

**ANDAMAN & NICOBAR ISLANDS FOREST AND PLANTATION
DEVELOPMENT CORPORATION LIMITED**

MINISTRY OF ENVIRONMENT AND FORESTS

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)**

EIGHTEENTH REPORT

(FIFTEENTH LOK SABHA)



LOK SABHA SECRETARIAT

NEW DELHI

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**ANDAMAN & NICOBAR ISLANDS FOREST AND
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Action taken by the Government on the Observations / Recommendations contained in the Thirty-sixth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on - The Functioning of Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited)



Presented to Lok Sabha on 21.03.2013

Laid on Table of Rajya Sabha on 21.03.2013

LOK SABHA SECRETARIAT

NEW DELHI

March 2013 / Phalguna 1934 (S)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2012 – 2013)

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| 3. | Shri M.K. Madhusudhan | Additional Director |
| 4. | Shri Sunny Goel | Executive Assistant |

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Eighteenth Report on Action Taken by the Government on the Observations/Recommendations contained in the Thirty-sixth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on "The Functioning of Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited".

2. The Thirty-sixth Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 25 February 2009. Replies of the Government to the Observations/Recommendations contained in the Report were received on 14 January 2013. The draft Report was considered and adopted by the Committee at their Sitting held on 19 March 2013.

3. An analysis of the action taken by Government on the Observations/Recommendations contained in the Thirty-sixth Report is given in Annexure.

**New Delhi
20 March 2013
29 Phalgun 1934(S)**

**JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.**

CHAPTER – I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Thirty sixth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings (2008-09) on 'The Functioning of Andaman and Nicobar Islands Forest and Plantation Development Corporation Limited'.

2. Action Taken Notes have been received from the Government in respect of all the recommendations/observations contained in the Report. These have been categorized as follows:

- | | | |
|-------|--|-----------|
| (i) | Recommendations / observations which have been accepted by the Government (Chapter II) | (NIL) |
| (ii) | Recommendations / observations which the Committee do not desire to pursue in view of the Government's replies (Chapter III) | (NIL) |
| (iii) | Recommendations / observations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos 1 and 4 | (Total-2) |
| (iv) | Recommendations in respect of which final replies of the Government are still awaited (Chapter V)
Sl. Nos 2 and 3 | (Total-2) |

3. The Committee desire that response to the Committee's comments in Chapter I of the Report should be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

Revival / Restructuring of the Corporation **(Recommendation Para No. 1)**

5. The Committee (2008-09) in their Thirty-sixth Report (Fourteenth Lok Sabha) had noted that due to a ban imposed by the Supreme Court in 2001, the forestry operations of the Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. (ANIFPDCL) at both the forestry divisions at Little Andaman and North Andaman were completely stopped resulting in the Corporation being converted from a profit-making "Mini-Ratna" to a loss-making PSU. The Committee had further noted that the administrative Ministry i.e. Ministry of Environment and Forests had engaged the services of Tata Consultancy Services to submit a plan for revival of the Corporation in the wake of post-ban scenario. The agency in its Report submitted in 2004 had recommended downsizing of the Corporation, as an immediate measure so as to reduce its size to manageable proportions along with diversification of activities of the Corporation into new fields like tourism, etc. Another Scientific Expert Committee set up

by the Government and headed by C.R. Babu had also recommended the same. The Committee had also noted that inspite of sufficient expert opinion available with the Ministry for revival of the Corporation by restructuring, downsizing and diversifying, the Government, instead of finding an early viable solution had been dilly-dallying on the restructuring issue since 2005 on one pretext or the other, like non-clearance of the proposal by the Cabinet on several occasions.

6. Since due to this gross neglect by the Government, the employees and industrial workers of the Corporation had been continuously subjected to inhuman hardships and miseries, the Committee had strongly recommended that the Government should do everything possible to put the revival plan in place at the earliest and its urgent implementation through restructuring and proposed diversification activities without harming the basic interest of the existing employees like loss of jobs in a far flung and isolated area where there are hardly any means of alternate livelihood. They had further recommended that in the matter of the revival plan, the Government should take into confidence the employees/officers of the Corporation as well as the Andaman & Nicobar Administration. They had also recommended that till such time the revival materialised, the Government should provide sufficient financial assistance to the Corporation in the form of waiver of loan and such other financial support as is conducive to the revival of the Corporation.

7. In their Action Taken Note submitted on 13 May, 2011, the Government have stated that to solve the issue of ANIFPDCL, a meeting was called on 28 April, 2010 in the Ministry under the chairmanship of Director General of Forests and Special Secretary (DGF&SS) and a draft Cabinet Note was prepared containing proposal of pay revision of the employees of the Corporation as also the closure plan in a phased manner over a period of five years for the Corporation and the same was approved by the Minister of Environment and Forests. After seeking approval of the Minister, a draft Cabinet Note was circulated to the concerned Ministries / Departments for their comments. Draft Cabinet Note was further approved by the Minister after incorporating the comments received from the concerned Ministries. Now, the Draft Cabinet Note is being submitted to the Cabinet Secretariat for approval.

