

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1978-79)**

(SIXTH LOK SABHA)

**THIRTY-SIXTH REPORT**

[Action Taken by the Government on the recommendations contained in the Fifth Report of the Committee on Public Undertakings (Sixth Lok Sabha)—Procurement of vacuators under mysterious circumstances, lightering and stevedoring operations]

**CENTRAL INLAND WATER TRANSPORT  
CORPORATION  
(MINISTRY OF SHIPPING AND TRANSPORT)**

[Presented to Lok Sabha on  
Laid in Rajya Sabha on



**LOK SABHA SECRETARIAT  
NEW DELHI**

March, 1979/Chaitra, 1900 (Saka)

Price : Rs. 1.70

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1978-79)**

(SIXTH LOK SABHA)

48  
—  
4

**THIRTY-SIXTH REPORT**

[Action Taken by the Government on the recommendations contained in the Fifth Report of the Committee on Public Undertakings (Sixth Lok Sabha)—Procurement of vacuators under mysterious circumstances, lightering and stevedoring operations]

**CENTRAL INLAND WATER TRANSPORT  
CORPORATION  
(MINISTRY OF SHIPPING AND TRANSPORT)**

20 MAR

[Presented to Lok Sabha on ]  
[Laid in Rajya Sabha on ]



**LOK SABHA SECRETARIAT  
NEW DELHI**

March, 1979/Chaitra, 1900 (Saka)

Price : Rs. 1.70

36th Report of C.P.U.(1978-79)

CORRIGENDA

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(iii)	-	24	Shri H.B. Mahid	Shri H.B. Mahida
13	-	1	requested depute	requested to depute
21	-	2 (from bottom)	Sihoned	siphoned
32	-	2	Vide Para 5 of Intro- duction	(Vide Para 3 of Intro- duction)

## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
COMPOSITION OF THE SUB-COMMITTEE . . . . .	(v)
INTRODUCTION . . . . .	(vii)
I. Report . . . . .	1
II. Recommendations/Observations that have been accepted by the Government . . . . .	7
III. Recommendations/Observations which the Committee do not desire to pursue in view of Governments replies . . . . .	27
IV. Recommendations/Observations in respect of which the Government replies have not been accepted by the Committee . . . . .	29
V. Recommendations/Observations in respect of which final replies of the Government are still awaited . . . . .	30
Appendix—Analysis of action taken by Government on recommendations contained in the 5th Report of the Committee on Public Undertakings (Sixth Lok Sabha) . . . . .	32

**COMPOSITION OF THE  
COMMITTEE ON PUBLIC UNDERTAKINGS  
(1978-79)**

**CHAIRMAN**

**Shri Jyotirmoy Bosu**

**MEMBERS**

2. Shri O. V. Alagesan
3. Shri Maganti Ankineedu
4. Shrimati Chandravati ..
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai ..
7. Shri Anant Ram Jaiswal
8. Shri L. L. Kapoor
9. Shri K. Lakkappa
10. Shri Dharamsinhbhai Patel
11. Shri Raghavji
12. Shri Padmacharan Samantasinhar
13. Shri Bhanu Kumar Shastri
14. Dr. Subramaniam Swamy
15. Shri Madhav Prasad Tripathi
16. Shri S. W. Dhabe
17. Shri K. N. Dhulap
18. Shri H. B. Mahid
19. Shri Murasoli Maran
20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh\*

**SECRETARIAT**

1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*

---

\*Elected w.e.f. 26-12-1979 *Vice* Shri Deorao Patil died

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE  
ON PUBLIC UNDERTAKINGS**

(1978-79)

1. Shri Jyotirmoy Bosu—*Chairman.*
2. Shri O. V. Alagesan—*Convener.*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty Sixth Report on Action Taken by Government on the recommendations contained in the Fifth Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Central Inland Water Transport Corporation—Procurement of Vacuators under mysterious circumstances, lightering and stevedoring operations.

2. The Fifth Report of the Committee on Public Undertakings was presented on the 19th April, 1978. Replies to all the recommendations contained in the Report were received in three batches in July and October, 1978 and in January, 1979. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on 15th March, 1979. The report was finally adopted by Committee on Public Undertakings on 19th March, 1979.

3. Analysis of action taken by Government on the recommendations contained in 5th Report of C.P.U. (6th Lok Sabha) is given at Appendix.

4. The delay in implementation of recommendations of the Committee is deplorable. The investigations by various agencies including CBI do not appear to have progressed beyond the preliminary stage of taking over of certain documents except registering a few FIRs. At this rate one could hardly expect that corruption will be curbed which is growing faster than any other activity in the country. The whole matter should therefore be looked into at the highest level in the Ministries of Shipping and Transport, Home Affairs and Finance with a view to identifying and removing the causes of delay, and expediting action.

NEW DELHI;  
March 21, 1979.  

---

Phalguna 30, 1900 (Saka).

JYOTIRMOY BOSU,  
Chairman,  
Committee on Public Undertakings.

## CHAPTER I

### REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Fifth Report of the Committee on Public Undertakings (1977-78) on Central Inland Water Transport Corporation—procurement of Vacuators under mysterious circumstances, lightering and stevedoring operations, which was presented to Lok Sabha on the 19th April, 1978.

2. Action Taken Notes have been received from Government in respect of all the recommendations contained in the said Report. These have been categorised as follows:—

(i) *Recommendations/observations that have been accepted by the Government* . . . . .

S. Nos. 1, 2(i), (ii), (iii), (iv), and (v), 3, 4, 5, 6(i), (ii), (iii), (iv) and (v), 7, 8, 9, 10, 11, 12(i), (ii), (iii), (iv) and (v), 13 and 14.

(ii) *Recommendations|observations which the Committee do not desire to pursue in view of Government's replies.*

Sl. Nos. 17 and 18.

(iii) *Recommendations|observations in respect of which the replies of Government have not been accepted by the Committee.*

Nil

(iv) *Recommendations|observations in respect of which final replies of Government are still awaited.*

Sl. Nos. 15 and 16.

3. The Committee will now deal with the action taken by Government on their recommendations.



*Delay in Implementation of Recommendations*

**Recommendations (Sl. Nos. 1 to 6 and 10 to 14, Paras 113 to 118, 120 and 122 to 126)**

In these paragraphs the Committee noted that the whole scheme of foodgrain lightering operations undertaken by the Central Inland Water Transport Corporation was replete with glaring irregularities and dubious deals. In this connection the Committee observed several disturbing features, including the following:—

- The scheme was sought to be sanctioned by the Board of Directors through circulation, rather than after detailed discussion at a Board meeting, and on inadequate premises.
- Although three Directors, of whom two were Government Directors on the Board did not approve of the scheme, the then Chairman-cum-Managing Director rushed through the matter and got it approved directly by the then Secretary of the Ministry, which gave rise to grave suspicion about CMD's integrity. The Ministry approved the scheme in undue haste, brushing aside the objections raised by Government Directors.
- The transaction pertaining to the purchase of vacuators from USA was hustled through. No approach was made to the Food Corporation of India which had a stock of similar vacuators and the indigenous suppliers were also bypassed. There also appeared to be violation of Foreign Exchange Regulation Act and evasion of customs duty.
- MMP Lines Ltd. were appointed sub-contractors by the Corporation even before the agreement with the shipowners. They (MMP Lines) further sub-contracted the work to M/s. Madras Marine at a very low rate and in violation of the terms of the agreement. The whole scheme seemed to be engineered by Shri M. N. Pal of MMP Lines and the CMD (Shri Chelliah) to defraud the Corporation and reap huge profits for themselves.
- In the case of lightering operation on ship "Aquagem" in Bangladesh, the Corporation entered into this agreement for work in a third country without seeking approval of Government or Board. The original agreement with ship-owners was subsequently amended to provide for remittance upto 50 per cent of the remuneration to Bangladesh

for being directly paid to MMP Lines, thereby siphoning foreign exchange out of the country. Further large amounts appeared to have been paid by the Corporation to various parties on behalf of MMP Lines and a sum of Rs. 8.58 lakhs was still due from MMP Lines.

