

SIXTY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1986-87)

(EIGHTH LOK SABHA)

WORKING OF EMBARKATION
HEADQUARTERS

MINISTRY OF DEFENCE

Action Taken on 226th Report (Seventh Lok Sabha)]



Presented in Lok Sabha on ~~1.12.1987~~

Laid in Rajya Sabha on _____

LOK SABHA SECRETARIAT

NEW DELHI

January, 1987/Magha, 1908 (Saka)

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CORRIGENDA TO 67TH REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE (7TH LOK SABHA)

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PUBLIC ACCOUNTS COMMITTEE
(1986-87)

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SECRETARIAT

1. Shri K. H. Chhaya—*Joint Secretary*
2. Shri Brahmanand—*Senior Financial Committee Officer.*

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixty-Seventh Report on Action taken by Government on the recommendations of the Public Accounts Committee contained in their 226th Report relating to working of Embarkation Headquarters.

2. 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of Customs Duty on motor vehicle parts consigned to a Vehicle Factory, preferred by the Embarkation Headquarters, Bombay on the Customs Authorities during January-December 1978, have not been settled so far. The Committee have taken a very serious view of the abnormal delay of over 8 years in the Settlement of these claims. The Committee have desired the matter to be pursued earnestly to have these claims settled urgently and action taken in the matter reported to them.

3. The Committee have emphasized that the working of the Embarkation Headquarters should be continuously monitored and the existing procedures should be refined in consultation with the other concerned authorities to minimise the expenditure on wharfage.

4. As on 31-12-1985, the total value of outstanding claims of Customs Duty in respect of the three Embarkation Headquarters was as high as Rs. 20.71 crores involving 1314 claims. The position about the pending claims against Carriers|Port Trust on account of short landed|damaged cargo is equally bad. As on 31-12-1985 claims pending against Carriers and Port Trust Authority were of the order of Rs. 114.91 lakhs and Rs. 13.65 lakhs respectively. The Committee have recommended that the methodology of preparing claims should be critically examined and effective remedial steps, taken, urgently, in consultation with all the concerned authorities to reduce such pendencies to the barest minimum and also to ensure that such pendencies are not allowed to accumulate in future. The Committee have also desired that in future it should be ensured that claims against private carriers are promptly enforced.

5. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 30 December, 1986. Minutes of the sitting form PART II of the Report.

6. For facility of reference and convenience, the recommendations and conclusions of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI
January 23, 1987
Mtg No 3, 1988 (S)

E. AYYAPU REDDY
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations|observations contained in their 226th Report (7th Lok Sabha) on paragraph 39 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Defence Services), on the Working of Embarkation Headquarters.

1.2 The Committee's 226th Report (7th Lok Sabha) was presented to Lok Sabha on 25 August, 1984. It contains 15 recommendations|observations. Action taken notes on all these recommendations|observations have been received from the Ministry of Defence. These recommendations have been broadly categorised as follows:—

(i) Recommendations and observations which have been accepted by Government;

1, 2, 4, 6, 7, 8, 9, 11, 12, 13 and 14.

(ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government;

3 and 5.

(iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration;

10 and 15.

(iv) Recommendations and observations in respect of which Government have furnished interim replies;

—Nil—

1.3 The Committee will now deal with action taken on some of their recommendations|observations.

Delay in settlement of refund claims (Serial No. 10 Para 1.87).

1.4 Commenting upon the delay in the settlement of 14 refund claims amounting to Rs 53.27 lakhs on account of incorrect levy

of Customs Duty on motor vehicle parts which were preferred by the Embarkation Headquarters, Bombay on the Customs Authorities, the Committee in para 1.87 of their 226th Report, observed as follows:

“The Committee note that 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of Customs Duty on motor vehicle parts consigned to a Vehicle Factory were preferred by the Embarkation Headquarters, Bombay on the customs authorities during January-December 1978 on the advice of the consignee that those parts which were in fact unmachined parts had been assessed to Customs Duty at the rates applicable to machined parts. But, surprisingly, except the invoices which were already with the customs authorities, the Vehicle Factory had no other documentary evidence to prove their contention. What is even more disgusting is that the Vehicle Factory did not even depute their representative at the hearing of the case. The Committee take a serious view of such a lack of concern by the Vehicle Factory for financial interests of Defence Services. The Committee would like the Department of Defence Production to investigate this lapse on the part of the Vehicle Factory with a view to fixing responsibility and taking suitable action. The Committee further recommend that the matter which has already been taken up with the Department of Revenue, should be conclusively pursued with them.”

1.5 In their action taken note the Ministry of Defence stated as follows:

“The claim for refund was taken up with the Department of Revenue *vide* Min. of Def. u.o. No. 182 D(Proj. I) dated 13-1-84. Reply to this is still awaited. They were last reminded on 27-2-85.

VFJ have intimated *vide* their letter No. 631|6|Customs dated 29-3-85, that in one recent case the Customs Excise and Gold Control Appellate Tribunal, New Delhi, allowed an appeal that the case will more appropriately fall under item 63 (28) and not as Motor Vehicle Parts. This judgement was dated 25-6-84. In the light of the above judgement the matter will now be further pursued with the Department of Revenue for early settlement.

As regards deputing of a VFJ representative in connection with the hearing of case, VFJ has indicated that as and when such request for hearing is communicated to VFJ with specific date of hearing, representative of VFJ is deputed along with the requisite documents. It is not clear in which specific case VFJ was not represented in spite of the request from the Embarkation Headquarters| other connected agencies, intimating the date of hearing. Hence it is not possible to initiate any action for fixing the responsibility. Moreover, six years have passed since it was decided to treat the claims as closed and no useful purpose will be served now by instituting enquiries.

DADS has seen."

1.6 Asked about the latest position with regard to the settlement of these refund claims, the Ministry of Defence in their note dated 21-11-1986, intimated as follows:

"The matter was taken up with the Department of Revenue, Ministry of Finance, who have intimated that assessment of goods being a quasi judicial function of the Custom authorities, Collector of Custom, Bombay may be approached directly for the finalisation of the assessment. The Embarkation Headquarters have taken up the case with Collector Customs Bombay. The case is thus *sub-judice*."

1.7 The Committee are unhappy to note that 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of Customs Duty on motor vehicle parts consigned to a Vehicle Factory, which were preferred by the Embarkation Headquarters, Bombay on the Customs Authorities during January—December 1978, have not been settled so far. According to the consignee these parts which were in fact unmachined parts had been assessed to Customs Duty at the rates applicable to machined parts. The Department of Revenue, Ministry of Finance with whom the matter was taken up by the Ministry of Defence have now advised the latter that assessment of goods being a quasi judicial function of the Customs authorities Collector of Customs, Bombay should be approached directly for the finalisation of the assessment. The Committee take a very serious view of the fact that even after abnormally long period of 8 years the claims, in question,

have not been settled so far. They would like the matter to be pursued earnestly to have these claims settled, urgently and action taken in the matter reported to the Committee.