8. In the updated information on the matter submitted on 10 January, 2013, the Government have further clarified that to solve the long pending issues about the future of ANIFPDCL, Port Blair, a meeting was called on 28 April, 2010 in the Ministry under the chairmanship of DGF&SS and issues regarding revival/restructuring of ANIFPDCL were discussed with Principal Chief Conservator of Forests and Secretary (Forests), Andaman & Nicobar Administration and the Managing Director, ANIFPDCL along with the senior officers of the Ministry. In the meeting, it was decided to put up a Cabinet Note containing the proposal for pay revision of the employees of the Corporation and also the closure plan for the Corporation. Accordingly, a draft Cabinet note on phased closure of ANIFPDCL and pay/wage revision was sent in May, 2011 to the Cabinet Secretariat for approval, on which Cabinet Secretariat made some observations in July, 2011. The Ministry of Home Affairs(MHA)/ Board for Reconstruction of Public Enterprises (BRPSE) & ANIFPDCL and A&N Administration were requested to give their comments on these observations in July, 2011.

9. In the meantime, the Chief Secretary, Andaman & Nicobar Administration *vide* his letter dated 4 October, 2011 furnished the following views:-

- (i) The Administration is of the view that the Corporation in the present form cannot continue indefinitely as it is a drain on resources, rather than effecting closure, it would be better to restructure the Corporation with a renewed mandate to focus on its plantation activities as well as enter into the field of Eco-Tourism.
- (ii) The Administration is of view that subject to its present liabilities being settled, the ownership of the Corporation could be transferred to A&N Administration w.e5.f. 01-04-2012.

10. The above view of the Chief Secretary was discussed in the Ministry and the Ministry 'in principle' agreed with the proposal of transfer of ownership of ANIFPDCL to Andaman & Nicobar Administration.

11. Accordingly, the Cabinet Note and draft note for Committee for Non-Plan Expenditure (CNE) were prepared and the same were approved by Competent Authority in the Ministry. After approval of the Competent Authority, the file was sent to Finance Division of the Ministry with a request to seek approval of the Committee for Non-Plan Expenditure (CNE) so that same may be circulated to all concerned for their comments. As per the comments of IFD, the draft note for CNE was revised after incorporating the comment received. The draft note for CNE and draft Cabinet Note was also forwarded to BRPSE, for their comments prior to the submission of the revised CNE and draft Cabinet Note to the IDF for approval and subsequent circulation as required to concerned Ministries. The BRPSE has sent 'No Comments' on the above draft for CNE and Cabinet Note.

12. The IFD has made the following observations on the draft note for CNE:-

The date of transfer the ANIFPDC Ltd. from administrative control of Ministry of Environment & Forests to Andaman and Nicobar Administration which was 01 April, 2012 is already over, a fresh date may be decided for the same and financial implications to be reassessed due to change of date of transfer of administrative control of ANIFPDC Ltd.

Accordingly, ANIFPDCL, Port Blair was requested to furnish the relevant details. The Corporation proposed two dates i.e. either 01 April, 2013 or 01 April, 2014 for transfer of ownership of the Corporation to A&N Administration. The Minister of Environment & Forests has kindly approved the proposal to transfer the ownership of the ANIFPDCL, Port Blair to A&N Administration w.e.f. 01 April, 2014. The draft CNE and Cabinet Note will be revised accordingly and submitted to IFD of the Ministry.

After the approval of the draft note for CNE & Cabinet Note by IFD of the Ministry, the same will be circulated to all concerned Ministries for their comments. After incorporating comments from various Ministries, the Cabinet

Note will be submitted to the Cabinet with the approval of MEF and the above process will take some time. Further it may also be mentioned that CNE and Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