The Committee came to the conclusion that in the entire lightering operations, the main beneficiaries had been MMP Lines and a few top officers of the Corporation who were hand in glove with them. The Committee *inter alia* made the following specific recommendations:—

- (1) The whole matter, including the role played by the top officials of the Corporation and the Minister, contractors and sub-contractors, non-use of vacuators lying with FCI, condition of newly purchased vacuators, violation of Foreign Exchange Regulation Act, evasion of customs duty should be thoroughly investigated by CBI, Income Tax authorities, Enforcement Directorate etc. responsibility fixed and the erring officials firmly dealt with.
- (2) The probe by CBI should be made by a Sr. CBI official preferably sent from Delhi since the Committee were not happy with the performance of CBI's Calcutta office with regard to enquiries relating to CIWTC.
- (3) A special audit should be conducted by C&AG into transactions relating to these operations.
- (4) Regarding payment of dues of Rs. 8.58 lakhs by MMP Lines, the officers responsible for this state of affairs should be made personally liable to make good this amount, if not realised from MMP Lines.

The Committee wanted to be informed of the action taken on various recommendations within three months of the presentation of Report.

The Government, in their replies to these recommendations/conclusions have *inter alia* stated that:—

- (i) As recommended by the Committee, the CBI, Ministry of Finance (Deptt. of Revenue), Directorate of Enforcement, Customs and Income Tax authorities and the Reserve Bank of India have been asked to investigate the various irregularities committed in lightering operations undertaken by the CIWTC, including the role played by the top officers

of the Corporation and Ministry as also MMP Lines. Their reports are awaited.

The recommendation of the Committee that the probe of CBI should be made by a senior CBI official preferably sent from Delhi has been brought to the notice of the CBI.

- (ii) C&AG has been requested to have a special audit conducted by his staff.
- (iii) Necessary instructions have been issued to the Corporation that in future all such important matters should normally be discussed at Board meetings and that all proposals for foreign collaboration with foreign parties should be got approved by Government.
- (iv) As regards recovery of dues from MMP Lines, it is stated that MMP Lines have denied any liability for the claim. The question of fixing responsibility on officers concerned will be considered on receipt of reports of the investigating agencies.

In response to further information asked for by the Committee regarding the outcome of various investigations etc. the Ministry of Shipping and Transport have stated (on 20-1-1979) that the reports on the investigations being conducted by various agencies [i.e. the CBI, Ministry of Finance (Deptt. of Revenue), Directorate of Enforcement, Customs Authorities, Income Tax Authorities and the Reserve Bank of India] on the matters referred to them are still awaited. While they had asked the Ministry of Finance/Enforcement Directorate/RBI/Customs and Income Tax Authorities to complete their investigations by 15-7-1978, no such target date was fixed for the completion of investigations by CBI. The Ministry had, however, reminded all these agencies (including CBI) from time to time for early submission of reports.

**This is yet another instance where the progress in implementation of recommendations of the Committee, which were made after considerable exercise and in-depth probing, has been awfully slow. In this case the Committee had called upon Government to complete action on all the recommendations with 3 months of presentation of Report i.e. by July, 1978 but even after 9 months matters have not moved beyond initiating investigation and follow-up action largely remains unattended to. This is most unfortunate. Responsibility should be fixed under advice to the Committee on Public Undertakings.**

**The Government did not even fix a dead-line for completion of investigations by C.B.I., much less see that the target date set for other agencies was adhered to. The investigations by various agencies including C.B.I. do not appear to have progressed beyond the**

'preliminary' stage of taking over of certain documents except registering a few FIRs. This is most deplorable. Any delay in investigating such matters and taking follow up action bring total lack of confidence in the whole system. Such a situation ought not to be tolerated. The Committee require that the whole matter should be looked into at the highest level in the Ministries of Shipping & Transport, Home Affairs and Finance, with a view to identifying and removing the causes of delay, and expediting action. All this should be completed within a period of three months from now and a statement laid on the Table of the House indicating complete action taken on the various recommendations contained in this Report.

**Recommendations—Sl. Nos. 4(iv), 7, 9 and 16, (Paras 116, 119, 121 and 128)**

In these paragraphs, the Committee *inter alia* made the following recommendations/observations:—

- The vacuators purchased from USA did not seem to be new but re-conditioned ones. The Committee called for a probe into the matter.
- The C.M.D. and other officers of the Corporation were fully aware that the unloading work had been sub-contracted by MMP Lines Ltd. to Madras Marine which was in violation of the agreement, still all the officers showed their ignorance about it.
- Shri M. N. Pal of MMP Lines had unhindered access to Corporation's papers and was allowed to draft telex and other communications for the Corporation which was against the interests of the Corporation and it also violated the Official Secrets Act. The C.M.D. and other officials of the Corporation became pliant tools in the hands of Shri Pal.
- The Committee recommended that the Ministry should enquire into the extraneous circumstances that led to the appointment of Shri Gorsia as Stevedoring Advisor, including diversion of Corporation's clients to the firm of his father, and take appropriate actions in the matter.

In their replies, Government have stated that—

- (i) The Food Corporation of India were asked to have the vacuators surveyed by a suitable technical officer but they had not been able to depute their officer for the purpose. The vacuators are now being got examined by a

technical officer of the Calcutta Port Trust and his report is awaited.

- (ii) The explanation of the former C.M.D. (Shri Chelliah) who apparently made wrong statements to the Committee/Ministry showing his ignorance about the appointment of Madras marine by MMP Lines was called for. He had *inter alia* stated that his house was raided by CBI on 24-10-78 and all correspondence on the subject seized. Copies of letters have since been supplied to him and further action will be taken on receipt of his reply.
- (iii) In regard to giving access to Shri M. N. Pal to Corporation's papers, it is stated that the matter has been examined in consultation with the Ministry of Law and no violation of the Official Secrets Act seems to be involved. Necessary action against officers who may have violated conditions of Conduct Rules is being taken.
- (iv) Regarding appointment of Shri Gorsia, the Ministry first referred the matter to CBI for investigation. The CBI informed the Ministry that it did not require any probe by CBI and it was for the Department to take necessary action. The matter is now stated to be under consideration of the Ministry.

