

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

(SIXTH LOK SABHA)

FIFTY-FOURTH REPORT

ON

**ANDAMAN AND NICOBAR ISLANDS FOREST AND
PLANTATION DEVELOPMENT CORPORATION LTD.
(MINISTRY OF AGRICULTURE AND IRRIGATION
DEPARTMENT OF AGRICULTURE)**

*Presented in Lok Sabha and
Laid in Rajya Sabha on 30-4-1979*



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1979/Vaisakha, 1901 (S)

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**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
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18. Shri H. B. Mahida
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.*
3. Shri S. P. Chanana—*Senior Financial Committee Officer.*

*Elected w.e.f. 26-12-1978 till Shri Deveno Patil died.

**SUB COMMITTEE ON COMPLAINTS
COMMITTEE ON PUBLIC UNDERTAKINGS**

1. Shri Jyotirmoy Bosu—*Chairman*
2. Shri O. V. Alagesan
3. Shrimati Chandravati
4. Shri Anant Ram Jaiswal
5. Shri Padmacharan Samantasinhar

INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Fifty-fourth Report on Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd.

2. It is most distressing that so far the entire turnover of timber by the Forest and Plantation Corporation has been in the form of logs only. It has no sawing or fabricating facilities of its own. The result is that private concerns from Mainland operating in the Islands buy the raw material at abnormally low rates and make enormous profits on sale after sawing and processing of timber thereby depriving the Corporation of its rightful share in collusion with persons in authority even when the Corporation is headed by the Chief Commissioner and Chief Conservator of Forest of Andaman & Nicobar Islands. To rectify this situation the Corporation must sell only sawn timber and wood products. When the Government are so vociferous about ecology there has been virtually no regeneration work which should be undertaken expeditiously and continuously.

3. It is shocking that the Corporation entered into a shady deal with the South Indian Ply Wood Manufacturers' Association for setting up a joint sector company for manufacture of ply wood despite strong and specific objections from the Bureau of Public Enterprises. The crafty manipulation of the structure of equity participation to circumvent the need to obtain cabinet approval deserves to be strongly condemned. Further the Corporation has entered into a separate agreement with the same Association for supply of wood to the Mainland. This Report brings out how a powerful lobby was operating behind all this. A thorough probe by the Central Vigilance Commission is immediately called for to bring to book all the persons involved however highly placed they may be.

4. The Sub-Committee on Complaints and the Committee considered and adopted this Report on 28th April, 1979.

NEW DELHI;

April 29, 1979.

Waisakha '9, 1901 (S)

JYOTIRMOY BOSU,

Chairman,

Committee on Public Undertakings.

REPORT

Andaman & Nicobar Islands, a Union Territory of India is situated in the Bay of Bengal about 1200 Km. away from the main Indian land mass. The gross geographical area of these islands is 8,293 Sq. Km. out of which the forest area is 7,464 Sq.Km. (about 90 per cent). According to estimates based on sampling about 1.20 lakh m³ of timber is available annually for harvesting in addition to about 1 Lakh m³ at present.

2. It has been said that the forests in their pristine glory if they are to be found anywhere in South-East Asia, they were found in Andaman Islands. These Islands were discovered by the civilised world comparatively in later times and have escaped the ravages from expansion of human activities. It is due to this reason that the islands have preserved one of the richest flora in the world. Both compositionally and taxonomically the forests present a variegated paradise for a botanist.

3. National Commission on Agriculture (1976) have observed that the growth of forestry section in India has been impeded on account of inadequate investments, existing meagre institutional arrangements, rigid adherence to prevailing rules and procedures and uncertainties of budget allocation. Schemes of forestry development had not found adequate priorities under the existing system. The Commission therefore, laid down guidelines for the creation of State Forest Development Corporations to overcome the above cited limitations. It was in this context that a Forest and Plantation and Development Corporation was set up by Government of India in Andaman Islands in January, 1977. Forest Department of Andaman and Nicobar Islands could not push up the forestry development schemes because of its limitations and consequently large forest areas remained unworked and undeveloped.

4. The main objective of the Forest and Plantation Corporation is to provide necessary infrastructure, harvest and develop forest resources to promote forest resource based industries, to arrange marketing of timber and other forest resources on the mainland and abroad.