Working of the Embarkation Headquarters [Serial No. 15 (Para 1.92)]

1.8 Commenting upon the working of the three Embarkation Headquarters located at Bombay, Calcutta and Madras, the Committee in paragraphs 1.92 of their 226th Report had observed as follows:

“The facts narrated above make it clear that the working of the three existing Embarkation Hqrs. is far from satisfactory and effective remedial steps need to be taken to improve their working. Not only there has been huge avoidable and infructuous expenditure, but there have also been inordinate delays in the receipt of Defence stores by the ultimate consignees. The Committee feel that delays in respect of stores particularly in the field of a vital sector like defence is inexcusable. The Committee fail to understand why steps to improve the working of these Embarkation Headquarters have not been taken so far. In the opinion of the Committee, the consignees are not free from blame. In a large number of cases dealt with in the Audit Paragraph, the consignees have shown utter lack of concern in minimising costly delays or safeguarding Government financial interest. The Defence Secretary was frank enough to admit during evidence before the Committee. ‘Because of the Audit Para. not only my attention has been drawn to it but I am also applying fully to it’. I am hundred per cent sure that we will have much better results from 1984 onwards. The Committee hope that in compliance with this assurance, necessary steps would be taken by Ministry to streamline the working of the Embarkation Headquarters”.

1.9 In their action taken note the Ministry of Defence have stated as follows:

“The Embarkation Headquarters are responsible for clearance of imported Defence stores from abroad contracted by different Defence agencies. In spite of best efforts made by the Embarkation HQrs., to ensure speedy clearance of cargo, delays take place which are beyond the control of the Embarkation HQrs. In view of the fact that various other agencies are involved such as Port Trust Authorities, Customs, authorities, Railways and the consignee. As

and when the difficulties are experienced by the Embarkation HQrs., the reasons are identified and instructions have been issued to the consignee headquarters and the concerned authorities. . .

2. As a result of the remedial measures taken and constant monitoring of the working of Embarkation HQrs., the expenditure of extra wharfage has been drastically reduced during the year 1984 as compared to the previous years which is evident from the following data:

Emb. HQ.	Year	Tonnage handled	Extra wharfage (Rs. in lakhs)	Remarks
(a) Bombay	1981	28706	15.64	1. The amount of extra wharfage reflected the year 1984 relates to the cargo arrived during 1984 and does not include the amount of old chappas of previous years. ■
	1982	35235	32.92	
	1983	36804	41.41	
	1984	29805	4.60	
(b) Madras	1981	939	0.56	
	1982	6951	0.46	
	1983	579	0.27	
	1984	881	0.15	
(c) Calcutta	1981	2636	4.78	2. Emb. HQ., Calcutta spent Rs. 0.95 lakh as extra wharfage due to late arrival of escorts and vehicles from Vehicles Factory, Jabalpur and 218 PCU respectively.
	1982	2276	3.94	
	1983	2558	0.82	
	1984	1452	1.98	

3. The outstanding claims against Customs, 'Carriers' have been vigorously pursued and outstanding claims have been considerably brought down as indicated below:

(a) *Claims against Customs Department (Rs. in crores):*

Emb. HQ.	Year	Claims O/S in the beginning of the year		Fresh claims preferred during the Year		Claims settled during the year		Claims O/S at the end of the year	
		No.	Amounts	No.	Amounts	No.	Amounts	No.	Amounts
Bombay	1981	965	16.02	251	4.20	51	1.71	1165	18.51
	1982	1165	18.51	294	6.91	172	4.42	1287	21.00
	1983	1287	21.00	270	4.22	34	2.79	1523	22.43
	1984	1523	22.43	308	5.62	1084	17.16	747	10.89
Madras	1981	177	0.79	213	7.50	89	1.29	310	7.00
	1982	310	7.00	522	12.25	455	18.19	77	1.06
	1983	377	1.06	510	6.41	496	5.80	391	1.67
	1984	391	1.67	452	7.80	335	3.11	508	6.36
Calcutta	1981	10	0.13	39	0.12	15	0.01	34	0.24
	1982	34	0.24	278	0.14	10	0.02	51	0.36
	1983	51	0.36	33	0.10	21	0.11	63	0.35
	1984	63	0.35	36	0.39	44	0.19	55	0.55

* Note:

(b) Position of claims against carriers/port trust (Rs. in crores)

Emb HQ.	Year	No. of outstanding claims:			Total No.	Amount
		Carriers No.	Port Trusts No.	Amount		
Bombay	1981	..	..	..	394.35	
	1982	1163	312	188.14	659.72	
	1983	1139	362	155.13	776.16	
	1984	979	429	161.96	904.25	
	1981	..	..	..	146	49.53
Madras	1982	141	..	..	141	64.22
	1983	123	2	0.12	125	57.46
	1984	61	1	0.10	62	24.96
	1981	..	..	..	83	32.46
Calcutta	1982	107	1	0.02	108	43.96
	1983	78	3	1.52	81	27.24
	1984	44	2	0.20	46	20.26

⊗ Note:—Amount of outstanding claims has increased due to lodging of fresh claims of more value.

LIST :-

- (1) O.M. No. A/92510/PC/VL/IV/Q Mov Shipping/815/S/D (Mov), 18-7-79
- (2) O.M. No. B/25661/Q Mov Shipping/3518/D (Mov), dt. 27-10-80
- (3) Note No. 24491/1/Q Mov Shipping/, dated 28-10-81.
- (4) O.M. No. 24495/Q Mov Shipping/543/S/1/D (Mov), dated 13-7-82.
- (5) Note No. 24529/Q Mov Shipping dated 25-10-82.
- (6) O.M. No. 4(3)/83/D (Mov), dated 26/27-8-1983.
- (7) M.O.D. u.o. No. 4(3)/83/D (Mov), dated 18-1-84.
- (8) D.O. letter No. 24491/Q Mov Shipping dated 29-2-84.

2. DADS has seen."

1.10 At the instance of the Committee, the Ministry of Defence have furnished the following latest information with their note dated 21-11-1986:

(i) Details of tonnage handled and Extra Wharfage paid during 1985.

Embarkation Hqrs.	Tonnage	Extra Wharfage
		(Rs. in lakhs)
Bombay	41,991	3.15
Madras	893	0.03
Calcutta	898	0.68
	43,782	3.86

Remarks : The figure of Rs. 3.86 lakhs spent as extra wharfage during the year 1985 may not give the realistic assessment of the actual amount because the final bills of extra wharfage in respect of Madras Port Trust and Calcutta port trust are received after 12 months. Therefore, the above figure is likely to escalate when all the bills are received by Embarkation Headquarters and payment made by end Dec' 86.

(ii) Details of Claims pending against Customs Department

(Rs. in Crores)

	No. of outstanding claims as on 1-1-85		No. of fresh claims lodged during 1985		No. of claims settled during 1985		No. of claims outstanding as on 31-12-1985	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Bombay	647	10.89	228	6.91	248	6.11	627	11.69
Madras	508	6.36	440	5.20	277	2.85	671	8.71
Calcutta	55	0.55	21	0.24	60	0.48	16	0.31
	1210	17.80	689	12.35	585	9.44	1314	20.71

(iii) *Details of Claims pending against Carriers/Port Trust for the year 1985*(a) *Carriers*

Emb. HQ.	No.	Amount
		(Rs. in lakhs)
Bombay	84	107.61
Madras	3	4.68
Calcutta	15	2.62
	102	114.91
		(b) <i>Port Trust Authorities</i>
Bombay	61	13.65
Madras	—	—
Calcutta	—	—
	61	13.65

1.11 The three Embarkation Headquarters located at Bombay, Calcutta and Madras were created in 1936, 1940 and 1961 respectively for handling the cargo imported from abroad for Defence Services and other organisations under the Ministry of Defence. Commenting upon their working the Committee had in their earlier Report observed that, there had not only been huge avoidable and extra expenditure of Rs. 49.87 lakhs during the period 1977—1981 in the shape of payment of extra wharfage charges, but there had also been inordinate delays in the receipt of defence stores by the consignees. The Committee had expressed concern over this sad state of affairs and had recommended that effective remedial steps should be taken to improve their working. In their action taken note, the Ministry of Defence have stated that despite best efforts made by the Embarkation Headquarters to ensure speedy clearance of cargo, delays take place which are beyond the control of the Embarkation Headquarters, particularly as a number of other agencies, such as, Port Trust, Customs, Railways and the Consignees are involved.