**The Committee are distressed to note that even implementation of the recommendations which did not require any further investigation by independent agencies outside the Ministry of Shipping and Transport and the CIWTC has been extremely tardy. This is a sad reflection on the efficiency of the Ministry. The Committee expect better performance in the working of Ministries/Departments and trust that no further time will be lost in acting upon their recommendations.**

## CHAPTER II

### RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Serial No. 1, Para 113)

The Committee regret to note that the whole scheme of food-grain lightering operations undertaken by the Corporation in January, 1976 is replete with glaring irregularities and dubious deals which to say the least are most perturbing.

#### Reply of Government

As recommended by the Committee in Paragraph Nos. 116(v), 124 and 126 the C.B.I., Ministry of Finance (Deptt. of Revenue), Directorate of Enforcement, Customs Authorities, Income Tax Authorities, Reserve Bank of India have been requested to investigate the various irregularities pointed out by the Committee. Their reports are awaited.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)/78-P&W, dt. 17-10-1978].

#### Recommendation (Serial No. 2, Para 114)

In getting the scheme sanctioned the following disconcerting features were noticed:

- (i) The note prepared for seeking the approval of the Board of Directors to this scheme gave a very exaggerated picture about the profitability of these operations. No detailed project report supported by facts and figures was appended to the note which could give the quantum of operations, the basis therefor the total cost involved the likely expenditure as also the overall financial implications etc.
- (ii) The quantity of grains which was expected to be handled by the Corporation within 6 to 7 months was estimated at 5 lakh tonnes and the profit therefor was estimated at Rs. 67.5 lakhs. In actual practice the total grains handled by the Corporation till August, 1977 from three ships amounted to only about 2.15 lakh tonnes.

- (iii) The scheme was sought to be sanctioned by the Board of Directors through circulation while a new venture of this type which involved a major decision, should have compulsorily been put on the agenda paper and discussed thoroughly at the Board's meeting.
- (iv) After the three Directors, of whom two were Government Directors, on the Board of the Corporation did not approve the scheme, the Chairman-cum-Managing Director (Shri Chelliah) got the scheme approved by the Secretary of the Ministry directly who obviously did so without insisting on a detailed project report containing the financial projections and without fully satisfying himself about the merits of the proposal regarding the assumptions made in the note of the Chairman-cum-Managing Director. This is indicative of the powerful support Shri Chelliah had in the Ministry in getting his plans and schemes pushed through. This matter needs a probe with a view to fixing responsibility for taking necessary action.
- (v) In the note, it was assumed that foodgrains would be imported in the country on a large scale. Neither the Department of Food nor the Food Corporation of India were consulted in regard to these projections while preparing the note. Even the Ministry of Shipping and Transport while according approval to this scheme, did not bother to check these assumptions with the Department of Food. This, the Committee seriously suspect, was a deliberate act.

### Reply of Government

As recommended by the Committee in Paragraph No. 126, the C.B.I. has been asked to undertake a thorough investigation in the whole matter relating to the scheme of foodgrains lightering operations undertaken by the CIWTC as also the role played by the top officers of the Corporation and Ministry, and its reply is awaited.

2. So far as (iii) above is concerned, under the Articles of Association of the Company, resolutions of the Board of Directors can be passed by circulation and the Articles of Association do not provide for any limitation on this procedure. The approval of the proposal by circulation, therefore, did not constitute any illegality although it was desirable that an important matter involving a major decision for starting a new venture should have been discussed at

the meeting of the Board of Directors. Necessary instructions have been issued to the Chairman-cum-Managing Director of the Company to ensure that in future all such important matters are normally discussed at the meetings of the Board of Directors, unless there are exceptional circumstances of extreme urgency to justify recourse to the procedure of circulation.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)/78-  
P&W dt. 17-10-78]

### **Recommendation (Serial No. 3, Para 115)**

It is thus evident that the Chairman-cum-Managing Director of the Corporation rushed through the whole scheme in a manner which gives rise to grave suspicion about his integrity. The Ministry of Shipping and Transport apparently approved the scheme in undue haste without undertaking a detailed examination of the whole scheme and consulting the Government Directors on the Board of the Corporation who had not endorsed this proposal. This is a sad reflection on the control exercised by Government on the working of Public Undertakings. The Committee desire that action should be taken against the concerned officers of the Ministry for what amounted to dereliction of duties or an act of collusion. The Committee suspect this to be a case of corruption otherwise there is no reason for the Ministry directly taking up the matter brushing aside the objections raised by the Government Directors who were also senior Officials in the Ministry.

This shows the disadvantage that an organisation suffers if the two positions namely, the Chairman and the Managing Director are combined. This practice should be discontinued forthwith.\*

### **Reply of Government**

As recommended by the Committee in Paragraph No. 126 the C.B.I. has been asked to carry out a thorough investigation including the role played by the top officers of the Corporation and the Ministry of Shipping & Transport while approving the scheme of foodgrain lightering operations of the Corporation and its report is awaited.

---

\*In this connection please see Government reply to recommendation Sl. 7 in Chapter III of Action Taken Report on 9th Report of the Committee on CIWTC.



The recommendation regarding bifurcation of the post of the Chairman-cum-Managing Director into two posts viz. those of Chairman and the Managing Director is under consideration of Government.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)/78-  
P&W dt. 17-10-78]

#### **Recommendation (Serial No. 4 Para 116)**

Another serious irregularity committed in this case is in regard to the purchase of vacuators as indicated below:—

- (i) Originally, the Chairman-cum-Managing Director (Shri Chelliah) approached the Ministry for the purchase of 7 vacuators costing about \$3,50,000 (about Rs. 32 lakhs). On being pointed out by the Ministry that the clearance of Chief Controller of Imports and Exports and the Ministry of Finance would be required for the import of vacuators and release of foreign exchange, the Chairman-cum-Managing Director of the Corporation cancelled the request and instead sought Ministry's approval to a different proposal. While doing so it was not made clear that the cost of the Vacuators which amounted to Rs. 32 lakhs in dollars would be paid to the ship owners in U.S.A. which apparently required approval of the Reserve Bank of India. The whole thing looks very suspicious and a thorough probe must be instituted in the matter. It should also be probed as to why Shri Chelliah did not want to make use of the Vacuators that were lying idle with Food Corporation of India which is a sister public undertaking.
- (ii) Indigenous suppliers were bye-passed which is clear from the extracts from a note on which the Financial Adviser and Chief Accounts Officer (Shri Biswas) has also recorded his note:

**"ALL THE ABOVE POINTS SHOULD NOT BE INCLUDED IN THE SAME ENQUIRY. A SECOND OR THIRD ENQUIRY MAY BE SENT TO THE BOMBAY MANUFACTURER WITH ONE OR TWO OF THE ABOVE POINTS IN EACH OF THE ENQUIRIES, THUS KILLING TIME BY WHICH TIME THE AGREEMENT**

WITH THE AMERICAN PARTY MIGHT BE FINALISED.