13. The Committee are deeply pained by the insensitivity shown by the Government in the context of revival/restructuring of one of its own enterprises. ANIFPDCL, a mini-ratna which had been making profit since its inception in 1977 was rendered loss-making due to the ban on harvesting of timber in Little Andamans and North Andamans. Since forestry operations accounted for 70% of the turnover of the Corporation, its fiscal health was completely devastated by the ban and it started defaulting on salaries and wages, statutory payments, maintenance expenses, etc. By 2004, the Ministry of Environment and Forests, which is the administrative Ministry of the Corporation, got two studies undertaken for working out a revival plan for the Corporation. Both the studies, the first by Tata Consultancy Services and the second by a Scientific Expert Committee recommended restructuring of the Corporation as also diversification of its activities to facilitate its revival. The restructuring proposal has been under consideration of the Government since 2005. This prolonged dithering by the Government on a matter having a vital bearing on the livelihood of hundreds of workers of the Corporation and their family members has not ended even after the Committee (2008-09) strongly recommended for urgent revival of the Corporation in their Thirty-sixth Report. The Action Taken Note of 13 May, 2011 of the Government, which was received two years after the Committee's report showed that very little has changed. The Action Taken Note did not go beyond the half-hearted and inconclusive efforts of the Government to bring the matter before the Cabinet. Regrettably, the updated status Note obtained from the Ministry on 10 January, 2013, showed that the Ministry had sent a draft Cabinet Note on phased closure of the Corporation and pay/wage revision to the Cabinet Secretariat only in May, 2011. The Committee, however, draw solace from the fact that the Andaman and Nicobar Island Administration had on 4 October, 2011 opined that rather than effecting the closure of the Corporation, it would be better to restructure the Corporation with a renewed mandate to focus on its plantation

activities as well as diversify into the field of eco-tourism. Going a step further, the Administration has also offered to take over the ownership of the Corporation w.e.f. 1 April, 2012, provided its existing liabilities were settled. The Committee note that the Ministry is, in principle, in agreement with this proposal of the A&N Administration. They also note that the Ministry has initiated actions preparatory to placing the matter before the Cabinet and have invited comments on the proposal from various ministries/departments/agencies. Unfortunately, in the process the timeline for transfer of ownership of the Corporation viz. 1 April, 2012 has already passed. A new date has, therefore, been sought from the Corporation alongwith a reassessment of financial implications. The Corporation has proposed 1 April, 2013 and 1 April, 2014 for the purpose and the latter has been approved by the Government. The Ministry even at this inordinately late juncture, has also stated that the consultation process, as well as, the Cabinet approval will take some time. The Committee are hugely disappointed with the continued procrastination of the Government over this issue of immense importance for not only hundreds of employees of the Corporation but also for the economy of the A&N Islands. Needless to point out that the Government have already wasted nearly a decade in a state of indecisiveness, causing unmentionable suffering and hardships to the employees of the Corporation and their families. Obviously, a similar fate may have befallen on the people involved in activities, both upstream and downstream. The Committee, therefore, urge the Ministry to exert themselves a bit, at least now and get the transfer of the Corporation formalized keeping in view 1 April, 2013 instead of 1 April, 2014 as the deadline so that the Corporation resumes its activities at the earliest and the employees and their families and other stakeholders are also saved the trauma and agony of waiting for another long year. The Committee would appreciate positive action on this vexed and extraordinarily prolonged issue within fifteen days of the presentation of this Report to the Parliament.

Fate of the Industrial Workers
(Recommendation Para No. 2)

14. The Committee had noted that around 1200 industrial workers working in the ANIFPDC were drawing the scales of pay which were calculated and arrived at during

1994 on the basis of wage structure granted by Industrial Tribunal/ Labour Court through an award. The wage structure had never been revised during the last 14 years and no other allowance was being paid to the employees. Adding further to their woes, the management had unilaterally stopped benefits like Annual Free Sea Passage, LTC, stagnation of Increment, *in-situ* promotion, etc.

15. They had further noted that based on an out of court settlement worked out between the employees and the management, the Corporation had submitted a proposal to the Ministry in November, 2008 for revising the pay-scales. However, the said proposal was also stuck in view of the Department of Public Enterprises stipulation that the PSUs will have to bear the financial implication on account of the implementation of recommendation for grant of higher pay-scale to their employees from their own resources and that there shall be no budgetary support from the Government of India for this purpose.

16. The Committee had been surprised to also note that whereas the recommendations of the Sixth Central Pay Commission had been implemented for employees under the Andaman & Nicobar Administration, the Industrial Workers of the Corporation were, in sheer violation of the Minimum Wages Act, 1948 not even getting the minimum wages fixed by the Government of India. Bearing in mind, the strategic location of the Andaman & Nicobar Islands from security point of view, as well as, the fact that very limited livelihood opportunities are available in the Islands and such neglect may create a sense of secessionism in the disgruntled industrial workers, the Committee had recommended that the Government should take all urgent steps to ensure that industrial workers and other employees of the Corporation are given the benefits of the Sixth Central Pay Commission without any further delay.

17. In their Action Taken Note of 13 May, 2011, the Government have stated that they have proposed grant of pay revision to the employees of the Corporation in respect of CDA pattern, IDA pattern and industrial workmen in the draft Cabinet Note as per recommendation of 6th Pay Commission, Pay Review Committee and as approved by Industrial Tribunal. Grant of pay revision to 1052 Industrial Workmen working in the Corporation for implementation of the settlement arrived between the management and the representatives of the Union has been proposed in the Draft Cabinet Note w.e.f. 01 October, 2006.