1.12 The Committee note that even during the years 1981, 1982 and 1983 there has been huge avoidable and infructuous expenditure on account of extra wharfage in respect of these three Embarkation Headquarters to the tune of Rs. 20.98 lakhs, Rs. 37.32 lakhs and

Rs. 42.50 lakhs respectively. The Ministry has claimed that by remedial measures and continuous monitoring, extra expenditure on wharfage has been drastically reduced since 1984. The Committee note that during the subsequent years 1984 and 1985, the expenditure on account of wharfage has come down to Rs. 6.73 lakhs and Rs. 3.86 lakhs. This trend is welcome. The Committee would, however, like to emphasise that with the instructions contained in the Defence Services Regulations (Army) which provides that payment of wharfage is to be viewed as wasteful expenditure, it should be possible for the Embarkation Headquarters to secure the clearance of the sea cargo within the last free date so as to obviate the necessity of payment of wharfage and unnecessary delays in the despatch of vital defence stores to the ultimate consignees. The Committee desire that the working of the Embarkation Headquarters should be continuously monitored and the existing procedures should be frequently reviewed in consultation with the other concerned authorities and further effective steps taken with a view to eliminating the possibility of wharfage altogether.

1.13 Another disquieting feature of the working of the Embarkation Headquarters is the continuing heavy pendency of refund claims of Customs Duty. As on 31-12-1985, the total value of outstanding claims of Customs Duty in respect of the three Embarkation Headquarters was as high as Rs. 20.71 crores involving 1314 claims. The position about the pending claims against Carriers/Port Trust on account of short landed/damaged cargo is equally bad. As on 31-12-1985 claims pending against Carriers and Port Trust Authority were of the order of Rs. 114.91 lakhs and Rs. 13.65 lakhs respectively. The Committee recommend that the methodology of preparing claims should be critically examined and effective remedial steps taken, urgently, in consultation with all the concerned authorities to reduce such pendencies to the barest minimum and also to ensure that such pendencies are not allowed to accumulate in future. The Committee also desire that in future it should be ensured that claims against private carriers are promptly enforced.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

For handling the cargo imported from abroad for Defence Services and other organisations under the Ministry of Defence, there are three Embarkation Headquarters located at Bombay, Calcutta and Madras which came into existence in 1936, 1940 and 1961 respectively.

[Sl. No. 1C Para 1.78 of APPENDIX to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

Being factual position no comments are offered.

2. DADS has seen.

[Min. of Def. O.M. No. F. 12(5)|84|D(MOV), dated 30-5-85].

Recommendation

The Committee note that stores shipped from abroad and landed at ports are subject to levy of wharfage charges at ordinary rates where clearance of the cargo from the docks is effected within the last free date. The cargo not so cleared by the last free date attracts payment of extra wharfage charges. In spite of the instructions contained in the Defence Service Regulations (Army) that payment of extra wharfage is to be viewed as wasteful expenditure, non-clearance of sea cargo within the prescribed-time-limit at the above three Embarkation Headquarters has resulted in avoidable payment of extra wharfage charges amounting to Rs. 49.87 lakhs during the period 1977-81. During the years 1980 and 1981, there were 13,248 cases of delay in clearance of consignments of which cases of delay of over three months after the last free date number 230. From these facts, the Committee are led to conclusion that the working of the Embarkation Headquarters is far from satisfactory and needs to be improved. What is really surprising is that this state of affairs has been allowed to continue for years. The Committee would like to know why timely and effective steps were not taken to avoid the payment of such a huge amount of extra wharfage charges.

[Sl. No. 2 (Para 1.79) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

As per Port Bye-laws extra wharfrage has to be paid when the consignments are not cleared within the last free date. The reasons attributable to delay in clearance are non-availability of documents with Embarkation Hqrs. in time, delay in marine survey, non-availability of railway wagons, etc. The remedial measures have been taken by issuing suitable instructions from time to time to overcome the difficulties. Some of the instructions issued for reducing extra wharfrage which is considered wasteful expenditure are as below:—

- (a) O.M. No. A|92510|PC-IV|Q Mov. Shipping|815|S|D (Mov) dated the 18th July 1979 addressed to all controlling sections in Ministry of Defence and Service Hqrs.
- (b) O.M. No. B|25661|Q Mov Shipping|3518|D (Mov), dated the 27th October 1980.
- (c) Note No. 24491|1|Q Mov Shipping dated 28-10-81.
- (d) O.M. No. 24495|Q Mov Shipping|543|S|1|D (Mov), dated 13-7-82.
- (e) Note No. 24529 Q Mov Shipping, dated 25-10-82.
- (f) O.M. No. 4(3)|83|D (Mov), dated 26|27th August, 83.
- (g) M. of D. u.o. No. 4(3)|83|D (Mov), dated 18-1-84.
- (h) D. O. letter No. 24491|Q Mov Shipping dated the 29th February 1984 from Director Movement, Army Hqrs. to Commandants, Embarkation Hqrs., Bombay, Calcutta and Madras.

A copy of these instructions is placed below (not printed). Thus it can be seen that timely and effective steps were taken to avoid payment of extra wharfrage by identifying the reasons for late clearance and taking suitable remedial measures by issue of appropriate instructions. There has been continuous effort and close liaison with various authorities involved in the clearing, viz., chairman, Bombay Port Trust, Collector of Customs and Railway officials by Commandants of the Embarkation Hqrs. and thereby many of the problems have been sorted out. At Bombay, the Chairman, Bombay Port Trust had agreed for conversion of Defence Shed 'A' inside Ports Trust premises to be used as a custom bonded ware-house for defence cargo. Only in November|December 1984 this was agreed to and action is being taken by commandant, Embarkation, Hqrs.

Bombay for conversion of Defence Shed 'A' into Customs bonded warehouse. Once this comes into operation, the extra wharfage would be minimised.

2. DADS has seen.

[Ministry of Defence O.M. No. F. 12(5)|84|D (Mov), dated
30-5-85]

Further Information

The request of Min. of Def. for the conversion of Defence Shed 'A' into Customs Bonded Warehouses has been turned down by Bombay Port Trust. A copy of D.O. No. PT-17011-37|86-PT dated 10-11-86 from Additional Secretary, Ministry of Transport, addressed to QMG is enclosed for reference (not printed).