A.O.(M)

op-z8

Our reply should include the above points.

Sd./- P. G. BISWAS

31.1."

They only wanted to rush through the formalities so that nobody could question them in this regard.

- (iii) No approach was made to the Food Corporation of India for hiring of vacuators although the Corporation had over 200 vacuators with them at that time. These included vacuators from the same American manufacturers, namely, Dunbar Kapple of Illinois. The reasons are not difficult to understand.
- (iv) The vacuators which were stated to be new broke down frequently. The supplier quoted engine numbers which were different from those given on the vacuators. The whole thing gives rise to a serious suspicion that the vacuators purchased were not new but only reconditioned ones. The matter requires to be thoroughly enquired into.
- (v) The payment of the cost of vacuators amounting to Rs. 32 lakhs in dollars was made in U.S.A. No approval of the Reserve Bank of India was obtained therefor and it would appear to amount to violation of Foreign Exchange Regulation Act. The payment of customs duty has also been evaded as the value declared to the customs was only \$ 2,000 which was not correct. Both the Enforcement as well as Customs authorities should examine the matter thoroughly.

#### **Reply of Government**

- (i) & (v) As already mentioned in reply already given to Committee on Public Undertakings on Recommendation No. 14 (Paragraph No. 126), the C.B.I., Ministry of Finance (Department of Revenue) Enforcement Directorate and the Reserve Bank of India have been requested to carry out investigation and report the result to the Ministry of Shipping and Transport. Their reports are awaited.

- (ii) Instruction dated 31-1-76 of Financial Adviser & Chief Accounts Officer, C.I.W.T.C. to AO (M) i.e. "Our reply should include the above points" had for all practical purposes no worthwhile significance. By the above remarks what Financial Adviser had presumably meant was that all the points as referred to in the note should be included in the enquiry (which will be evident from the CIWTC's letter dated 4-2-76 issued to the firm) instead of sending piecemeal enquiry to kill time as suggested in the note from which extract has been reproduced in the recommendation. The Corporation had thus disregarded the suggestion in the note about killing time by making piecemeal enquiries. A copy of Chairman-cum-Managing Director, C.I.W.T.C.'s letter No. PAD/S-42/1064 dated 4-3-76 addressed to M/s Manaklal Manufacturing Company Ltd. is attached (Annexure). As, however, already stated in reply to (i) above, this Ministry has *inter alia* asked to C.B.I. to investigate the matter, whose report is awaited.
- (iii) CIWTC has intimated that the contract for the purchase of vacuators was concluded on 4-2-76 and at that stage they had no knowledge of the surplus vacuators lying idle with the Food Corporation of India.

This Ministry has, however, referred this matter also to C.B.I. etc. for investigation and their report is awaited.

- (iv) M/s Dunbar Kapple have informed that 7 vacuators of Model No. 3083 were of totally new manufacture and were manufactured by their Company in January, 1976 *vide* their telex dated 18-11-77 (copy enclosed). Arrangements are, however, underway to get these vacuators surveyed by a suitable technical officer.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)/78-P&W dt. 17-10-78.]

#### **Further information called for by the Committee**

#### **Recommendation Sl. No. 4 (iv)**

Please state the results of survey conducted by the Technical Officer and action taken/proposed to be taken thereon. In case the survey report is still awaited, reasons for delay be intimated.

[Lok Sabha Sectt. O.M. No. 42-2(2)-PU/77 dated 15th Jan. 1979]

The Food Corporation of India were requested to depute some suitable officers for submitting his report on the vacuators purchased by Central Inland Water Transport Corporation. As the Corporation were unable to depute their officers for the purpose, the matter was taken up with the Calcutta Port Trust authorities for deputing suitable officer. The Port authorities have deputed one of their Asstt. Foreman for the purpose and his report is awaited. The matter is being processed with them. They have also been asked to expedite the report as also intimate the reason for delay.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)/78-P&W dated 20th January, 1979]

#### **Recommendation (Serial No. 5, Para 117)**

The Committee cannot help feeling that the whole transaction pertaining to the purchase of vacuators, which was indecently hustled through by the Chairman-cum-Managing Director, was motivated. They should have acquired vacuators from Food Corporation of India either on hire or by purchase failing which indigenous sources should have been tapped. This was not done. The delaying tactics adopted by the Corporation in regard to purchase of vacuators from indigenous sources by "killing time" is a clear proof of ill motivation behind this deal. The role of the Chairman-cum-Managing Director (Shri Chelliah) and Financial Adviser and Chief Accounts Officer (Shri Biswas) in this respect has to be condemned in the strongest possible terms and they should be dealt with firmly in accordance with the provisions of law.

#### **Reply of Government**

As mentioned in reply to Recommendation No. 4 Paragraph No. 116(ii) suggestion for making piecemeal enquiry to kill time was not acted upon by CIWTC and was disregarded. As mentioned in reply to para No. 116(iv), the CIWTC have intimated that they had no knowledge about the surplus vacuators lying idle with the Food Corporation of India. However, as mentioned in reply already given to Committee on Public Undertaking on Recommendation No. 14 Paragraph No. 126, the matter has *inter alia* been referred to CBI for investigation. Their report is awaited.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)/78-P&W dated 17-10-78]

#### **Recommendation (Serial No. 6 Para 118)**

Still another disconcerting aspect in the operation of this scheme has been the appointment of M.M.P. Lines Ltd., who were the agents

of owners of the vessel 'Kapetan Markos', and sub-contractors to the Corporation too.

- (i) M.M.P. Lines Ltd., who were appointed as sub-contractors, had little past experience of such work. An agreement was entered into with the sub-contractors (M.M.P. Lines Ltd.) on 24th January, 1976, in great haste while the main agreement with the Ship owners was entered into afterwards by the Corporation on 4th February, 1976.
- (ii) Under the terms of agreement with M.M.P. Lines Ltd. vacuators with fuel oil and lubricants etc. were required to be supplied by the Corporation. M.M.P. Lines Ltd., were to provide only labour for working on the mother ship and skilled engineers, supervisors, foremen and workmen to work on the vacuators. As these operations were ultimately done by Madras Marine, a sub-contractor of M.M.P. Lines Ltd. it would appear that M.M.P. Lines Ltd were paid a huge remuneration without doing much work or incurring much expenditure. In fact while M.M.P. Lines Ltd., were paid at the rate of Rs. 40 per tonne for the ship "Kapetan Markos" and at the rate of Rs. 32 for "Jagleela", they paid only at the rate of Rs. 6.50 per tonne to Madras Marine for doing practically the whole operation. M.M.P. Lines Ltd., received Rs. 39.53 lakhs for work on "kapetan Markos" and Rs. 54.13 lakhs for work on "Jagleela" but they paid only Rs. 5.31 lakhs and Rs. 12.5 lakhs respectively to Madras Marine thereby netting about Rs. 75.85 lakhs in these two operations only.
- (iii) Shri Pal of M.M.P. Lines Ltd. was earlier serving in the Shipping Corporation of India where Shri Chelliah, Chairman-cum-Managing Director of the Corporation was also employed. They knew each other and they joined hands in the matter of financial transactions to defraud the Corporation and the Government.
- (iv) M.M.P. Lines Ltd., according to their admission, were the agents of the ship owners of "Kapetan Markos" and "Aquamem". It is interesting to note that they became sub-contractors to the Corporation which was the main contractor for lightering operations for these ships.
- (v) M.M.P. Lines Ltd. had sub-contracted the work relating to the providing of labour etc., to Madras Marines Private Ltd., at the rate of Rs. 6.50 per tonne for the ships "Repeton Markos" and "Jagleela" in utter violation of their terms of agreement which prohibited such sub-contracting.