18. In the updated reply furnished more than one and a half years after the initial Action Taken Note, the Government have stated in this context that the draft for CNE & Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

19. The Committee had recommended that the Government should take all urgent steps to ensure that industrial workers and other employees of the Corporation are given the benefits of the Sixth Central Pay Commission without any further delay. In their Action Taken Note of 13 May, 2011, the Government had veered towards granting of revised pay scales as per the recommendation of

Sixth Pay Commission , Pay Review Committee and as per the proposal approved by the Industrial Tribunal w.e.f. 1 October, 2006. A draft Cabinet Note for granting such pay revision to 1052 industrial workmen employed in the Corporation had also been accordingly prepared. Unfortunately, however, the said pay revision of the employees still remains elusive as in the updated reply furnished to the Committee more than one and a half year after the initial Action Taken Note on 10 January, 2013 states that the Ministry is even now at the stage of drafting CNE and Cabinet Notes, etc. and the consideration of the said matter by the Cabinet still seems to be a far cry. The Committee strongly feel that when the A&N Islands Administration has already offered to take over the Corporation, the Government should not dither even a day further on this crucial aspect and fix the revised pay and wages of the employees of the Corporation immediately, after obtaining requisite approvals expeditiously. The proposed takeover of the Corporation by the A&N Islands Administration in fact offers a much needed opportunity to the Ministry to settle all these contentious matter amicably and with due promptitude so that the Corporation resumes its commercial activities immediately.

**Conversion of Loan of the Corporation into paid up Capital
(Recommendation Para No. 3)**

20. The Committee in their earlier Report had observed that ANIFPDCL was earning profit since its inception in 1977 and because of its performance, the Corporation was awarded the status of "Mini-Ratna" in 1997. The Corporation was doing good business in the forestry sector and earning surplus revenue from which it paid dividend as well as taxes to the public sector. It was only after the ban imposed by the Supreme Court in 2001 the Corporation turned into a loss-making PSU earning less than its expenses on wages, salaries, statutory payments and maintenance cost as the harvesting of timber in the Little Andaman and North Andaman Project which accounted for 70% of the total turnover of the Corporation was discontinued. The Committee had also noted that the liability of loan taken from the Government of India has gone up to the tune of Rs. 65.39 crores (2008) and the Government of India had neither released the loan promised by them nor considered any proposal for waiving off the loan or converting this amount into paid-up capital though the same was proposed by the Corporation in its restructuring proposal. In fact the Corporation was now surviving on the period interest bearing loan taken from the Government of India. The Committee had, therefore, recommended that the Government may consider converting the loan along with the interest thereon into paid-up capital and take urgent steps to finalize the restructuring proposal after obtaining expeditious clearance from the Cabinet.

21. The Government in their Action Taken Note have stated that in draft Cabinet Note, it is proposed to convert the loan sanctioned into additional paid-up capital over and above the initial paid up capital of Rs. 359 lakhs. It is also proposed to waive off the interest amount accrued on the loan amount sanctioned.

22. In their updated reply, the Government have *inter-alia* stated that draft for CNE & Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

23. The Committee are glad to note that as recommended by the Committee, the Government have proposed to convert the loan sanctioned into additional paid-up capital over and above the initial paid-up capital of Rs. 359 lakh and also to waive-off the interest accrued on the loan sanctioned. The Government have conveyed that the points raised by the Committee regarding waiver of loan have been included in the draft for Committee on Non-Plan Expenditure and Cabinet Note. The Committee desire that a decision in the matter may be solicited from the Cabinet without any further loss of time so that further action in terms of the Recommendation of the Committee about handing over the ownership of the Corporation to A&N Islands Administration by 1 April this year after attending to all past liabilities is taken by the stipulated timeline.

Diversification of Activities of the Corporation
(Recommendation Para No. 4)

24. In their Thirty-sixth Report (Fourteenth Lok Sabha) the Committee had noted that the restructuring proposal of the Corporation was pending with the Government since 2005. As per the proposal, the Corporation planned to enter into various diversification activities like development of tourism, research and consultancy, training, etc. to earn enough revenue required for its existence. During the course of their oral evidence before the Committee, the representatives of Ministry of Environment and Forests admitted that the Ministry had no objection, in principle, to the Corporation diversifying into activities like importing timber from neighbouring countries instead of carrying out forestry operations, setting up a Palm Oil Refining Unit, setting up a fresh water bottling plant or setting up any other value added projects, etc., provided the same are in conformity with the National Forest Policy, 1998, the Forest Conservation Act, 1980 and the orders of Supreme Court. In this context, the Committee had felt that the diversification may apart from setting up of a refinery for Red Palm Oil and Coconut Oil and a bottling plant for drinking water also include cultivation of medicinal plants and species related training, etc. along with participation in the tourism activities which may provide a fillip to the Corporation. The Committee had, keeping in view the fact that Government of India is the absolute owner of ANIFPDC, recommended greater participation of the Government in the diversification efforts of the Corporation. The Committee had further emphasized that the original mandate of the Corporation need

not be disturbed while trying to do the best in preserving the environment and bio-diversity, but at the same time, sustainable development should be the motto and not the uncalled for hindrance to livelihood in the name of environmental protection.