5. During evidence, the representative of the Forest and Plantation Development Corporation stated that while the Forest Department was also looking after conservation of wild life, Sericulture

planting, survey etc. the Corporation was concerned with harvesting of timber and regeneration of areas. He admitted that the Corporation was also responsible for preservation of wild life. The Corporation is working in little Andaman and the Forest Department in North Andaman, South Andaman, Middle Andaman and few other areas. The Corporation is stated to have confined its activities in Little Andaman where the Forest Department has no commercial activities and where valuable timber resource had remained untapped and areas had remained under developed.

6. The activities of the Corporation are limited to logging, harvesting and regeneration of areas. The Corporation has also been entrusted with the implementation of Red Oil Palm Project involving an investment of the order of Rs. 9 crores. The Corporation has intimated that it is facing the problem of acute shortage of qualified officers.

7. The entire production is in the form of logs. Marketing of logs is done to mainland by selling logs at fixed price on f.o.b. basis. The production of the Corporation was as under:—

Year	Target	In cubic Year Achieve- men
1977-78		16,962
1978-79	30,000	12,681 (Upto December, 1978)

8. The short-fall in achievement of target during 1978-79 was attributed to the fact that skidder which was scheduled to come in April, 1978 reached Port Blair only in January, 1979.

9. During 1977-78, cost of extraction of 19262 cubic metres (including 2300 cubic metres of timber taken over from the Forest Department) was Rs. 129.86 per cubic metre. This cost is for the logs and not beams. During evidence, representative of the Plantation Corporation claimed that this cost was less than the cost of extraction in the main land. It was stated that when the Corporation reaches 60,000 cubic metres in their fourth year in Little Andaman, the extraction cost "is bound to come down".

10. Forest Department, Andaman Nicobar Supplies on an average, 20,000 cubic metres of timber. The Corporation has, however, not supplied timber to the Railways so far. On being approached

by the Corporation the Railways are stated to have indicated that they were in need of sleepers but the Corporation had not established sawing facilities for converting the logs into sleepers for railway track.

11. Asked why the Chatham Saw Mill could not work in three shifts, the representative of the Corporation said that in between they required some maintenance.

12. The Committee have, in a note, been informed that—

“The Corporation markets timbers in log form only. Hence the Corporation has neither made sawing arrangements nor considered it necessary.”

13. The Corporation is sending logs mainly to the South Indian Plywood Manufacturers Association, two Match Industries in Small Scale Sector namely United Match and Timber Company and Asia Match Company; WIMCO Ltd. and other trades at a price fixed by the Board of Directors on F.O.B. basis.

14. The Committee desired if CPWD purchased timber from the Forest and Plantation Development Corporation or from contractors. In reply, D.G. of Works, CPWD stated:

“I am not aware of any attempts made by the department as such to get timber from this particular Corporation... it is contractor's responsibility to procure timber. If any Government organisation is prepared to give us timber of good quality at rates which we can afford, we will give them preference.”

15. During evidence, the Chairman of Plantation and Development Corporation revealed that work for Corporation's logging operation was being mainly done by labour co-operatives. Contractors labour was, however, engaged for extension of road and for construction of buildings.

16. During 1977-78, the Corporation spent a paltry sum of Rs. 11,069 on natural regeneration of forests.

17. On 14 January, 1977, the Ministry of Agriculture and Irrigation addressed a letter to the Chief Commissioner, Andaman & Nicobar Administration that “it has been intended to establish large scale wood based complexes consisting of plywood mill, saw Mill and Fibre board units under the Joint Sector.” It was pointed out

that in the States, the State Industrial Development Corporation play the role of promotion for such joint sector ventures and the pattern of equity participation for such ventures has been (i) Government share—26 per cent (ii) Co-promoter (Private Companies) —25 per cent and (iii) Financial institutions or bank or public—49 per cent. The Ministry stated that “this will be a major policy decision in the field of industrial development of the Union Territory of Andaman and Nicobar Islands” and therefore called for views of the Chief Commissioner.