### Reply of Government

As mentioned in reply already given to Committee on Public Undertaking on Recommendation No. 14 (Paragraph No. 126), the CBI, Ministry of Finance, Deptt. of Revenue, Directorate of Enforcement, Income Tax Authority and Reserve Bank of India have been requested to carry out investigation and report the results to the Ministry of Shipping & Transport. Their reports are awaited.

[Ministry of Shipping & Transport, O.M. No. 28-IWT(37)/78-P&W  
dated 17-10-78]

### Recommendation (Serial No. 7 Para 119)

It is surprising that although the Chairman-cum-Managing Director, Financial Adviser and Chief Accounts Officer and other officers of the Corporation were fully in the know of this violation, expressed their ignorance about the appointment of Madras Marines by M.M.P. Lines Ltd., for undertaking of unloading operations even though their own officers were deputed on board the mother ships to supervise the unloading work and must have informed their superior officers about this arrangement.

### Reply of Government

It appears from a report dated 29-3-76 recorded by the then Sr. Marine Officer of the Corporation, Shri Arvind Goswami (not now in service) who attended the operation on 'KAPETON MARKOS' that the management did become aware of the fact that M/s MMP Lines had sub-let the contract to M/s Madras Marine after this date even if they were not in the know of it earlier than 29-3-76. The explanation of the former Chairman-cum-Managing Director (Shri Chelliah) who apparently made wrong statements to the Committee/Ministry showing his ignorance of this appointment when he was actually aware of the same, has been called.

[Ministry of Shipping & Transport, O.M. No. 28-IWT(37)/78-P&W  
dated 17-10-78]

### Further information called for by the Committee

Please intimate the explanation tendered by Shri Chelliah and action taken/proposed to be taken by Government thereon. In case the explanation is still awaited, reasons for delay may be indicated.

[Lok Sabha Sectt. O.M. No. 42-2(2)-PU/77 dated 15th January, 1979]

### Further reply of Government

In his interim reply, Shri Chelliah had explained that the MMP Lines were given an all inclusive contract for unloading grain operation and all other allied work connected with such operations. It was, therefore, of no consequence for him to know how the job was executed as long as the job was carried out to the entire satisfaction of all concerned, including the owner of the mother vessels. He stated that the job was done most satisfactorily and the Port authorities had applauded the excellent performance done by the CIWTC in handling grain operations and that in the "Jag Leela" operations, CIWTC handled 1,10,000 tonnes which was a good performance not equalled by even experienced foreigners which also had a big write-up in the paper. As regards the subletting of contract he had stated that since he recollected that there was no stipulation in the contract between the MMP Lines and that the work should not be sub-contracted the CIWTC had no *locus standi* to interfere as to how the job was performed or whether they employed sub-contractors or his (contractor's) own men executed the job. Therefore, the report found in his files that M/s. Madras Marines were doing the job for the MMP Lines warranted no action from his side.

On this, the attention of Shri Chelliah was drawn to Clause II of the Agreement entered into with M/s. MMP Lines by CIWTC which prescribed that the contractor (MMP Lines) shall not assign or sublet the agreement and he was asked to furnish further comments in the light of the aforesaid provision. In reply, Shri Chelliah has stated that his house was raided by CBI on 24-10-1978 and all correspondence including the letters he had written on the subject have been seized and has now requested copies of those letters which have now been supplied to him. His reply is now awaited and he has been reminded to send the same by 31-1-1979. Further action will be taken on receipt of replies from Shri Chelliah.

[Ministry of Shipping & Transport, O.M. No. 28-IWT(37)/78-P&W  
dated 20th January, 1979]

### Recommendation (Serial No. 8 Para 120)

The Committee consider that the appointment of M.M.P. Lines as sub-contractors of the Corporation was a pre-arranged plan between the Chairman-cum-Managing Director (Shri Chelliah) and Shri M. N. Pal of M.M.P. Lines Ltd. The whole scheme of lightering operations in this manner was engineered by Shri M. N. Pal and the Chairman-cum-Managing Director to reap huge profits from these operations. Evidently, no proper tenders were invited for the

sub-contract work which was given to M.M.P. Lines Ltd., on very unduly favourable terms and conditions, even though they had little experience of this work.

### Reply of Government

As mentioned in reply already given to Committee on Public Undertakings on Recommendation No. 14 (Paragraph No. 126), the whole matter regarding Lightering operations by Central Inland Water Transport Corporation including the role played *inter-alia* by the contractors and sub-contractors has been referred to CBI, Ministry of Finance (Deptt. of Revenue), Directorate of Enforcement, Income Tax Authorities and Reserve Bank of India for a thorough investigation. The reports are awaited.

[Ministry of Shipping & Transport, O.M. No. 28-IWT(37)/78-P&W  
dated 17-10-78]

### Recommendation (Serial No. 9 Para 121)

Shri Pal of M.M.P. Lines Ltd., had unhindered access to Central Inland Water Transport Corporation papers which is against the interest of the Corporation and also violates the Official Secrets Act. The Chairman-cum-Managing Director (Shri Chelliah) to whom the Committee considered totally unsuitable and unworthy of his position went to the extent of allowing Shri Pal to draft telex and other communications that were exchanged between the Corporation, the Government and other organisations. This is a most deplorable thing. It is most unfortunate that Shri Chelliah, and following his footsteps some of the senior officials became pliant tools in the hands of the Managing Director of M.M.P. Lines, Shri M. N. Pal.

### Reply of Government

The matter has been examined in consultation with the Ministry of Law Justice and Company Affairs (Deptt. of Legal Affairs). Relevant extracts from the advice tendered by that Department are reproduced below:

“The point on which our advice is solicited is whether the former Chairman-cum-Managing Director has violated provisions of the official Secrets Act in allowing Shri Pal of M.M.P. Lines Ltd. to have unrestricted access to the documents of Central Inland Water Transport Corporation and also allowing to draft Communications that exchanged among the Corporation, Government and other institutions. It appears that the Central Inland Water Transport Corporation is a public sector undertaking under the



administrative control of the Ministry of Shipping and Transport. The term 'office under Government' has been defined under section 2(6) of the Official Secrets Act, 1923. According to that definition, it includes any office or employment in or under any Department of the Government. It is presumed that CIWTC (public sector undertaking) would come within the scope of any office under any Department of the Government.