[Min. of Defence I.D. Note No. PC 12(5)|84 (Mov), dated
21-11-1986]

Recommendation

The Committee note that in order to evolve methods for speedy clearance of cargo with a view to avoiding unnecessary extra wharfage, a meeting was held in the Ministry of Defence under the Chairmanship of Director (Q) on the 5th June 1980 at which the following decisions were arrived:—

- (a) To incorporate a clause in the contract stipulating that a set of shipping documents are to be forwarded to Embarkation Headquarters concerned and consignees simultaneously to reach them at least 14 days in advance of the arrival of the vessel.
- (b) That the supplier will be held responsible to bear the extra wharfage incurred due to late clearance of packages on account of wrong marking|obliterated marking on the packages contrary to what has been mentioned in the Bill of Lading.

[Sl. No. 4 (Para 1.81) of Appendix to 226 Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

Instructions were in fact issued on 27th October 1980 *vide* Ministry of Defence O.M. No. B|25661|Q Mov Shipping|3518|-D

(Mov), dated the 27th October 1980 to all the Controlling Sections. These instructions were again reiterated in 1982. Therefore, it can be seen that the instructions were issued after the decision in Director (Q)'s meeting within five months. A copy of the instructions issued on the 27th October 1980 is placed below, (Annexure).

2. DADS has seen.

[Ministry of Defence O.M. No. F. 12(5)|84|D(Mov),
dated 30-5-85]

ANNEXURE

No. B|25661|Q Mov Shipping|3518|D(Mov)

Government of India

Ministry of Defence

New Delhi, the 27th October 1980

OFFICE MEMORANDUM

Subject:—Clearance of imported stores-payment of extra warfage.

1. The undersigned is directed to state that difficulties have been faced by Embarkation Headquarters due to non-receipt of the relevant bills of lading and invoices well in time in absence of which no action can be taken relating to the consignment. This leads to unnecessary payment of extra wharfage charges in addition to dislocation of work caused by it.

2. As a remedial measure it is suggested that a clause may be inserted in the contract that suppliers must intimate the consignee/landing officer about the shipment of stores covered under the contract so that it reaches there one month in advance and in any case not less than two weeks in advance of the arrival of the vessel. The question of holding the suppliers responsible to bear expenditure incurred in clearance of the stores having wrong/obliterated marking and weight different from that recorded in the invoices/manifest could also be taken up with ISM London/Washington and concerned Missions abroad. Regarding spare parts, suppliers should be required to mention invariably the main equipment to which it relates. If necessary, a provision also may have to be made in the contract stipulating that ISM London/Washington should be consulted for the speedy finalisation to the Landing Officer to reach him at least 14 days ahead of the arrival of the vessel.

3. There is also need for controlling Officers to ensure the issue of disposal instructions in time alongwith the presence of technical representative in the Embarkation HQrs. in time.

4. In this connection, I am further directed to refer to paras 2 and 16 of the DSR, shipping procedure, 1976 where it is mentioned that indenter in India will ensure that the following documents are despatched by the Shippers|suppliers to the Landing Officer (Embarkation Headquarters concerned) at the port of discharge well before the arrival of the vessels.

- (a) Original bill of lading.
- (b) Non-negotiable copy of bill lading.
- (c) Invoice|packing amount.
- (d) Specification to invoice, where necessary.
- (e) Packing list.
- (f) Insurance Policy if the stores are insured.
- (g) Packing note
- (h) Specification certificate of quality.

5. Similarly in para 16, it is mentioned that the responsibility issue consignment instruction in respect of import stores is that of the Controlling HQ|Consignee concerned. Thus it appears that the desired instructions should appropriately be issued by the concerned user|Controlling Sections of the Ministry of Defence and the Controlling HQrs. who are associated with intending consignment.

6. In view of the above background, the undersigned is further directed to request the concerned sections to issue relevant instructions in this regard.

Sd/-

(P. C. SHARMA)

Under Secretary to the
Government of India

To

Min. of Def: D(O-I), D(HAL|MDN), D(Air-II), D(N-I), D(W-I), D(PROD), D(IC & P), D(PS), D(R&D) Organisation (RD-29)
(5 copies each)

Dte. Genl. of Security, ARC, R. K. Puram, Sec. V, New Delhi.
MGO Br: Dte of Ord. Services (CS-ICO), MG|PPO, P.-in-C's Branch.
Naval HQrs (Dte of Logistic Support), Air HQrs (Dte of Maintenance Admn).

Copy also to:—

Embarkation HQrs, Bombay|Calcutta|Madras.
Flag Officer-in-Chief, Cochin.
Ministry of Shipping & Transport, (Transport Wing)
Shipping Coordination Committee, New Delhi.

Min. of External Affairs:—For information to the Military|
Naval|Air Attaches in our Missions
abroad.

MGO Br. (OS Dte-Vehicles)
Supply Wing, High Commission of India, London.
Supply Wing, Embassy of India, Washington.
QMG's Br: Q Mov Shipping.

Recommendation

Even though the instructions were issued in July 1982 so far suppliers have not been asked to bear extra wharfage on account of wrong marking|obliterated marking even in a single case, as suitable provision has not been included in the contract. Further instructions have been issued only now to the Controlling Headquarters in this regard. The Committee would like to be informed of the cases in which suppliers have since been asked to bear extra wharfage on account of wrong|obliterated markings.

[Sl. No. 6 (Para 1.83) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

So far there has not been any case where suppliers have been asked to bear extra wharfage on account of wrong|obliterated markings.

2. DADS has seen.

[Ministry of Defence O.M. No. F.12(5)|84|D(Mov), dated the
30-5-85]

Further Information

As a remedial measures directions have been issued by Min. of Def. vide letter No. 24495|QMS|543|S|i|D(Mov) dated 13-7-82 to incorporate a clause in future contracts for making the suppliers responsible to bear the cost of extra wharfage for wrong|obliterated markings on the packages.

[Min. of Defence I.D. Note—No. PC, 12(5)|84|D(Mov), dated
21-11-1986]

Recommendation

According to the Ministry of Defence, in spite of the instructions issued in July 1982 there are still delays in respect of consignments received through India supply Mission, London. To improve the position, the Ministry of External Affairs have been requested to appoint Freight Forwarders at India Supply Mission, London as at India Supply Mission, Washington. The Committee have been informed that the matter is still under the consideration of the Committee of Secretaries. The Committee desire that an early decision should be taken in the matter and the Committee informed of the same.

[Sl. No. 7 (Para 1.84) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

There has been delay in respect of consignments received through ISM, London. The documents were also received late. To improve the position, Ministry of External Affairs were requested to appoint Freight Forwarders at ISM, London similar to that of ISM, Washington.

2. It has now been intimated by the Ministry of External Affairs that Messrs. Schenkars and Co. have been appointed as Freight Forwarders and agreement has been entered with them for the period upto 31st August, 1987.