25. The Government in their Action Taken Note of May, 2011 stated that the draft Cabinet Note has been prepared for phased closure of Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. (ANIFPDCL), spread over a period of five years, therefore, question does not arise for diversification of activities.

26. However in their updated reply of January, 2013, the Government have *inter-alia* stated that draft for CNE & Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

27. The Committee note from the Note of 13 May, 2011 of the Government that at that point of time, a phased closure of the Corporation spread over five years was being contemplated by the Government. Therefore, diversification of activities of the Corporation was not being envisioned by them. However, after receiving the offer of the A&N Islands Administration to take over the Corporation there has been a change in strategy and the draft proposal of the Ministry as per their reply of 10 January, 2013, now includes the concerns of the Committee with regard to the immediate need for diversification of the Corporation to make it a viable commercial entity. While appreciating this move of the Ministry, the Committee feel that since A&N Islands have offered to take over the Corporation and the Ministry is inclined to do so, decisions like diversification of activities of the Corporation ought to be left to the A&N Islands Administration which should have a free hand in this regard after they take over the Corporation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

-NIL-

CHAPTER III

**RECOMMENDATIONS / OBSERVATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

-NIL-

CHAPTER IV

RECOMMENDATIONS / OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 1

Revival /Restructuring of the Corporation

The Committee note that due to a ban imposed by the Supreme Court in 2001, the forestry operations of the Corporation at both the forestry divisions at Little Andaman and North Andaman were completely stopped resulting in the Corporation being converted from a profit-making "Mini-Ratna" to a loss-making PSU. As of now, the future of the Corporation is uncertain and a decision on its restructuring is pending with the Government. The restructuring proposal stipulates continuation of forestry project, phasing out of Red Oil Palm Plantation Project, closure of Rubber Plantation Project at Katchal, taking up of various diversification activities and downsizing the Corporation by offering VRS to about 62% of its existing employees. In this regard, the Committee further note that the administrative Ministry i.e. Ministry of Environment and Forests engaged the services of Tata Consultancy Services to submit their plan for revival of the Corporation in the wake of post-ban scenario which submitted its Report in 2004. The Tata Consultancy Services study recommended downsizing of the Corporation, as an immediate measure so as to reduce its size to manageable proportions along with diversification of activities of the Corporation into new fields like tourism etc. Another Scientific Expert Committee set up by the Government and headed by C.R. Babu also recommended the same. The Committee, therefore, feel that there is sufficient expert opinion available with the Ministry for revival of the Corporation by restructuring, downsizing and diversifying, but to their utter dismay, nothing substantial has been done by the Government in this regard. On the contrary, the Committee is saddened to note that the Government instead of finding an early viable solution has been dilly-dallying on the restructuring issue since 2005 on one pretext or the other, like non-clearance of the proposal by the Cabinet on several occasions.

The Committee are not happy with the lackadaisical approach of the Government in handling the important issue of revival and restructuring of the Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. which involves the fate of so many employees. In the opinion of the Committee, the casual approach of the Government to the whole issue is largely responsible for turning a one-time Mini-ratna Company to a pauper organization as on date. As a result of gross neglect by the Government, the employees and industrial workers of the Corporation have been continuously subjected to inhuman hardships and miseries. The Committee, therefore, strongly recommend that the Government should do everything possible to put the revival plan in place at the earliest and its urgent implementation through restructuring and proposed diversification activities without harming the basic interest of the existing employees like loss of jobs in a far flung and isolated area where there is hardly any means of alternate livelihood. The Committee further recommend that in the matter of the revival plan, the Government should take into confidence the employees/officers of the Corporation as well as the Andaman & Nicobar Administration. Till such time, the

Government should provide sufficient financial assistance to the Corporation in the form of waiver of loan and such other financial support as is conducive to the revival of the Corporation.

Reply of the Government

To solve the issue of Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. (ANIFPDCL), a meeting was called on 28-4-2010 in the Ministry under the chairmanship of DGF&SS and a draft Cabinet Note was prepared containing proposal of pay revision of the employees of the Corporation as also the Closure Plan in the phased manner over a period of five years for the corporation and the same was approved by the Hon'ble Minister (E&F). After seeking approval of MEF, a draft Cabinet Note circulated to the concerned Ministries / Departments for their comments. Draft Cabinet Note was further approved by MEF after incorporating the comments received from the concerned Ministries. Now, the Draft Cabinet Note is being submitted to the Cabinet Secretariat for approval.