Section 3(1) (c) provides the penalty to a person who passes on communications/information prejudicial to the safety or interest of the State, and the section further states that the information should be useful to any enemy or disclosure of which is likely to affect sovereignty and integrity of India, the security of the State or friendly relations with foreign States. From the facts available on the file, I am not convinced that to attract the provisions of section 3 of the Official Secrets Act, the Department would be in a position to establish beyond all reasonable doubts that the access given to Shri Pal by the former Chairman-cum-Managing Director is intended either to be useful to an enemy or affects the sovereignty or security of the State. If the Department wants to proceed under the Act, they must be in a position to muster sufficient evidence to satisfy the court in regard to the complicity of the person. Obviously, passing on information or allowing access to a private person of the Government records, is a violation of the Conduct Rules which apply to Government Servants."

The Ministry of Law also stated that the advice mentioned above will be applicable to the other provisions of the above Act such as Section 5.

The present Chairman-cum-Managing Director has intimated that there is no evidence with CIWTC to indicate that the former Chairman-cum-Managing Director violated the provisions of Section 3 of the above Act. The question of taking suitable departmental action against Shri Chelliah and other officers who may have violated the provisions of the Conduct Rules by allowing access to the records of the Corporation to unauthorised persons is being examined.

[Ministry of Shipping and Transport, O.M. No. 28-IWT (37)/78-  
P&W dated 17-10-78.]

## Further information called for by the Committee

### Recommendation No. 9

What departmental action, if any, has been initiated/taken against Shri Chelliah and other officers for violation of the Conduct Rules.

[Lok Sabha Sectt., O.M. No. 42|2(2)-PU|77, dated 15th January, 1979.]

### Further reply of Government

The CBI has also intimated about the following five FIRs which have been registered by them containing serious allegations against Shri Chelliah:—

1. R.C. 2|78-CIU-III regarding lightering operation by Ship Aquagem.
2. R.C. 4|78-CIU-III, regarding lightering operation by KAPITAN MARKOS.
3. R.C. 5|78-CIU-III regarding purchase of seven Vacuators.
4. R.C. 6|78-CIU-III regarding lightering operations by JAG LEELA.
5. No. 33, dated 30-9-1978 regarding undue pecuniary advantage from M/s. MMP Lines Ltd., Calcutta.

Chairman-cum-Managing Director, Central Inland Water Transport Corporation Ltd., has been asked to intimate the particulars of the documents of the Corporation which had been shown unauthorisedly by Shri Chelliah to M/s. MMP Lines so that his explanation may be called. So far as other officers are concerned, he has been asked to take necessary action against those responsible for this violation of the conduct rule.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(37)/78-P&W dated 20th January, 1979; O.M. No. 9-IWT(12)|79-C&E dated 6-3-79 and O.M. No. 28-IWT (18)|79, P&W, dated 17-3-79.]

### Recommendation (Serial No. 10, Para 122)

The Committee are unable to unravel as to how the enormous profit was distributed amongst the beneficiaries. The Committee fail to understand why the Food Corporation of India who were the importers of the foodgrains from abroad and were in possession of surplus vacuators with them, were not consulted by the Corporation before allowing the lighterage work to be done in a secretive manner. If they were serious about economising the whole operation they should have made use of the public sector vessels and

their vacuators in these unloading operations. Had it been done in this manner, it would have resulted in considerable savings of Indian money in foreign exchange. The whole matter requires a thorough probing with the object of fixing responsibility for taking necessary action.

### Reply of Government

As mentioned in reply already given to Committee on Public Undertakings on Recommendation No. 14 (Paragraph No. 126), the Central Bureau of Investigation, Ministry of Finance (Deptt. of Revenue), Directorate of Enforcement, Income Tax Authority and Reserve Bank of India have been requested to carry out investigation and report the result to the Ministry of Shipping & Transport. Their reports are awaited.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(37)78-P&W dated 17-10-1978]

### Recommendation (Serial No. 11, Para 123)

The Committee note that for lightering operations on the ship "Jagleela", the Corporation was offered the rate of Rs. 4.25 per tonne by Asia Marine Co. and the rate of Rs. 19 per tonne by Worldwide Charter Shipping Co. Still the Corporation entered into an agreement with M.M.P. Lines Ltd. for Lightering operations at the rate of Rs. 32 per tonne. The agreement with M.M.P. Lines Ltd. could have been terminated after the first lightering operation on the ship "Kapeton Markos" as the agreement was on a vessel-to-vessel basis. This was deliberately not done and huge profits were allowed to be reaped by M.M.P. Lines Ltd., and enabled their accomplices who are occupying position of authority in CIWTC to make illegal private monetary gains. This clearly indicates that there is much more in these operations than what meets the eye. Even the files pertaining to these operations are stated to have been destroyed. This is a matter which requires special audit by the Comptroller and Auditor General's staff and a probe by Senior C.B.I. official preferably sent from Delhi since the Committee are not at all happy with the performance of the CBI's Calcutta Office with regard to conducting of their enquiries in so far as Central Inland Water Transport Corporation is concerned.

### Reply of Government

The Comptroller and Auditor General has been requested to have a special audit conducted by his staff.

As regards the probe by C.B.I. is concerned, the matter has been referred to C.B.I. for investigation. Its report is awaited. The recommendation of the Committee that the probe should be made by a senior C.B.I. official preferably sent from Delhi has also been brought to the notice of the C.B.I.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(37)/78-P&W, dated 21st October, 1978]

### Recommendation (Serial No. 12, Para 124)

The Committee are concerned to note that the Corporation entered into an agreement for lightering operation on the ship "Aquagem" in a third country viz., Bangladesh in 1977. The Corporation again sub-contracted this work to M.M.P. Lines Ltd., who were the agents of the ship-owners. The Corporation undertook to supply lighters, vessels etc., in a foreign country without seeking the approval of the Government or the Board of Directors. Other disturbing features in these transactions are:—

- (i) The original agreement with the shipowners was subsequently amended to provide for remittance up to 50 per cent of the remuneration to Bangladesh for being directly paid to M.M.P. Lines Ltd., by adding a clause in this regard.
- (ii) In the sub-contract entered into by the Corporation with M.M.P. Lines Ltd., a provision was made for M.M.P. Lines Ltd., to collect directly major portion of the remuneration from the ship-owners in foreign exchange without any check on verification by statutory authority.
- (iii) This provision regarding payment up to 50 per cent in Bangladesh to M.M.P. Lines Ltd., was already made by them in their own agreement with the Corporation on 16-6-1977, though such a provision was included thereafter on 20-6-1977, in the agreement of the Corporation with the ship-owners by sending the F.A. & C.A.O. to Athens (Greece) indicating clearly how the interests of M.M.P. Lines Ltd., were served by the Corporation.

This makes the Committee feel that dues in foreign exchange were siphoned out of the country. The Enforcement Directorate should probe into the matter for taking necessary action.

- (iv) The Corporation was to provide lightering vessel for discharging grain at Chittagong and hire was to be paid by the Corporation to the owners of vessels directly, which was to be adjusted later on from the amount to be received by the Corporation from the ship-owners.
- (v) Large amounts appear to have been paid by the Corporation to various parties on behalf of M.M.P. Lines Ltd., and a sum of Rs. 8.58 lakhs is still due from M.M.P. Lines Ltd.