3. DADS has seen.

[Ministry of Petroleum O.M. No. F.12(5)|84|D(Mov), dated
30-5-85]

Recommendation

Embarkation Headquarters are also responsible to realise compensation for loss or damage to the cargo from carriers, insurance companies, port authorities and under-writers, as the case may be. The Committee are concerned to find that as on August 1982 claims

amounting to Rs. 4.76 crores were pending settlement on account of short-landed|damaged cargo. Claims amounting to Rs. 25.62 lakhs were rejected on grounds of delay in marine survey, limited liability of carriers and defective preparation of the documents by the suppliers. In 1981 along 13 claims amounting to Rs. 2.26 lakhs were rejected on ground of non-supply of documents by the consignees. This is really disturbing. The Committee have, however, been informed that as a result of efforts made by the Embarkation Headquarters, claims worth Rs. 2.19 crores (out of above-mentioned Rs. 4.76 crores) have been settled upto 31-7-1983. The Committee emphasise that all-out efforts should be made to settle the remaining claims at an early date, and the latest position intimated to them. To minimise the loss to the State due to such rejections, consignees are stated to have been instructed either to resort to insurance of Defence Stores against loss or damage or to make it obligatory for the suppliers to give detailed break-up of cargo (whatever possible) and value in the Bill of Lading so that full damage could be claimed in case of loss of stores. The Committee would like to be informed if these instructions are being followed in actual practice.

[Sl. No. 8 (Para 1.85) of Appendix 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

As a result of the consistent efforts claims worth Rs. 3.53 crores have been settled.

There have been some practical difficulties in insuring Defence Stores. One of the Ordnance Depot has found it difficult to implement these instructions because none of the Indian Insurance Companies are willing to transact business except in Indian Rupee against proof of despatch. It was also not clear how insurance is proceeded when the amounts towards insurance are catered in the indents in free foreign exchange. To sort this out, the matter was referred to First Secretary (Shipping), High Commission of India, London to explore the possibility of entering into insurance at the consignor's end instead of consignee's end. Based on receipt of reply fresh clarifications have been issued.

2. DADS has seen.

[(Ministry of Defence O.M. No. F.12(5)|84|D(Mov), dated the 30-5-85]

Further Information

Claims worth Rs. 1.21 crores are still outstanding. Emb. HQrs. have been asked to settle the case at the earliest.

[Ministry of Defence I.D. Note No. PC-12(55|84|D(Mov),
dated 21-11-1986]

Recommendation

Another disquieting feature of the working of the Embarkation Headquarters is the heavy pendency of refund claims of Custom Duty. The total value of such claims pending finalisation was Rs. 25.75 crores in August 1982. What is particularly disturbing is that claims of Rs. 7.13 crores have been rejected due to delay in preferring claims, non-production of required documents in time and production of incomplete documents etc. As to the latest position, the Committee have been informed that out of 1.509 outstanding refund claims for Rs. 25.75 crores, 809 claims (671 settled + 138 rejected) totalling Rs. 14.268 crores have been settled. The Committee would like to stress that efforts should be made to settle the remaining claims for over Rs. 11 crores at the earliest. Suitable steps should also be taken to reduce such pendency to the barest minimum.

[Sl. No. 9(Para 1.86) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The Embarkation Headquarters are now submitting monthly progress report to Army Headquarters who, in turn, send it to Ministry of Defence with suggestions for speedy finalisation. The Ministry of Defence take-up with Ministry of Finance, Directorate of Customs for speedy settlement of the claims. So far claims worth Rs. 8.63 crores have been settled.

2. DADS has seen.

[Ministry of Defence D.M. No. F.12(5)|84|D(Mov.), dated the
30-5-1985]

Further Information

Out of the outstanding claims of Rs. 11 crores, claims worth Rs 7.51 crores have been settled.

[Ministry of Defence I.D. Note No. PC 12(5)|84|D(Mov), dated
21-11-1986]

Recommendation

The Committee note that as on 20th July, 82 provisional deposit bonds for Rs. 3.62 crores furnished by Embarkation Headquarters, Madras towards payment of Customs Duty remained to be redeemed. According to the Ministry of Defence, out of 165 provisional deposit bonds amounted to Rs. 361.99 lakhs, 155 bonds amounting to Rs. 336.87 lakhs have since been redeemed. The Committee urge that immediate steps should be taken for redemption of the remaining 10 provisional deposit bonds amounting to Rs. 25.12 lakhs. The Committee also recommended that a suitable procedure should be devised in consultation with the consignees so that delay in redemption of provision deposit bonds is obviated in future.

[Serial No. 11 (Para 1.88) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The present position of Provisional Deposit Bonds yet to be redeemed is four for an amount of Rs. 14.66 lakhs. With the incorporation of a Clause in the contract making it obligatory for the supplier to send Shipping Documents to Embarkation Headquarters 14 days in advance, the position would improve.

2. DADS has seen.

[Ministry of Defence O.M. No. F.12(5)|84|D(Mov), dated the 30-5-1985]

Further Information

Provisional bonds for the period 1977—81 have been reduced Rs. 3.96 lakhs 4 Provisional bonds of Rs. 10.70 lakhs for the same period (1977—81) are yet to be redeemed.

[Min. of Defence I. D. Note No. PC 12(5)|84|D(Mov), dated 21-11-1986].

Recommendation

The Committee are concerned at the delay in despatch of consignments (sea cargo) to the ultimate consignees. There were as many as 251 cases pertaining to the three Embarkation Headquarters for the year 1979-1980 a'one involving delay of over 3 months. According to the Ministry of Defence, one of the reasons for delay is the

time involved in getting suitable type of wagons. The Committee feel that with proper co-ordination with the Railways, the position can be considerably improved. The Committee hope that urgent steps would be taken in this regard.

[Sl. No. 12 (Para 1.89) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

In order to monitor the process of clearance of Defence Stores and their timely despatch to the ultimate consignees, monthly progress report have been introduced with effect from March, 1984. The cases of delay, reasons therefor can be analysed from the reports and despatch can be ensured by liaising with concerned authorities for despatch without any undue delay.

2. DA/DS has seen.

[Ministry of Defence O.M. No. F.12(5)/84(D(Mov), dated the 30-5-1985]

Recommendation

The Committee are deeply concerned to note that non-clearance of air cargo within the prescribed time-limit has resulted in avoidable payment of warehousing charges amounting to Rs. 19.51 lakhs. The Committee would like to point out that airlifting of the stores is resorted to only when such stores are required urgently. The very purpose of incurring huge expenditure on airlifting of the stores is defeated if such stores are allowed to remain in the Customs Warehouse for long periods of 3-4 months. The Committee accordingly recommended that proper procedure should be evolved in consultation with all concerned for the early despatch of air cargo to the consignees.

[Sl. No. 13 (Para 1.90) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

It has been impressed upon the consignee headquarters to avoid payment of extra warehousing charges on stores imported by Air by avoiding the delay. The reasons for delay have been identified and all the consignee headquarters have been intimated of the same. They have also been requested to ensure special attention for prompt follow-up action right from the time supply orders have been issued.

Copies of the instructions issued to the consignee headquarters are attached (not printed).

(a) 26023|1|Q Mov. Air dated 4th April, 83.

(b) 26023|1|Q Mov. Air dated 23rd May, 84.

(c) 26023|1|Q Mov. Air dated 22nd Oct. 1984.

2. DADS has seen.

[Min. of Def. O.M. No. 12(5)|84|D(Mov), dated 30th May, 1985].