In its subsequent updated reply, the Government stated as follows:

In this regard, it is informed that to solve the long pending issues about the future of ANIFPDCL, Port Blair, a meeting was called on 28th April, 2010 in the Ministry under the chairmanship of DGF&SS and issues regarding revival/restructuring of ANIFPDCL were discussed with Principal Chief Conservator of Forests and Secretary (Forests), Andaman & Nicobar Administration and the Managing Director, ANIFPDCL along with the Senior Officers of the Ministry. In the meeting, it was decided to put up a Cabinet Note containing the proposal for pay revision of the employees of the Corporation and also the closure plan for the Corporation. Accordingly, a draft Cabinet note on phased closure of ANIFPDCL and pay/wage revision was sent in May, 2011 to the Cabinet Secretariat for approval, on which Cabinet Secretariat has made some observations in July, 2011. The MHA/BRPSE & ANIFPDCL and A&N Administration have been requested to give their comments on these observations in July, 2011.

In the meantime, the Chief Secretary, Andaman & Nicobar Administration vide his letter dated 4th October, 2011 has furnished the following views:-

- (i) The Administration is of the view that the Corporation in the present form cannot continue indefinitely as it is a drain on resources, rather than effecting closure, it would be better to restructure the Corporation with a renewed mandate to focus on its plantation activities as well as enter into the field of Eco-Tourism.
- (ii) The Administration is of view that subject to its present liabilities being settled, the ownership of the Corporation could be transferred to A&N Administration w.e.f. 01-04-2012.

The above view of the Chief Secretary was discussed in the Ministry and the Ministry 'in principle' agrees with the proposal of transfer of ownership of Andaman & Nicobar Islands Forest & Plantation Development Corporation Ltd. (ANIFPDCL) to Andaman & Nicobar Administration.

Accordingly, the Cabinet Note and draft note for Committee for Non-Plan Expenditure (CNE) were prepared and same was approved by Competent Authority in the Ministry. After approval of the Competent Authority the file was sent to Finance Division of the Ministry with a request to seek approval of the Committee for Non-Plan Expenditure (CNF) so that same may be circulated to all concerned for their comments. As per the comments. As per the of IFD, the draft note for CNE was revised after incorporating the comment received. The draft note for CNE and draft Cabinet Note was also forwarded to Board for Reconstruction of Public Enterprises (BRPSE), for their comments prior to the submission of the revised CNE and draft Cabinet Note to the IFD for approval and subsequent circulation as required to concerned Ministries. The BRPSE has sent 'no Comments' on the above draft for CNE and Cabinet Note:-

The IFD has made the following observations on the draft note for CNE:-

The date of transfer the ANIFPDC Ltd. from administrative control of Ministry of Environment & Forests to Andaman and Nicobar Administration is already over which was 01-04-2012, a fresh date may be decided for the same and financial implications to be reassessed due to change of date of transfer of administrative control to ANIFPDC Ltd.

Accordingly, ANIFPDCL, Port Blair was requested to furnish the relevant details. The ANIFPDCL, Port Blair has accordingly proposed two dates i.e. either 01-04-2013 or 01-04-2014 for transfer of ownership of the Corporation to A&N Administration. The Hon'ble Minister of Environment & Forests has kindly approved the proposal to transfer the ownership of the ANIFPDCL, Port Blair to A&N Administration w.e.f. 01-04-2014. The draft CNE and Cabinet Note will be revised accordingly and submitted to IFD of the Ministry. After the approval of the draft note for CNE & Cabinet Note by IFD of the Ministry, the same will be circulated to all concerned Ministries for their comments. After incorporating comments from various Ministries, the Cabinet Note will be submitted to the Cabinet with the approval of Hon'ble MEF and the above process will take some time. Further, it may also be mentioned that draft for CNE & Cabinet Note includes all the points raised by Committee on Public Undertakings regarding pay revision waiver of loan and diversification of activities.

To solve the issue of Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. (ANIFPDCL), a meeting was called on 28-4-2010 in the Ministry under the chairmanship of DGF&SS and a draft Cabinet Note was prepared containing proposal of pay revision of the employees of the Corporation as also the Closure Plan in the phased manner over a period of five years for the corporation and the same was approved by the Hon'ble Minister (E&F). After seeking approval of MEF, a draft Cabinet Note circulated to the concerned Ministries / Departments for their comments. Draft Cabinet Note was further approved by MEF after incorporating the comments received from the concerned Ministries. Now, the Draft Cabinet Note is being submitted to the Cabinet Secretariat for approval".