18. On the basis of offers received from 9 parties in response to advertisements inserted in 1977 and July, 1978, the Forest and Plantation Corporation selected consortium of Western Indian Plywood Ltd. and the India Plywood Ltd. for setting up a joint sector venture. On 19th October, 1978, the Forest Plantation and Development Corporation sent a proposal of this joint venture to the Bureau of Public Enterprises, alongwith a draft agreement. The Bureau examined the proposal and pointed out:—

- (i) the proposal entails in your subscribing share capital of the value of Rs. 52.00 lakhs in a joint sector company being set up to process log (to be supplied by the Corporation) into Veneers, plywoods and other lumber products. Under Rule 7 (h) (ii) listed in the second Schedule to Government of India, Transaction/Business Rules of this proposal would require Cabinet approval;
- (ii) the proposed joint sector company would have an authorised capital of Rs. 2.0 crores of which Rs. 52 lakhs would be subscribed by the Corporation... This capital structure neither meets the provision of Section 617 and of CAG's audit. Considering the financial stake and dependence of the Corporation on this Company, it would have been desirable to bring the Company at least under the purview of Section 619B. This may kindly be given a consideration.
- (iii) Para 9 of the draft agreement stipulates that the prices mentioned in that para would remain firm for 5 years. Would it not be desirable to reduce this period to 2 or 3 years.

19. On 17-3-1979, the Bureau asked the Corporation's advice:—

- (a) Whether the Corporation had already entered into agreement for supply of its products to M/s. Western India Plywood Co. Ltd. or the agreement was being negotiated.
- (b) Salient features of the Agreement proposed to be executed.
- (c) Whether a copy of the agreement had been sent to BPE and if so, the letter number by which it was forwarded to BPE.

20. The Corporation informed BPE *vide* their letter dated 13th November, 1978, that it has reduced the share capital of Joint Sector Company to Rs. 1.80 crores and its share would be Rs. 46.80 lakhs, and wanted to know whether now Cabinet approval would still be required for this investment.

21. The representative of the Corporation revealed during evidence that sale price agreed for first 5 years under this Agreement ranges between Rs. 200 to Rs. 320 per cubic metre depending upon the grade of timber. Its cost of production including stevedoring, rafting etc. would come to Rs. 125.00. Term of the delivery is ex-factory.

22. The Committee desired to know how public sector corporation could blatantly defy the direction given by the Bureau on such a vital matter. In reply, the Director General of Bureau of Public Enterprises said:—

"I would not normally disobey an order of this nature. And in my note I specifically recorded that they should be asked to sign any agreement without our consent. This was communicated to them but it appears that after they received the communication they signed the Agreement."

23. The representative of the Bureau of Public Enterprises also revealed during evidence that after the Bureau had sent their comments on this proposal:—

"Two gentlemen met me—I do not recollect the names of the two gentlemen but I recollect that they represent the western India Plywood. As far as I could recollect, they were ex-Military people, one was perhaps a Brigadier and another some Colonel. They told me 'You have put this condition that prior Cabinet approval will be neces-

sary before setting up this joint sector Corporation. Can't you waive this condition? I said, 'why do you want this condition to be waived? They said, 'It will only take time. Otherwise we have advanced greatly to execute an agreement'. I showed them the rules under which this prior Cabinet approval is necessary. They said, 'The amount is very small, it is not even Rs. 50 lakhs'. I said, 'It does not matter. Amount is immaterial. It is laid down in the rules".

24. In reply to a question, the witness revealed that the Western India Plywood Company is a very prosperous company. They give dividend to the tune of 30 per cent.

25. The Committee observed that this decision will enable the consortium of private companies to "have the best of both the worlds". In reply, the Chairman, Plantation and Development Corporation said in evidence:

"True. When we called tenders two years ago, we offered both joint sector and private sector, because some people were not willing for joint sector, as per the directive of the industry".

26. It transpired during evidence that subsequently on 25th January, 1979, the Corporation entered into an agreement with the same co-promoter of the Joint Sector Company (South Indian Plywood Manufacturers Association) for supply of Timber for their factories in the mainland.

27. Forest Department has a retail sale depot each at Calcutta and Madras. The Corporation has, however, not opened any retail sale depot anywhere in the mainland because their activities are limited only to the marketing of logs. Unless these logs are further processed they cannot be used as such by ultimate consumers.

28. The Committee were assured during evidence by the representative of the Corporation that as process industries come up in Islands, retail sales depots would be set up by it. It is part of their programme. In fact on 26-2-1979, the Corporation had requested the Government of West Bengal to allot a plot of land to set up a retail sales depot in Calcutta so that common men can purchase sawn timber without being exploited by middlemen. The Corporation did not receive any reply.