The Committee require that the officers responsible for this state of affairs should be made personally liable to make good of this amount, if not realised from M.M.P. Lines Ltd.

### Reply of Government

The matter has been examined in consultation with the Ministry of Law, Justice and Company Affairs (Deptt. of Legal Affairs). The Chairman-cum-Managing Director, CIWTC has been advised that under Article 42(i) of the Article of Association all proposals for Foreign Collaboration should be got approved from the Ministry of Shipping and Transport before they are finalised. They have also been advised that each individual proposal should be got approved before it proceeds further with the foreign parties and approval of Government to the draft agreement obtained before its execution. It has been pointed out that the Ministry of Shipping and Transport *vide* telex message dated 19-1-76 had agreed to the proposal for acquisition of 7 vacuators and for the conclusion of the proposed lightering contract for Kapetan 'Markos' but the agreement with owner of Kapetan Markos was not got approved from this Ministry before execution nor was the subsequent operations for 2 more ships— "Jag Leela" & "Aquagem" and taking the vacuators out of the country to Bangladesh not approved by the Ministry. It has been made clear to the Corporation that in this case foreign collaboration was involved and the provisions of Article 42(i) of the Articles of Association were, therefore, attracted.

As recommended by the Committee in Paragraph No. 116(v), 124 and 126, the CBI and Directorate of Enforcement have *inter-alia* been requested to look into the irregularities committed in this schemes of lightering operation and their reports are awaited.

The CIWTC has intimated that a sum of Rs. 8.77 lakhs is due to them from M/s M.M.P. Lines as on 30-6-78. A notice was served by CIWTC on M.M.P. Lines for realising their dues but the letter has denied any liability for the claim. The Corporation has served pleader's notice for recovery of the amount from M.M.P. Lines. The

present CMD is also pursuing the matter at his own level for getting the outstanding dues from M/s M.M.P. Lines.

The question of fixing responsibility on officers concerned will be considered after the reports of CBI etc. have been received.

[Ministry of Shipping & Transport, O.M. No. 28-IWT(37)/78-P&W  
dated 17-10-78]

#### **Recommendation (Serial No. 13, Para 125)**

The Committee consider that the change in the clause of the agreement with the ship-owners of "Aquagem" allowing 50 per cent of the payments to be made in dollars in Bangladesh is unique, as such a clause did not exist in the earlier agreement. It is significant to note that this clause was inserted at the instance of M.M.P. Lines Ltd., who were agents of the ship-owners and the Financial Adviser and Chief Accounts Officer (Shri Biswas) was particularly sent by the Chairman-cum-Managing Director (Shri Chelliah) to Athens (Greece) for this purpose at Corporation's cost. The whole transaction smacks of a calculated collusion between the Corporation authorities (Chairman-cum-Managing Director and Financial Adviser and Chief Accounts Officer included) on the one hand and M.M.P. Lines Ltd., (represented by Shri M.N. Pal) on the other. Considerable amount in foreign exchange is alleged to have been kept outside the country in this deal.

#### **Reply of Government**

As recommended by the Committee in Paragraph No. 124 Ministry of Finance (Department of Revenue), Directorate of Enforcement have *inter-alia* been requested to investigate the matter and their report is awaited.

[Ministry of Shipping & Transport, O.M. No. 28-IWT(37)/78-P&W  
dated 17-10-78]

#### **Recommendation (Serial No. 14, Para 126)**

Considering all aspects of the operation of the scheme of lightering from its inception, the Committee cannot help concluding that in these operations, the main beneficiaries have been MMP Lines Ltd., and a few individual officers of CIWTC. This could not have happened without the collusion of the top officers of the Corporation who were hand in glove with Shri Pal of MMP Lines Ltd. The Committee recommend that the whole matter regarding this scheme and its operations as also the role played by the top officials of the

Corporation and Ministry, Contractors and sub-contractors should be thoroughly investigated by the CBI, the Income Tax Authorities, Enforcement Directorate of the Ministry of Finance as also the Food Corporation of India expeditiously. The Committee would like to be informed of the action taken in this regard within three months of the presentation of the report.

### **Reply of Government**

As recommended by the Committee, the Central Bureau of Investigation, Ministry of Finance (Department of Revenue), Directorate of Enforcement, Income Tax Authorities and Reserve Bank of India have been requested to carry out investigations thoroughly and report the results to the Ministry of Shipping and Transport. The Food Corporation of India was also requested to nominate a suitable technical officer from that Corporation to examine these vacuators and to give his opinion about their present age so that it can be determined whether they were new or reconditioned ones at the time of their purchase by CIWTC. The Food Corporation of India has intimated that apart from the meagre experience in this field, due to various pre-occupations its engineers will not be in a position to spare the necessary time to carry out a detailed inspection of the machines and give a report on whether these were new or reconditioned ones at the time of their purchase by CIWTC. In view of this reply from Food Corporation of India, Director General Shipping has now been asked to depute a suitable officer to inspect these vacuators.

[Ministry of Shipping and Transport (I.W.T. Directorate) O.M. No. 9-IWT(52)/78-P&W dated 22-7-1978]

### **Further information called for by the Committee**

#### **General (Recommendations Sl. Nos. 4(v), 12 and 14)**

Please intimate the outcome of investigations conducted by the various agencies [i.e. the CBI, Ministry of Finance (Deptt. of Revenue,) Directorate of Enforcement, Customs Authorities, Income Tax Authorities and the Reserve Bank of India] on matters referred to them and action take|proposed to be taken by Government as a result thereof. If the Reports of the investigating agencies are still awaited, reasons for delay and steps taken to expedite same may be indicated. Was any time limit fixed for completion of investigations by these agencies?

[Lok Sabha Sectt. O.M. No. 42/2(2)-PU|77 dated 15th January, 1979].

### Further reply of Government

The reports on the investigations being conducted by various agencies i.e. the C.B.I., Ministry of Finance (Deptt. of Revenue), Directorate of Enforcement, Customs Authorities, Income Tax Authorities and the Reserve Bank of India] on the matter referred to them are still awaited. The Ministry of Finance has, however, stated in their interim reply that the Enforcement Directorate has conducted certain preliminary investigations into the irregularities pointed out by COPU in their 5th Report, and that in course of said investigations relating to recommendation No. 4 (Para 116 V) of the 5th Report, the CBI has also been making certain enquiries into the matter and that they have taken over relevant documents from CIWTC for investigations.

As regards para 124 (Recommendation No. 12) it has been stated that enquiries made by the Enforcement Directorate reveal that there was an agreement between CIWTC and the agents of the owner of the ship to the effect that the owner reserved the right to remit 50 per cent of the value of the contract directly to Bangladesh. The actual amount received by M/s. MMP Lines is not available, as the total turn over of said operation has not been submitted by the MMP Lines to CIWTC. Enquiries made by them with RBI, reveal that they have not received any statement from CIWTC showing the receipt of Foreign Exchange by CIWTC| MMP Lines as fixed under the contract and disbursed to Bangladesh and the net amount repatriated to India. The Ministry of Finance has further intimated that Enforcement Directorate have been advised by them to complete investigations in consultation with CIWTC.