Recommendation

In case of imported stores airlifted subject to post-facto sanction for airlifting, payment of air-freight is made by the Embarkation Headquarters out of provisional advance drawn for the purpose. Provisional advances amounting to Rs. 20.72 lakhs pertaining to the years 1978—1981 remained unadjusted (September 1982). It is a matter of serious concern that three to four years should be taken in getting sanction for stores already airlifted. From a note furnished by the Ministry of Defence, the Committee observe that it is the responsibility of the indentors|consignees, under whose instructions the stores are airlifted, to obtain the sanction of the competent financial authority. The Committee desire that Ministry of Defence should look into the matter and streamline the existing procedure with a view to ensuring that as far as possible prior sanction of the competent authority is obtained for airlifting of stores. However, in cases where on considerations of urgency, airlifting has to be resorted to subject to post-facto sanction, the indentors|consignees should see to it that the requisite sanction is conveyed to the Embarkation Headquarters within a period of four weeks from the date of their instructions to Embarkation Headquarters to airlift stores.

[Sl. No. 14 (Para 1.91) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

A half-yearly return is regularly sent by Embarkation Headquarters to all concerned consignees showing details of outstanding air lift sanctions, requesting them to obtain|issue air-lifting sanctions. Instructions have also been issued to all the indenting authorities stressing the need to conveying the sanction within a period of four weeks. A copy of the instruction issued is enclosed (not printed).

2. DADS has seen.

[Ministry of Defence O.M. No. F.12(5)|84|D(Mov), dated the 30-5-1985]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

Out of the total amount of extra wharfage charges levied|paid during 1977—1981 in respect of the three Embarkation Headquarters, nearly three-fourths relates to EHQ, Bombay. The amount of extra wharfage charges levied|paid in the case of that EHQ has been increasing from year to year and, surprisingly, the amount so levied|paid in case of that Headquarters in 1981, viz., Rs. 15.64 lakhs was even more than the total wharfage charges of Rs. 14.60 lakhs levied|paid for all other consignments. According to the Ministry of Defence, delay in clearance of cargo takes place mainly on account of late receipt of relevant documents from abroad by Embarkation Headquarters, difference in case markings, packages landed in damaged conditions and non-availability of Railway wagons of requisite type. In view of the fact that the Embarkation Headquarters at Bombay has been in existence for nearly 50 years, the Committee feel that Government should have been able to take adequate steps to remedy the situation by now.

[Sl. No. 3 (Para 1.80) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

The extra wharfage charges paid are more in respect of Embarkation Headquarters, Bombay because nearly 80 per cent of the imports in respect of Defence procurement are cleared through them. The extra wharfage paid is more during the year 1981 in view of the strike by Port Workers from 21st July, 1981 to 24th August, 1981 which resulted in payment of extra wharfage. In addition, it took

about 3 months to build-up the tempo and gear up the machinery to achieve normalcy for ensuring timely clearance and despatch of stores to ultimate consignees. The extra wharfage charges during subsequent years (1982 & 1983) were due to the following reasons:—

- (a) Increased imports during 1982 and 1983.
- (b) Increase in the rates of extra wharfage in the year 1981 and thereafter in respect of Embarkation Headquarters, Bombay.

2. DADS has seen.

[Min. of Def. O.M. No. 12(5)|84|D (Mov) dated 30-5-85].

Recommendation

The Committee are concerned to note that instructions to implement the above decisions were issued only in July, 1982 i.e. more than two years after the decisions were taken. This clearly shows the lackadaisical approach of the authorities concerned and their lack of concern for the the financial interests of Government. The Committee would recommend that the reasons for delay of over 2 years in issuing the aforesaid instructions should be investigated with a view to fixing responsibility.

[Sl. No. 5 (Para 1.82) of Appendix to 226th Report of Public Public Accounts Committee (7th Lok Sabha)]

Action Taken

Instructions were, in fact, issued on 27th of October 1980 vide Ministry of Defence O.M. No. B|25661|Q(Mov)|Shipping|3518|D (Mov), dated 27th October, 1980 to all the Controlling Sections. A copy of the instructions is annexed for information. (not printed). It was earlier inadvertently stated to the PAC that instructions to implement the decisions taken in the Director (Q)'s meeting held in 1980 were issued in July 1982. In fact, when the instructions in 1980 did not have much impact and was adversely commented by the DADS regarding payment of extra wharfage, comprehensive instructions were issued in July, 1982 reiterating the points brought out in the letter of October 1980 and also bringing into focus the additional aspects to be taken care of.

2. DADS has seen.

[Min. of Def. O.M. No. F.12(5)|84|D (Mov), dated 30-5-1985].

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION.

Recommendation

The Committee note that 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of Customs Duty on motor vehicles parts consigned to a Vehicle Factory were preferred by the Embarkation Headquarters, Bombay on the customs authorities during January-December 1978 on the advice of the consignee that those parts which were in fact unmachined parts had been assessed to Custom Duty as the rates applicable to machined parts. But, surprisingly, except the invoice which were already with the customs authorities, the Vehicle Factory had no other documentary evidence to prove their contention. What is even more disgusting is that the Vehicle Factory did not even depute their representative at the hearing of the case. The Committee take a serious view of such a lack of concern by the Vehicle Factory for financial interests of Defence Services. The Committee would like the Department of Defence Production to investigate this lapse on the part of the Vehicle Factory with a view to fixing responsibility and taking suitable action. The Committee further recommend that the matter which has already been taken up with the Department of Revenue, should be conclusively pursued with them.

[Sl. No. 10 (Para 1.87) of Appendix to 226th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

The claim for refund was taken up with the Department of Revenue vide Ministry of Defence u.o. No. 182/D(Proj. I) dated 13-1-84. Reply to this is still awaited. They were last reminded on 27-2-85.

VFJ have intimated vide their letter No. VFJ/631/6/Customs dated 29-3-85, that in one recent case the Customs Excise and Gold Control Appellate Tribunal, New Delhi, allowed an appeal that the case will more appropriately fall under item 63(28) and not as Motor Vehicle Parts. This judgement was dated 25-6-84. In the light

of the above judgement the matter will now be further pursued with the Department of Revenue for early settlement.

As regards deputing of a VFJ representative in connection with the hearing of case, VFJ has indicated that as and when such request for hearing is communicated to VFJ with specific date of hearing, representative of VFJ is deputed along with the requisite documents. It is not clear in which specific case VFJ was not represented in spite of the request from the Embarkation Headquarters|other connected agencies, intimating the date of hearing. Hence it is not possible to initiate any action for fixing the responsibility. Moreover, six years have passed since it was decided to treat the claims as closed and no useful purpose will be served now by instituting enquiries.

2. DADS has seen.

[Min. of Def. O.M. No. 12(5)|84|D(Mov), dated 30-5-85.]

Further Information

The matter was taken up with the Department of Revenue, Ministry of Finance, who have intimated that assessment of goods being a quasi judicial function of the Custom authorities, Collector of Custom Bombay may be approached directly for the finalisation of the assessment. The Embarkation Headquarters have taken up the case with Collector Customs Bombay. The case is thus sub judice.

[Min. of Defence I.D. No. PC 12(5)|84|D(Mov) dated 21-11-86].

Recommendation

The facts narrated above make it clear that the working of the three existing Embarkation Headquarters is far from satisfactory and effective remedial steps need to be taken to improve their working. Not only there has been huge avoidable and infructuous expenditure, but there have also been inordinate delays in the receipt of Defence stores by the ultimate consignees. The Committee feel that delays in respect of stores particularly in the field of a vital sector like defence is inexcusable. The Committee fail to understand why steps to improve the working of these Embarkation Headquarters have not been taken so far. In the opinion of the Committee, the consignees are not free from blame. In a large number of cases dealt with in the Audit Paragraph, the consignees have shown utter lack of concern in minimising costly delays or safeguarding Government financial interest. The Defence Secretary was frank enough to admit during evidence before the Committee 'Because of the Audit Para, not only my

attention has been drawn to it but I am also applying fully to it. I am hundred per cent sure that we will have much better results from 1984 onwards'. The Committee hope that in compliance with this assurance, necessary steps would be taken by the Ministry to streamline the working of the Embarkation Headquarters.