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 13th May 2011]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 8 of the Chapter I of the Report.

Recommendation No. 4

Diversification of Activities

The Committee note that as per the restructuring proposal of the Corporation pending with the Government, the Corporation plans to enter into various diversification activities like development of tourism, research and consultancy, training etc. to earn enough revenues required for its existence. The Committee understand that for taking up the diversification activities, the Corporation needs to select a few viable projects and present a detailed project report to the Ministry of Environment and Forests and other concerned Ministries. In this regard, the Committee further note that during the course of evidence, the representatives of Ministry of Environment and Forests informed them that in principle, the Ministry has no objection in adoption of diversification activities by the Corporation like importing timber from neighbouring countries instead of carrying out forestry operations, setting up of a Palm Oil Refining Unit, setting up of fresh water bottling plant or setting up any other value added projects etc., provided the same are in conformity with the National Forest Policy, 1998, the Forest Conservation Act, 1980 and the orders of Supreme Court.

The Committee, while noting that the Government of India is the complete owner of the ANIFPDC, feel that as such, the Government itself has to come out with viable diversification proposals which could be taken up by the Corporation to ensure its continuance. The diversification may further involve setting up of a refinery for Red Palm Oil and Coconut and a bottling plant for drinking water. The cultivation of medicinal plants and species and training in them may also be another area, which may provide a fillip to the Corporation along with participation in the tourism activities. The Committee recommend greater participation of the Government in the diversification efforts of the Corporation and further emphasize here that the original mandate of the Corporation need not be disturbed while trying to do the best in preserving the environment and bio-diversity, but at the same time, sustainable development should be the motto and not the uncalled for hindrance to livelihood in the name of environmental protection.

Reply of the Government

As the draft Cabinet Note has been prepared for phased closure of Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. (ANIFPDCL), spread over a period of five years, therefore, question does not arise for diversification of activities.

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 13th May 2011]

Further replies of the Government

...it may also be mentioned that draft for CNE & Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 10th January 2013]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 18 of the Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation No. 2

Fate of the Industrial Workers

The Committee note that there are around 1200 industrial workers working in the ANIFPDC who are drawing the scales of pay which were calculated and arrived at during 1994 on the basis of wage structure granted by Industrial Tribunal/ Labour Court through an award. The wage structure has never been revised during the last 14 years and no other allowance is being paid to the employees. Adding further to their woes, the management unilaterally stopped the benefits like Annual Free Sea Passage, LTC, stagnation of Increment, *in-situ* promotion etc. As such the industrial workers of the Corporation are finding it difficult to make their ends meet with the meagre wages they are getting as against escalation of the cost of living over the period of time.

In this regard, the Committee have been informed by the Government that an out of court settlement was worked out between the employees and the management. The Corporation submitted a proposal to the Ministry in November, 2008 for revising the pay-scales. According to the Ministry, the said proposal was examined in consultation with the Department of Public Enterprises (DPE) in the Ministry of Heavy Industries and Public Enterprises. The Committee feel horrified to note that on such an important issue the DPE has casually drawn the attention of the Ministry to an Office Memorandum issued by them which stipulates that the PSUs will have to bear the financial implication on account of the implementation of recommendation for grant of higher pay-scale to their employees from their own resources and that there shall be no budgetary support from the Government of India for this purpose. The Committee are saddened over the apathetic attitude of the administrative Ministry towards its own baby by simply conveying to it the decision of the Department of Public Enterprises (DPE).

In the opinion of the Committee, the Ministry has simply washed off their hands from the responsibility of safeguarding the interest of the Corporation fully owned by them. The Committee are surprised to note that whereas the recommendations of the Sixth Central Pay Commission have been implemented for employees under the Andaman & Nicobar Administration, the Industrial Workers of the Corporation are not getting even the minimum wages fixed by the Government of India which is a sheer violation of the Minimum Wages Act, 1948. The Committee feel that the Government must take into consideration the strategic location of the Andaman & Nicobar Islands from security point of view as well as the fact that very limited livelihood opportunities are available in the Islands and such neglect may create a sense of secessionism in the disgruntled industrial workers. The Committee, therefore, recommend with all conviction that the Government should take all urgent steps to ensure that industrial workers and other employees of the Corporation are given the benefits of the Sixth Central Pay Commission without any further delay so as to bring them succour and adequate relief

from their hardships and sufferings and apprise the Committee of the action taken thereon.

Reply of the Government

Government of India has proposed grant of pay revision to the employees of the Corporation in respect of CDA pattern, IDA pattern and industrial workmen in the draft Cabinet Note as per recommendation of 6th Pay Commission, Pay Review Committee and as approved by Industrial Tribunal. Grant of pay revision to 1052 Industrial Workmen working in the Corporation for implementation of the settlement arrived between the management and the representatives of the Union has been proposed in the Draft Cabinet Note w.e.f. 01-10-2006.