29. Activities of the Corporation are presently restricted to Little Andaman only. Because of the long lead involved, bringing timber from Little Andaman to other parts of the Islands is considered uneconomic both by industries and other consumers. However, the Corporation has been supplying timber to local saw mill of the Andaman Harbour Works, the Match Splints Unit of WIMCO and also to the Andaman Timber Industries Ltd., whenever they demand timber from Corporation areas.

30. The representative of the Corporation denied that the local industries in Andaman & Nicobar Islands were being starved for lack of supply of wood. He suggested that if the Director of Industries could give them demand sizes and place orders in advance, they could size and season the timber and ensure quality.

31. During evidence, the Director of Industry, Andaman and Nicobar Islands, however, said:—

“They (small scale industry) have been representing to me that they are not getting wood as they require at the price at which they can supply economically and make a reasonable profit.”

32. Asked whether these grievances were verified to see how far these were genuine, the witness stated:—

“I cannot say in all cases it is genuine. But there are cases where they are finding it difficult.”

33. The present capacity of Timber carrier of S.C.I. ‘Diglipur’ and ‘Shompen’ is about 69000 cu.m. of timber per trip for both the Vessels.

34. During April, 1978 to January, 1979, 28, 962 cubic metres of timber was transported to the main land as against 57,200 cu.m. programmed. After this backlog was cleared, the Corporation again got a stock of 2312 cubic metres of logs from the fresh fellings as on 31 March, 1979.

35. According to the projections made requirements for marketing timber by the end of Sixth Plan is about 90, 000 cubic metres timber. It will obviously be necessary for the Shipping Corporation of India to augment its timber carrier service in Andaman waters so that timber stock does not deteriorate and the Corporation does not have to bear the burden of high inventory of finished products.

36. The Vice Chairman and Managing Director of Shipping Corporation of India stated that except Port Blair where the Channel is marked, other ports of Andaman & Nicobar Island viz. Medow, Elshinstone, Hal Bay, Maya Bunder and Cornwallis have no navigational facilities with the result that Ships had to come and go at slow speed resulting delay of one day on each side. He suggested that channels should be marked and light houses provided at these ports also. He also expressed the view that if Timber should be sawn and pelletised for shipments, it would be possible for the ships to carry more cargo.

37. When asked why the Annual Accounts of the Plantation Development Corporation for the year 1977-78 had not been laid on the Table of the House, the representative of the Plantation Development Corporation said in evidence:—

“The auditor was appointed under section 617 of the Companies Act by the Comptroller and Auditor-General in the end of September. The Auditor came to Port Blair on the 24th November. He completed the accounts by 15th December. On the 9th January in the Board meeting the accounts were approved. I think by about 15th or 16th the accounts were finalised. We are waiting for the Auditor General to conduct further audit by Government Auditors”.

38. The Committee are distressed to note that the entire turnover of timber by the Forest and Plantation Corporation is in the form of logs only. During 1977-78 and 1978-79 (upto December, 1978), the Corporation produced 16,962 and 12,681 cubic metres of timber. It is not known to the Committee as to how much of these were taken over from the Forest Department. Though Railways had indicated to the Corporation that they wanted to purchase sleepers for railway tracks the Corporation could not meet this requirement. It is indeed surprising, it does not have sawing facilities of its own. The Saw Mill at Chatham is also stated to be working in only two shifts and is therefore not in a position to meet sawing requirements of the Islands in full. There has been no effort to create and increase sawing capacity in the Islands, in the Public Sector. The result is that while the Corporation has all the raw material (timber in logs) in its hands, it is the private concerns operating in the Islands who buy the raw material at low rates and make enormous profits on sale after sawing and processing of timber thereby depriving the Corporation in collusion with persons in authority of its rightful share.

39. The Committee strongly recommend that in future the Corporation must export only sawn timber and timber products. Export of logs should be stopped as soon as possible. By doing so, the Corporation will not only be able to generate employment, but would be able to earn profits which otherwise are being mopped up by private concerns.

40. The Committee stress that there should be no duplication of efforts between the forests department and the Corporation specially in the same area of operation. There should be a co-ordinated approach to marketing of products in the mainland. The Committee are not convinced that price obtained for timber was the best price. The price should in future be related to that ruling in the main market. This should be scrupulously earned and the existing arrangements reviewed in this light. Details of rates obtained, contracts entered into should be clearly reflected in the annual report of the Corporation.