[Sl. No. 15 (Para 1.92) of Appendix to 226th Report of PAC (7th Lok Sabha)].

Action Taken

The Embarkation Headquarters are responsible for clearance of imported Defence stores from abroad contracted by different Defence agencies. In spite of best efforts made by the Embarkation Headquarters, to ensure speedy clearance of cargo, delays take place which are beyond the control of the Embarkation Headquarters. In view of the fact that various other agencies are involved such as Port Trust Authorities, Customs Authorities, Railways and the consignee. As and when the difficulties are experienced by the Embarkation Headquarters, the reasons are identified and instructions have been issued to the consignee headquarters and the concerned authorities, as per list at the end.

2. As a result of the remedial measures taken and constant monitoring of the working of Embarkation Headquarters, the expenditure of extra wharfage has been drastically reduced during the year 1984 as compared to the previous years which is evident from the following data:—

Emb. HQ.	Year	Tonnage handled	Extra wharfage (Rs. in lakhs)	Remarks
(a) Bombay	1981	28706	15.64	1. The amount of extra wharfage reflected the year 1984 relates to the cargo arrived during 1984 and does not include the amount of old chappas of previous years.
	1982	35235	32.92	
	1983	36804	41.41	
	1984	29805	4.60	
(b) Madras	1981	939	0.56	
	1982	6951	0.46	
	1983	579	0.27	
	1984	881	0.15	
(c) Calcutta	1981	2636	4.78	2. Emb. Hq., Calcutta spent Rs. 0.95 lakh as extra wharfage due to late arrival of exports and vehicles from Vehicles Factory, Jabalpur and 218 PCU respectively.
	1982	2276	3.94	
	1983	2558	0.82	
	1984	1452	1.98	

3. The outstanding claims against Customs, Carriers' have been vigorously pursued and outstanding claims have been considerably brought down as indicated below:—

(a) *Claims against Custom Department (Rs. in crores) :*

Emb. HQ.	Year	Claims O/S in the beginning of the year		Fresh claims preferred during the year		Claims settled during the year		Claims O/S at the end of the year	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
Bombay	1981	965	16.02	251	4.20	51	1.71	1165	18.51
	1982	1165	18.51	294	6.91	172	4.42	1287	21.00
	1983	1287	21.00	270	4.22	34	2.79	1523	22.43
	1984	1523	22.43	308	5.62	1084	17.16	747	10.89
Madras	1981	177	0.79	213	7.50	80	1.29	310	7.00
	1982	310	7.00	522	12.25	455	18.19	377	1.06
	1983	377	1.06	510	6.41	496	5.80	391	1.67
	1984	391	1.67	452	7.80	335	3.11	508	*6.36
Calcutta	1981	10	0.13	39	0.12	15	0.01	34	0.24
	1982	34	0.24	27	0.14	10	0.02	51	0.36
	1983	51	0.36	33	0.10	21	0.11	63	0.35
	1984	63	0.36	36	0.39	44	0.19	55	0.55

Emb. HQ.	Year	No. of outstanding claims :		Port Trusts		Total	
		Carriers					
		No.	Amount	No.	Amount	No.	Amount
Bombay	1981	..	..	..	..	946	394.35
	1982	1163	471.58	312	188.14	1475	65.72
	1983	1139	621.03	362	155.13	1501	776.16
	1984	979	742.29	429	161.96	1408	904.25@
Madras	1981	..	..	..	..	146	49.53
	1982	141	64.22	..	..	141	64.22
	1983	123	57.34	2	0.12	125	57.46
	1984	61	24.86	1	0.10	62	24.96
Calcutta	1981	..	..	..	..	83	32.46
	1982	107	43.94	1	0.02	108	42.96
	1983	78	25.72	3	1.52	81	27.24
	1984	44	20.06	2	0.20	46	20.26

@Note :- Amount of outstanding claims has increased due to lodging of fresh claims of more value.

LIST :-

- (1) O.M. No. A/92510/PC, VL-IV/Q Mov Shipping/815/S/D (Mov), 18-7-79
- (2) O.M. No. B/25661/Q Mov Shipping/3518/D(Mov), dt. 27-10-80
- (3) Note No. 24491/1/Q Mov Shipping dated 28-10-81.
- (4) O.M. No. 24495/Q Mov Shipping/543/S/1/D(Mov), dated 13-7-82
- (5) Note No. 24529/Q Mov Shipping dated 25-10-1982.
- (6) O.M. No. 4 (3)/83/D(Mov), dated 26/27-8-1983.
- (7) M.O.D.U.O. No. 4(3)/83/D(Mov), dated 18-1-84.
- (8) D.O. letter No. 24491/Q Mov Shipping, dated 29-2-84.

2. DADS has seen.

(Ministry of Def. O.M. No. 12(5)/84/D (Mov) dated 30-5-85.)

(i) *Details of tonnage handled and Extra Wharfage paid during 1985.*

Embarkation HQrs.	Tonnage	Extra Wharfage
		(Rs. in lakhs)
Bombay	41,991	3.15
Madras	893	0.03
Calcutta	898	0.68
	43,782	3.86

Remarks : The figure of Rs. 3.86 lakhs spent as extra wharfage during the year 1985 may not give the realistic assessment of the actual amount because the final bills of extra wharfage in respect of Madras Port Trust and Calcutta port trust are received after 12 months. Therefore, the above figure is likely to escalate when all the bills are received by Embarkation Headquarters and payment made by end Dec. 86.

(ii) *Details of Claims pending against Customs Department*

(Rs. in Crores)

	No. of outstanding claims as on 1-1-85		No. of fresh claims lodged during 1985		No. of claims settled during 1985		No. of claims outstanding as on 31-12-1985	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Bombay	647	10.89	228	6.91	248	6.11	627	11.69
Madras	508	6.36	440	5.30	277	2.85	671	8.71
Calcutta	55	0.55	21	0.24	60	0.48	16	0.31
	1210	17.80	689	12.35	585	9.44	1314	20.71

(iii) Details of Claims pending against Carriers/Port Trust for the year 1985

Emb. HQ.	No.	Amount
<i>(a) Carriers</i>		
		(Rs. in Lakhs)
Bombay	84	107.61
Madras	3	4.68
Calcutta	15	2.62
	<hr/> 102	<hr/> 114.91
<i>(b) Port Trust Authorities</i>		
Bombay	61	13.65
Madras	—	—
Calcutta	—	—
	<hr/> 61	<hr/> 13.65

[Min. of Defence I.D. Note No. P.C. 12(5)/84/D(MOV), dated 21-11-1986]

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES.