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 13th May 2011]

Further replies of the Government

...it may also be mentioned that draft for CNE & Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 10th January 2013]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 18 of the Chapter I of the Report.

Recommendation No. 3

Waiving of Loan

The Committee note that prior to the ban imposed by the Supreme Court in 2001, the Corporation was earning profit since its inception in 1977 and because of its performance, the Corporation was awarded the status of "Mini-Ratna" in 1997. The Corporation was doing good business in the forestry sector and earning surplus revenue from which it paid dividend as well as taxes to the public sector. After the ban, the harvesting of timber in the Little Andaman and North Andaman Project was totally stopped which otherwise yielded around 70% of the total turnover of the Corporation being its main commercial activity. However, as a result of the ban, the Corporation from 2001 onwards converted into a loss-making PSU earning less than its expenses on wages, salaries, statutory payments and maintenance cost. The Committee have been informed that at present, the liability of loan taken from the Government of India has gone up to the tune of Rs. 65.39 crores and is affecting the financial performance of the Corporation. The Committee have further been informed that the Government of India is yet to release the loan promised by it which may result in acute financial crisis and non-payment of salaries and wages to the workers already reeling under severe hardship. The Committee further note that Government have not considered any

proposal for waiving off the loan or converting this amount into paid-up capital though the same was proposed by the Corporation in its restructuring proposal. The Corporation is now surviving on the period interest bearing loan taken from the Government of India.

The Committee feel that this issue requires immediate Government attention and recommend that the Government may consider converting the loan along with the interest thereon into paid-up capital. If that not so, the Corporation becoming viable after restructuring will continue to be in a state of sickness because of its loan liabilities. The Committee, therefore, recommend that urgent steps must be taken to finalize the restructuring proposal after obtaining expeditious clearance from the Cabinet.

Reply of the Government

In draft Cabinet Note, it is proposed to convert the loan sanctioned into additional paid-up capital over and above the initial paid up capital of Rs. 359 lakhs. It is proposed to waive off the interest amount accrued on the loan amount sanctioned.

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 13th May 2011]

Further replies of the Government

...it may also be mentioned that draft for CNE & Cabinet Note includes all the points raised by the Committee on Public Undertakings regarding pay revision, waiver of loan and diversification of activities.

[Ministry of Environment & Forests O.M. No.14-8/2008-SU(Vol. II) dated 10th January 2013]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 18 of the Chapter I of the Report.

**New Delhi
20 March 2013
29 Phalgun 1934(S)**

**JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.**

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-13)

MINUTES OF THE TWENTY FIRST SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 19 March, 2013 from 1500 hrs to 1530 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Jagdambika Pal - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Bansa Gopal Chowdhury
4. Dr. Mahesh Joshi
5. Shri Shailendra Kumar
6. Dr. (Smt.) Botcha Jhansi Lakshmi
7. Shri Vilas Muttemwar
8. Shri Ponnambhakar
9. Shri Nama Nageswara Rao
10. Dr. Prabha Kishore Taviad

Rajya Sabha

11. Shri Anil Desai

SECRETARIAT

1. Shri A. Louis Martin Joint Secretary
2. Shri M.K. Madhusudhan Additional Director

2. At the outset, the Chairman welcomed the Members to the Sitting of the Committee. The Committee then took up Memoranda Nos. 3 to 7 containing following draft Reports:

- (i). XXXX XXXX XXXX.
- (ii). Action taken by the Government on the Observations / Recommendations contained in the Thirty-sixth Report (Fourteenth Lok Sabha) on The Functioning of Andaman and Nicobar Islands Forest and Plantation Development Corporation Limited.
- (iii). XXXX XXXX XXXX.
- (iv). XXXX XXXX XXXX.
- (v). XXXX XXXX XXXX.

3. The Committee approved the Memoranda and adopted the draft Reports without any modification and authorized the Chairman to present these Reports after getting them factually verified from the concerned Ministries / Departments.

The Committee then adjourned.

XXXX Matter not related to this Report.

ANNEXURE*(Vide para 3 of the Introduction)*

Analysis of the Action Taken by Government on the Observations / Recommendations contained in the Thirty sixth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings on 'The Functioning of Andaman and Nicobar Islands Forest and Plantation Development Corporation Limited'.

I	Total number of recommendations	04
II	Recommendations that have been accepted by the Government	NIL
III	Recommendation which the Committee do not desire to pursue in view of Government's replies	NIL
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee [vide recommendations at Sl. Nos. 1 and 4] Percentage of total	02 50%
V	Recommendations in respect of which final replies of Government are still awaited. [vide recommendations at Sl. Nos. 2 and 3] Percentage of total	02 50%