41. The Committee find that though one of the objectives of the Forest and Plantation Development Corporation is re-generation of forests, it has done very little in this direction. In fact, it spent a paltry sum of Rs. 11,069 during 1977-78 for this purpose. The Committee cannot over emphasise the need for re-generation of forests and trust that the Corporation will give this task the priority it deserves. They should quickly cover plantation of wide area expeditiously and continuously as there is no evidence of it at present.

42. The Committee are perturbed to note that despite serious objections raised by the Bureau of Public Enterprises against the proposal to set up a plywood factory in the joint sector, the Forest and Plantation Development Corporation hustled through a shady deal which will mean a considerable loss to the Corporation and signed on 9 November, 1978 an Agreement with South Indian Plywood Manufacturers Association which includes Western India Plywood Company. The Bureau had pointed out that (i) the proposal would need prior approval of the Cabinet, (ii) it is not fair to have a firm sale price for as many as 5 years for supplying timber to the joint sector company, and (iii) if the Forest and Plantation Corporation were to have only 26 per cent participation in the equity capital with 25 per cent to joint sector copromoters and 49 per cent to public and financial institutions, it will not be a Government company and consequently it will be free from any Parliamentary control. The Committee condemn the action of the Corporation in reducing the share capital of Joint Sector Company from Rs. 2.00 crores to Rs. 1.80 crores, to circumvent the need for Cabinet's approval. The Commit-

tee recommend that the Agreement brought about by back-stage manoeuvring should be terminated forthwith. The Committee were alarmed to hear Deputy Adviser, Bureau of Public Enterprises (Shri Roy Chaudhury) who stated: "two gentlemen met me—I do not recollect the names of the two gentlemen but I recollect that they represent the Western India Plywood. As far as I could recollect, they were ex-Military people, one was perhaps a Brigadier and another some Colonel. They told me, 'You have put this condition that prior Cabinet approval will be necessary before setting up this joint sector corporation. Can't you waive this condition?' I said 'why do you want this condition to be waived'. They said, 'It will only take time. It is evidently a conspiracy hatched between the top brass of the Plantation Corporation and private sector companies. The Committee cannot resist the impression that by not creating sawing facilities and going ahead with its proposal to set up a plywood factory in the joint sector, the Corporation had played into the hands of vested interests. Undoubtedly with a mere 25 per cent of the equity participation the Private concerns will be the biggest beneficiaries. Incidentally the Committee have been informed that the SIMPA has also entered into an agreement with the Corporation for supply of wood to mainland. They are of the view that it is an unchecked plunder without parallel.

43. This shows that a lobby was very active and the whole deal shows how corrupt and interested the concerned officials were. The Committee are also surprised that this should have happened when the Chairman of the Corporation is the Chief Commissioner of the Andaman & Nicobar Islands and the Managing Director is the Chief Conservator of Forests, Andaman & Nicobar Islands. They would require that the Central Government should have a thorough probe made by the Central Vigilance Commission because as far as the Committee can see the selling price of timber and other terms and conditions stipulated in the agreement are very much against the interests of the Corporation and the country. Penal action should be taken against all those who are found guilty howsoever highly placed they may be.

44. The Committee recommend that the Corporation itself should establish large scale wood based complexes consisting of saw mills plywood mills and fibreboard units. The Corporation should also encourage Cottage & Small Scale Industries and take up a programme of exporting other wood-made items in knock-down condition to the mainland, to generate employment of the local inhabitants and accelerate the pace of industrialisation of the Islands.

45. It transpired during evidence of the Director of Industries, Andaman & Nicobar Islands that some small industries were not getting adequate timber from the Corporation at a reasonable price. The Committee would like the Corporation to meet the requirements of the local industries as well as housing requirements in full. The Corporation should initiate action to constitute an Industrial Board fully involving the Department of Industries of Andaman & Nicobar Islands for development of wood-based industry. Surely, the natural wealth of Andaman & Nicobar Islands is not exclusively meant for fattening a handful of wealthy businessmen who are operating in Andaman & Nicobar Islands.

46. The Committee learnt during evidence that except Port Blair where the channel is marked, other ports viz. Port Meadow, Elphinston Hut Bay, Maya Bunder and Carnwallis lacked navigational facilities with the result that ships lose one day on each side because of low speed. The Committee recommend that the Ministry of Shipping and Transport should provide navigational facilities at these ports. At present Shipping Corporation have pressed into Service Timber Carriers 'Diglipur' and 'Shompen'. The capacity of these vessels is about 69,000 cubic metres per trip for both the vessels.