NIL

NEW DELHI;
January 27, 1987

Magha 3, 1908 (S)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

APPENDIX

Conclusions and Recommendations

Sl. No.	Para No.	Ministry concerned	Conclusion/Recommendation
1	2	3	4
1	1.7	Defence	<p>The Committee are unhappy to note that 14 refund claims amounting to Rs. 53.27 lakhs on account of incorrect levy of Customs Duty on motor vehicle parts consigned to a Vehicle Factory, which were preferred by the Embarkation Headquarters, Bombay on the Customs Authorities during January-December, 1978, have not been settled so far. According to the consignee these parts which were in fact un-machined parts had been assessed to Customs Duty at the rates applicable to machined parts. The Department of Revenue, Ministry of Finance with whom the matter was taken up by the Ministry of Defence have now advised the latter that assessment of goods being a quasi judicial function of the Customs authorities Collector of Customs, Bombay should be approached directly for the finalisation of the assessment. The Committee take a very serious view of the fact that even after abnormally long period of 8 years the claims, in question, have not been settled so far. They would like the matter to be pursued earnestly to have these claims settled, urgently and action taken in the matter reported to the Committee.</p>

The three Embarkation Headquarters located at Bombay, Calcutta and Madras were created in 1936, 1940 and 1961 respectively for handling the cargo imported from abroad for Defence Services and other organisations under the Ministry of Defence. Commenting upon their working the Committee had in their earlier Report observed that, there had not only been huge avoidable and extra expenditure of Rs. 49.87 lakhs during the period 1977-1981 in the shape of payment of extra wharfage charges, but there had also been inordinate delays in the receipt of defence stores by the consignees. The Committee had expressed concern over this sad state of affairs, and had recommended that effective remedial steps should be taken to improve their working. In their action taken note, the Ministry of Defence have stated that despite best efforts made by the Embarkation Headquarters to ensure speedy clearance of cargo, delays take place which are beyond the control of the Embarkation Headquarters, particularly as a member of other agencies, such as, Port Trust, Customs, Railways and the Consignees are involved.

The Committee note that even during the years 1981, 1982 and 1983 there has been huge avoidable and infructuous expenditure on account of extra wharfage in respect of these three Embarkation Headquarters to the tune of Rs. 20.98 lakhs, Rs. 37.32 lakhs and Rs. 42.50 lakhs respectively. The Ministry has claimed that by remedial measures and continuous monitoring extra expenditure on wharfage has

been drastically reduce since 1984. The Committee note that during the subsequent years 1984 and 1985, the expenditure on account of wharfage has come down to Rs. 6.73 lakhs and Rs. 3.86 lakhs. This trend is welcome. The Committee would however like to emphasise that with the instructions contained in the Defence Services Regulations (Army) which provides that payment of wharfage is to be viewed as wasteful expenditure, it should be possible for the Embarkation Headquarters to secure the clearance of the sea cargo within the last free date so as to obviate the necessity, of payment of wharfage and unnecessary delays in the dispatch of vital defence stores to the ultimate consignees. The Committee desire that the working of the Embarkation Headquarters should be continuously monitored and the existing procedure should be frequently reviewed in consultation with the other concerned authorities and further effective steps taken with a view to eliminating the possibility of wharfage altogether.

4 1.13

Defence

Another disquieting feature of the working of the Embarkation Headquarters is the continuing heavy pendency of refund claims of Customs Duty. As on 31-12-1985, the total value of outstanding claims of Customs Duty in respect of the three Embarkation Headquarters was as high as Rs. 20.71 crores involving 1314 claims. The position about the pending claims against Carriers/Port Trust on account of short landed/damaged cargo is equally bad. As on 31-12-1985 claims pending against Carriers and Port Trust Authority were of the order of Rs. 114.91 lakhs and Rs. 13.65 lakhs respectively. The Committee recommend that the methodology of preparing claims should be critically examined and effective remedial steps taken,

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urgently, in consultation with all the concerned authorities to reduce such pendencies to the barest minimum and also to ensure that such pendencies are not allowed to accumulate in future. The Committee also desire that in future it should be ensured that claims against private carriers are promptly enforced.

PART II
MINUTES OF THE 36TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON
30TH DECEMBER, 1986

The Committee sat from 1100 hrs. to 1300 hrs.

PRESENT

- Shri E. Ayyapu Reddy—*Chairman*
- | | | |
|---|---|----------------|
| <ol style="list-style-type: none">2. Shri Amal Datta3. Shri Ranjit Singh Gaekwad4. Smt. Prabhawati Gupta5. Shri Vilas Muttemwar6. Smt. Jayanti Patnaik7. Shri S. Singaravadivel8. Shri Simon Tigga9. Shri Girdhari Lal Vyas10. Shri Ghulam Rasool Kar11. Shri A.K. Antony12. Shri Nirmal Chatterjee13. Shri Virendra Verma | } | <i>Members</i> |
|---|---|----------------|

SECRETARIAT

1. Shri K. H. Chhaya—*Joint Secretary.*
2. Shri Brahmanand—*Senior Financial Committee Officer.*
3. Shri S. M. Mehta—*Senior Financial Committee Officer*

REPRESENTATIVES OF AUDIT

1. Shri M. P. Parthasarthy—*ADAI (Rly.)*
2. Shri M. M. B. Annavi—*DADS*
3. Shri Baldev Rai—*DRA*
4. Shri K. Krishnan—*JD(RA)*
5. Shri N. L. Chopra—*JD. (Defence Audit)*
6. Shri P.N. Misra—*JD (Rly.)*

The Committee considered and adopted the following draft Reports with certain modifications as shown in *Annexures I, II and III:

- (i) Draft Report on the working of a Film Circle [Para 3.26 of Audit Report (Direct Taxes), 1982-83].

*Annexure I & III not printed.

- (ii) Draft Report on action taken on recommendations contained in 226th Report (7th Lok Sabha) regarding Working of Embarkation Headquarters.
- (iii) Draft Report on action taken on recommendations contained in 162nd Report (7th Lok Sabha) regarding Western Railway—Construction of a meter-gauge line from Dabla to Singhana.

2. The Committee also approved the modifications/amendments suggested by Audit as a result of factual verification of the aforesaid reports.

3. The Committee also authorised the Chairman to present these Reports to the Lok Sabha.

The Committee then adjourned.

ANNEXURE II

MODIFICATIONS/AMENDMENTS MADE BY THE PUBLIC ACCOUNTS COMMITTEE IN THE DRAFT REPORT ON ACTION TAKEN ON THEIR 226 TH REPORT (SEVENTH LOK SABHA) RELATING TO WORKING OF EMBARKATION HEADQUARTERS.

Page	Para	Line	For	Read
4	1·7	Last line	<i>Add</i> the following after urgently :— “and action taken in the matter reported to the Committee”.	
11	1·11	19-20	as the various	as a number of
12	1·12	4	<i>Delete</i> additional	
12	1·12	5	from 1984	since 1984 ¶
12	1·12	7	<i>Delete</i> extra	
12	1·12	11	that payment of extra	which provides that payment of
12	1·12	15	possibility of payment of extra	necessity of payment of extra
12	1·12	18	working of these	the working of the
12	1·12	19	constantly	continuously ¶
12	1·12	20	constantly	frequently
12	1·12	23	chances of payment of extra	possibility of
13	1·13	4	Similarly, the	The
13	1·13	7	According to the Ministry of Defence as	As
13	1·13	9	were to the tune of	were of the order of
13	1·13	Last line	<i>Add</i> the following at the end :— “The Committee also desire that in future it should be ensured that claims against private carriers are promptly enforced.”	