee. The Committee feel that the Transport Ministry which are controlling the Undertaking have shown acute indifference to performing their normal and reasonable duty, and it should be enquired and established why such a glaring case of irregularity did not come to the notice of the Ministry in time. It is evident from this that

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the Ministry even did not care to go through the Audit Report Commercial where all these facts are mentioned and which was presented to Parliament as far back as in April, 1969.

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6.28

The Committee regret the way this particular deal was transacted especially when the past dealings of the firm with the Company had not been satisfactory. Neither any formal agreement was signed with the firm nor was any security deposit obtained. The Committee are also surprised that the observations made by the Board at its meeting held in November, 1966, that the "arrangements made with—were contrary to the canons of financial propriety and in violation of the principles approved of by the Board at their meeting held on 14th October, 1965" did not attract Government's attention. They feel that the Ministry's representative on the Board has failed in his duty as he did not bring the serious charge made by the Board to the specific notice of the Ministry. They feel that the Government's representative on the Board of Directors owes greater responsibilities in so far as he is expected to safeguard the financial interests of the Government. The Committee hope that Government will study the details of the case and lay down proper guidelines for the Government's representatives on the Boards of the Public Undertakings and emphasise the necessity of observing them.

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The Committee recommend that the conduct of this particular officer, Managing Director and the Ministry's Representative, who failed to report it to the Ministry, be enquired into and responsibility fixed.

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The Committee are unhappy to note that the company decided to entrust its repair work to a

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firm without (a) inviting tenders; (b) verifying financial status and technical capability of the party; and (c) executing a formal agreement. The lapse on the part of the Company had not only led to a loss of Rs. 17,270 but had also involved it in an unnecessary litigation. The Committee feel that this is an instance of gross negligence coupled with indifference to duty on the part of the officers of the Corporation and recommend that the officers responsible for this deal deserve to be proceeded against.

24	6.43	<p>The Committee regret that a sum of Rs. 12,442 was paid to a private transport Company as detention charges for which no provision existed in the agreement. Even the fact of detention was not verified by the River Steam Navigation Company for whom services of the private firm were hired. No action seems to have been taken by the Company on the Note of November, 1966, of the Manager of the Gauhati Branch suggesting that the party be asked 'to refund the amount over-paid'. The Committee feel that such lapses confirm the inaction on the part of the Management in this case.</p>
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25	7.1-7.6	<p>The foregoing pages not only reveal a dismal picture of the operational and functional activities of the Central Road Transport Corporation Ltd. but also indicate that the Corporation has neither justified its existence nor served the purpose for which it was created.</p>
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After going through the Audit Report and also examining the undertaking and the Ministry the Committee have come to the conclusion that this is a fit case for instituting a proper enquiry, either by the Ministry or under the provisions of the Company Law, to enquire into the working of this Undertaking and to recommend to

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the Government what action need be taken against the various officers of the Ministry and of the Undertaking who are responsible for bringing the Company to the financial losses whereby the entire capital has been wiped out and also to recommend what remedial actions be taken to ensure that such things do not happen in future either in this undertaking or in any other public undertaking. A thorough enquiry and report of this Committee will be helpful to the Government to streamline their machinery and control over the various public undertakings.

The Committee have examined in detail the financial results of this undertaking and have noted that networth of the undertaking for the year 1965-66 was Rs. 32.07 lakhs. This networth has been reduced to Rs. 2.09 lakhs in the year 1967-68. The Undertaking has reported that as on 31st March, 1969, the bad debts were Rs. 0.68 lakhs and doubtful Rs. 4.37 lakhs making a total of Rs. 5.05 lakhs. Thus it is evident that the entire capital invested in this undertaking has been eaten up and is now giving a debit balance of Rs 2.96 lakhs.

The Audit Report Commercial 1969, has pointed out various irregularities as a result of which the Company has lost heavily from year to year. There is also inefficient operation and the two put together have brought the Corporation to this helpless state.

It is also evident from the Audit Report and other Reports submitted by the undertaking to the Committee that there has been a great laxity in the control and management of this company. The Ministry have failed in their duty to keep

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proper control over the affairs of this Company, since its very inception. The Undertaking has not been able to give any figures of the traffic in terms of tonnage carried by them in the different years. From the statistics given the percentage of idle vehicle days to total vehicle days were 30.09, 40.69 and 53.89 in 1965-66, 1966-67 and 1967-68 respectively. The operational cost have been also above the earnings (in 1967-68 the average expenditure per truck mile was Rs. 1.97 and the average earning was Rs. 1.57). The Undertaking has been asking that unless the Public Sector Undertakings give to it their traffic on a negotiated basis at cost plus something, the company would not be able to make its two ends meet. It has been clearly stated that on tender basis it cannot beat the private operators to get the traffic. It amounts to that, unless Public Undertakings subsidise the operations this Undertaking cannot run on a commercially profitable basis. If the Government feel that such an organisation is necessary to ensure the viability of goods traffic in an emergency, the Government should go into this question carefully whether they consider that such a fleet of trucks are a necessity to be maintained as an insurance of any breakdown in an emergency of the goods traffic system in the Eastern Zone. If the Government consider that it is a necessity then they must carefully examine and determine what they must pay in order to take an insurance against such an emergency. Such a subsidy, in view of the Committee, should be paid directly by the Government on a vote of Parliament instead of encumbering the Public Sector Undertakings to pay a veiled subsidy for the survival of the Central Road Transport Corporation.

The Committee have come to this conclusion that there is no justification for continuing this organisation because the Ministry have failed to

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put this organisation on a commercially sound footing during the course of last six years and during the period the entire investment in the undertaking amounting to Rs. 34.01 lakhs as paid up capital and Rs. 1.24 lakhs in shape of reserve and surpluses has been practically consumed. In view of this, the Committee recommend for the winding up of this Corporation, as early as possible.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
25.	Sat Narain & Sons, 3741, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN-COUNTRIES		
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.—2.	59

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