The Vice Chairman and Managing Director of the Shipping Corporation of India pointed out that if the Forest and Plantation Development Corporation could saw the timber and ship it in pellets, it would be possible for the timber carriers to carry much more cargo. The Committee accordingly recommend that the Corporation should ship timber only after sawing and preferably after pelletisation to ensure optimum utilisation of shipping capacity.

47. The Committee find that the Forest Department has a retail Sales Depot at Calcutta and Madras but the Forest and Plantation Development Corporation has not set up any retail sales depot in mainland so far. However, on 26 February, 1979 the Corporation had requested the Government of West Bengal to allot a plot of land to set up a retail sales depot in Calcutta.

48. The Corporation must first cater to the needs of Government and Industrial requirements of Andaman & Nicobar Group of Islands; secondly, it must meet the requirements of Central and State Governments and Public Undertakings and other allied organisations in the mainland; thirdly, it should immediately proceed to open retail sales depots at the State Capitals for small consumers for their requirements at Madras, Vizag, Calcutta and other places.

NEW DELHI;

April 29, 1979.

Vaisakha 9, 1901 (S).

JYOTIRMOY BOSU,

Chairman,

Committee on Public Undertakings.

APPENDIX

Summary of Conclusions/Recommendations

S. No.	Reference to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	38-39	<p>The Committee are distressed to note that the entire turnover of timber by the Forest and Plantation Corporation is in the form of logs only. During 1977-78 and 1978-79 (upto December, 1978), the Corporation produced 16,962 and 12,881 cubic metres of timber. It is not known to the Committee as to how much of these were taken over from the Forest Department. Though Railways had indicated to the Corporation that they wanted to purchase sleepers for railway tracks, the Corporation could not meet this requirement. It is indeed surprising, it does not have sawing facilities of its own. The Saw Mill at Chatham is also stated to be working in only two shifts and is therefore not in a position to meet sawing requirements of the Islands in full. There has been no effort to create and increase sawing capacity in the Islands, in the Public Sector. The result is that while the Corporation has all the raw material (timber in logs) in its hands, it is the private concerns operating in the Islands who buy the raw material at low rates and make enormous profits on sale after sawing and processing of timber thereby depriving the Corporation in collusion with persons in authority of its rightful share.</p> <p>The Committee strongly recommend that in future the Corporation must export only sawn timber and timber products. Export of logs</p>

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should be stopped as soon as possible. By doing so, the Corporation will not only be able to generate employment, but would be able to earn profits which otherwise are being mopped up by private concerns.

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The Committee stress that there should be no duplication of efforts between the forests department and the Corporation specially in the same area of operation. There should be a co-ordinated approach to marketing of products in the mainland. The Committee are not convinced that price obtained for timber was the best price. The price should in future be related to that ruling in the main market. This should be scrupulously earned and the existing arrangements reviewed in this light. Details of rates obtained, contracts entered into should be clearly reflected in the annual report of the Corporation.

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The Committee find that though one of the objectives of the Forest and Plantation Development Corporation is regeneration of forests, it has done very little in this direction. In fact, it spent a paltry sum of Rs. 11,069 during 1977-78 for this purpose. The Committee cannot over-emphasise the need for re-generation of forests and trust that the Corporation will give this task the priority it deserves. They should quickly cover plantation of wide area expeditiously and continuously as there is no evidence of it at present.

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The Committee are perturbed to note that despite serious objections raised by the Bureau of Public Enterprises against the proposal to set up a plywood factory in the joint sector, the Forest and Plantation Development Corporation hustled through a shady deal which will mean a considerable loss to the Corporation and signed