The Ministry had requested the Ministry of Finance|Enforcement Directorate|RBI|Customs Authorities and Income Tax Authorities to complete their investigations by 15-7-1978. They have been reminded regularly to furnish their reports without further delay. They have also been asked to intimate the reasons for delay. No date was fixed for the completion of investigations by CBI. They have, however, been reminded from time to time to complete their investigations and submit their reports as early as possible.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)|78-P&W dated 20th January, 1979]



**LATEST POSITION**

Intimating the latest position of investigation by various agencies the Ministry *inter alia* stated on 6th March, 1979 as follows:—

“Enforcement Directorate has intimated that the enquiries by the CBI would cover the foreign exchange angle also and they would send a self-contained note to that Dte. in case they come across any violation of the Foreign Exchange Regulation Act.

The reports from the customs & Income Tax Authorities are awaited.

The Reserve Bank of India, Bombay has intimated that as per their records permission of the Reserve Bank of India has not been obtained by CIWTC for payment of the cost of vacuators in U.S. \$ since this constitutes a breach of the provisions of Foreign Exchange Regulation Act, the matter is to be investigated by the Enforcement Directorate and that in the evasion of payment of customs duty, the customs authorities are required to examine.”

[Ministry of Shipping and Transport O.M. No. 9-IWT(12)79-C&E dated 6th March, 1979]

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

#### **Recommendation (Serial No. 17, Para 129)**

“The Committee also require that the Government should consider the imperative need of issuing suitable instructions to all the Public Undertakings to invariably consult their Administrative Ministries before making any such appointments.”

#### **Reply of Government**

Under the extant instructions, the Public Enterprises while making direct appointments to senior and middle level posts are required to release advertisements in all the important newspapers having good all India circulation, as such appointments are to be made on the basis of merit only. Even for vacancies in lower ranks where recruitment is required to be made through National Employment Service, i.e., to posts carrying a pay scale the maximum of which does not exceed Rs. 800|-, advertisements in local newspapers have to be made by the Public Enterprises when the Employment Exchanges issue ‘Non-availability’ Certificates.

2. Had the CIWTC followed the prescribed procedure and considered only those candidates who had applied in response to advertisements issued by the Undertaking, Shri Gorsia could not have been appointed. Thus, this is a case where the Undertaking has not followed the prescribed instructions and, thus, by itself, may not justify with drawing from the Board the power to make appointments. Such a step may also dilute the accountability of the Undertaking. However, the existing instructions are being reiterated and the public sector undertakings are being requested to ensure compliance with them.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)|78-P&W dated 27-12-78]

#### **Recommendation (Serial No. 18, Para 130)**

The Committee have serious doubts whether the speed money reported to be hurriedly sanctioned by the Chairman-cum-Managing Director (Shri Chelliah) on the recommendation of Shri Gorsia

and placed at his exclusive disposal was actually paid to the Dock Labour Board Workers engaged in lighterage operation. The Committee recommend that the Government should direct C.B.I. Delhi office to complete early investigation with regard to the payments made to Dock Labour Board Workers on allegedly fictitious vouchers and other related issues and take action to penalise the defaulting officers and recover the money from them.

### Reply of Government

SP, CBI (SPE), Calcutta, has investigated the allegation that some officials of C.I.W.T.C. showed false payment of incentive money by obtaining false signatures|thumb impressions and preparing false vouchers. He has vide his report dated 29-3-78, forwarded by the Deputy Inspector General of Police, C.B.I. on 5.4.78, held after investigation that the allegation had not been substantiated.

[Ministry of Shipping and Transport O.M. No. 28-IWT(37) 78-  
P&W dated 17-10-78]

**CHAPTER IV**

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

**NIL**

## CHAPTER V

### RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

#### **Recommendation (Serial No. 15, Para 127)**

The Committee deplore the appointment of Shri Gorsia as Stevedoring Adviser whose father owns a private stevedoring firm, where he still works, a rival of Central Inland Water Transport Corporation in the business of stevedoring. The Corporation have failed to explain how Shri Gorsia was selected by the then Chairman-cum-Managing Director (Shri Chelliah) when there was no application received in response to the advertisement made by Central Inland Water Transport Corporation. Apparently Shri Chelliah had already made up his mind to have Shri Gorsia and therefore advertisement was given only in two Calcutta papers and not in the papers of other port cities. Further, when no application was received, the post was not advertised again. Shri Chelliah is answerable squarely for this serious irregularity.

#### **Reply of Government**

As recommended by the Committee, the CBI has been asked to investigate the irregularities pointed out by the Committee in the above Recommendation and its report is awaited.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)78-  
P&W dated 17-10-78]

#### **Recommendation (Serial No. 16, Para 128)**

While deprecating this action, the Committee recommend that the Ministry should enquire into the extraneous circumstances that seem to have led to the appointment of Shri Gorsia as Stevedoring Adviser and also to find out as to whether he joined Central Inland Water Transport Corporation to seek unauthorised favours and divert Central Water Transport Corporation's clients to the firm of his father who is also running a stevedoring business and take further appropriate action as may be called for.

### Reply of Government

As mentioned in Government reply to Recommendation No. 15, the C.B.I. has been asked to investigate the matter. Further action will be considered after the report of the C.B.I. has been received.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)|78-P&W dated 17-10-78]

*Further information called for by the Committee*

#### Recommendations (Sl. Nos. 15 and 16)

Please intimate the findings of the CBI in this case and action taken/proposed to be taken as a result thereof.

[Lok Sabha Sectt. O.M. No. 42|2(2)-PU|77 dated 15th January, 1979]

#### Further reply of the Government

The CBI has since intimated that in regard to the appointment of Shri S. K. Gorsia as a Stevedoring Adviser referred to in recommendation No. 16 (Para 128) of the Fifth Report, it would be for the department to take necessary action and this does not need any probe by the CBI. The matter is under consideration.

[Ministry of Shipping & Transport O.M. No. 28-IWT(37)|78-P&W]

NEW DELHI;  
21st March, 1979.  
Phalguna 30, 1900 (S)

JYOTIRMOY BOSU,  
Chairman,  
Committee on Public Undertakings.

## APPENDIX

*Vide* Para 3 of Introduction

Analysis of action taken by Government on the recommendations contained in the 5th Report of the Committee on Public Undertakings ( Sixth Lok Sabha )

I.	Total number of recommendations made . . . . .	18
II.	Recommendations that have been accepted by Government ( <i>vide</i> recommendations at Sl. 1 to 14) . . . . .	14
	Percentage to total. . . . .	77%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> recommendations at Sl. Nos. 17 and 18) . . . . .	2
	Percentage to total . . . . .	11%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee. . . . .	Nil.
	Percentage total . . . . .	Nil
V.	Recommendations in respect of which final replies of Government are still awaited ( <i>vide</i> recommendations at Sl. Nos. 15 and 16) . . . . .	2
	Percentage to total. . . . .	11%