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on 9 November, 1978 an Agreement with South Indian Plywood Manufacturers Association which includes Western India Plywood Company. The Bureau had pointed out that (i) the proposal would need prior approval of the Cabinet, (ii) it is not fair to have a firm sale price for as many as 5 years for supplying timber to the joint sector company, and (iii) if the Forest and Plantation Corporation were to have only 26 per cent participation in the equity capital with 25 per cent to joint sector copromoters and 49 per cent to public and financial institutions, it will not be a Government company and consequently it will be free from any Parliamentary control. The Committee condemn the action of the Corporation in reducing the share capital of Joint Sector Company from Rs. 2.00 crores to Rs. 1.80 crores, to circumvent the need for Cabinet's approval. The Committee recommend that the Agreement brought about by back-stage manoeuvring should be terminated forthwith. The Committee were alarmed to hear Deputy Adviser, Bureau of Public Enterprises (Shri Roy Chaudhry) who stated: "two gentlemen met me—I do not recollect the names of the two gentlemen but I recollect that they represent the Western India Plywood. As far as I could recollect, they were ex-Military people; one was perhaps a Brigadier and another some Colonel. They told me, 'You have put this condition that prior Cabinet approval will be necessary before setting up this joint sector corporation. 'Can't you waive this condition?' I said 'why do you want this condition to be waived'. They said, 'It will only take time. Otherwise we have advanced greatly to execute an agreement". It is evidently a conspiracy hatched between the top brass of the Plantation Corporation and private sector companies. The Committee cannot resist the impression that by not creating sawing facilities and going ahead with its

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proposal to set up a plywood factory in the joint sector, the Corporation had played into the hands of vested interests. Undoubtedly with a mere 25 per cent of the equity participation the Private concerns will be the biggest beneficiaries. Incidentally the Committee have been informed that the SIMPA has also entered into an agreement with the Corporation for supply of wood to mainland. They are of the view that it is an unchecked plunder without parallel.

This shows that a lobby was very active and the whole deal shows how corrupt and interested the concerned officials were. The Committee are also surprised that this should have happened when the Chairman of the Corporation is the Chief Commissioner of the Andaman & Nicobar Islands and the Managing Director is the Chief Conservator of Forests, Andaman & Nicobar Islands. They would require that the Central Government should have a thorough probe made by the Central Vigilance Commission because as far as the Committee can see the selling price of timber and other terms and conditions stipulated in the agreement are very much against the interests of the Corporation and the country. Penal action should be taken against all those who are found guilty howsoever highly placed they may be.

The Committee recommend that the Corporation itself should establish large scale wood based complexes consisting of saw mills plywood, mills and fibreboard units.

The Corporation should also encourage Cottage & Small Scale Industries and take up a programme of exporting other wood-made items in knock-down condition to the mainland, to generate employment of the local inhabitants and accelerate the pace of industrialisation of the Islands.

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It transpired during evidence of the Director of Industries, Andaman & Nicobar Islands that some small industries were not getting adequate timber from the Corporation at a reasonable price. The Committee would like the Corporation to meet the requirements of the local industries as well as housing requirements in full. The Corporation should initiate action to constitute an Industrial Board fully involving the Department of Industries of Andaman & Nicobar Islands for development of wood-based industry. Surely, the natural wealth of Andaman & Nicobar Islands is not exclusively meant for fattening a handful of wealthy businessmen who are operating in Andaman & Nicobar Islands.

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The Committee learnt during evidence that except Port Blair where the channel is marked, other ports viz., Port Medow, Elphinstone, Hut Bay, Maya Buder and Carnwallis lacked navigational facilities with the result that ships lose one day on each side because of low speed. The Committee recommend that the Ministry of Shipping and Transport should provide navigational facilities at these ports. At present Shipping Corporation have pressed into Service Timber Carriers 'Diglipur' and 'Shompen. The capacity of these vessels is about 69,000 cubic metres per trip for both the vessels.

The Vice Chairman and Managing Director of the Shipping Corporation of India pointed out that if the Forest and Plantation Development Corporation could saw the timber and ship it in pellets, it would be possible for the timber carriers to carry much more cargo. The Committee accordingly recommend that the Corporation should ship timber only after sawing and preferably after pelletisation to ensure optimum utilisation of shipping capacity.

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7**47-48**

The Committee find that the Forest Department has a retail Sales Depot at Calcutta and Madras but the Forest and Plantation Development Corporation has not set up any retail sales depot in main land so far. However, on 26 February, 1979 the Corporation had requested the Government of West Bengal to allot a plot of land to set up a retail sales depot in Calcutta.

The Corporation must first cater to the needs of Government and Industrial requirements of Andaman & Nicobar Group of Islands; secondly, it must meet the requirements of Central and State Governments and Public Undertakings and other allied organisations in the main land; thirdly, it should immediately proceed to open retail sales depots at the State Capitals for small consumers for their requirements at Madras, Vizag, Calcutta and other places.
