

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

(SIXTH LOK SABHA)

**FORTY-NINTH REPORT**

ON

**CENTRAL FISHERIES CORPORATION LIMITED**

*Presented in Lok Sabha and  
Laid in Rajya Sabha on 26-4-1979*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1979/Vaisakha, 1901 (S)*

*Price : Rs. 2 80*

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FORTY-NINTH REPORT OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (1978-79) ON  
CENTRAL FISHERIES CORPORATION LIMITED.

<u>Page</u>	<u>Para No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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28	Table	under item (8) of 1975-76	86	76
28	Table	add, '*' on all the figures of 1977-78		
31	5.18	10	After the word "stated add the words - "occasional oral complaints were received and "those were looked into."	
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35	Table	under item (7) of 1973-74	(-)2.54	(+ 2.54)
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# COMMITTEE ON PUBLIC UNDERTAKINGS (1978-79)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri T. N. Khanna—*Senior Financial Committee Officer.*

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\*Elected w.e.f. 26-12-1978 *vice* Shri Deorao Patil died.

**SUB-COMMITTEE ON CENTRAL FISHERIES CORPORATION  
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5. Shri K. N. Dhulap.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty-ninth Report on Central Fisheries Corporation Ltd.

2. The Central Fisheries Corporation Ltd. was set up in 1965 with the primary objective of selling fish to the consumers of Calcutta at reasonable price which it failed to achieve. The volume of business handled during 11 years was insignificant and its operations had virtually no impact on the market either in terms of price or quality of fish made available to the public.

3. The Corporation was bristling with mismanagement, malpractices and various manipulations which accounted for huge losses. The cumulative losses of over Rs. 152 lakhs have wiped out the paid-up capital of the Corporation namely Rs. 100 lakhs. The findings and the conclusions contained in this Report would convince anybody that there was nothing conceptually wrong with the scheme of setting up of the Corporation, but the Organisation has been brought to this pause on account of utter mismanagement and corrupt and fraudulent practices that went unchecked all these years. Although the Ministry of Agriculture were aware from the very beginning that the Corporation was not functioning properly, they did not take any concrete steps to improve its working.

4. If only the Cabinet was made fully aware of the circumstances in which the Corporation was ruined, they would not have taken a decision to it wind up and instead preventive as well as curative steps would have been taken. Considering the fact that millions of people in our country suffer from mal-nutrition because of lowest intake of protein, the decision of the Government unless reversed would mean that the consumers particularly belonging to the weaker section of the society would pay for the misdeeds of those who are in authority.

5. The Sub-Committee on Central Fisheries Corporation considered and adopted this Report at their sitting held on 24th April, 1979 and the Committee adopted this Report at their sitting held on 25th April, 1979.

NEW DELHI;  
April 25, 1979

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Vaisakha 5, 1901 (S).

JYOTIRMOY BOSU,  
Chairman,

Committee on Public Undertakings.

## INTRODUCTORY

1.1. A review of the requirement of fish in Calcutta conducted in 1964 had shown that the annual consumption of fish in the city of Calcutta was of the order of 80,000 tonnes. The then available statistics indicated that 50 per cent of the requirement of fish in Calcutta was met by supplies from various sources within the country, the balance being met by import from the then East Pakistan (Bangladesh) causing drain on foreign exchange resources of about Rs. 6 crores per annum. The situation was reported to be further complicated by malpractices in the trade, resulting in manipulation of supplies, artificial scarcity conditions and also of fish at exorbitant rates, the benefit of which did not go to the producers.

1.2. Government of West Bengal had attempted to introduce some corrective measures by promulgating the West Bengal Fish Dealers' Licensing Order in July, 1963 and the Fish Price Control Order in November, 1963. These measures did not produce the desired results. Government of India, therefore, found it necessary that an agency should be created which would be able to develop internal fishery resources to substitute the imports and also to break the monopolistic ring of unscrupulous traders by a steady flow of supplies to the consumers at reasonable rates, while ensuring fair price to the producers. The situation was discussed with the Governments of West Bengal, Bihar, Orissa, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh. The consensus of opinion was in favour of establishment of a strong marketing organisation in Calcutta which could provide proper incentives to the producers for maintaining a steady flow of supplies and stabilise prices in the Calcutta market. The State Governments mentioned above were prepared to take steps to increase supply of fish to the Calcutta market.

1.3. In January, 1965, Government of India approved, in principle the establishment of a Central Fisheries Corporation with headquarters in Calcutta. The detailed proposals in regard to the objectives, functions structure and organisation and other aspects of the proposed Corporation were submitted to the Government of India in August, 1965. According to these proposals the primary function of the proposed Corporation was to sell fish in Calcutta market at reasonable rates by procuring it from the neighbouring States and the then East Pakistan. The proposals were approved by the Gov-

ernment of India on the 19th August, 1965 and a new Company under the name of the Central Fisheries Corporation Limited was incorporated on the 29th September, 1965 under the Companies Act, 1956.

1.4. There was no programme to indicate clearly what quantities of fish were to be imported each year and what quantities were expected to be procured from indigenous sources and what steps were to be taken by the Company to augment internal supply of fish, so that import could be eliminated after sometime, as envisaged when the Corporation was set up.

No attempt was made by the Corporation to fulfil other objectives like growth of industries connected with processing and marketing of fish for internal consumption or export, undertaking of deep-sea fishing operations.

1.5. Though the Corporation was expected to run on commercial lines, the working results from 1965-66 onwards, as analysed in the Review Committee Reports of 1969 and 1976 set up by the Government and also in the Audit Report of the Comptroller and Auditor General of India, Union Government (Commercial) Part II 1976 show that it has been running continuously in loss from year to year with the exception of 1973-74 when it showed a marginal profit of Rs. 2.54 lakhs mainly on account of import of fish from Bangladesh. The Corporation incurred cumulative loss of Rs. 1.15 crores upto 1975-76. Out of this the loss on the sale of sub-standard fish (23 per cent of the total sale) and spoilage in excess of the norms amounted to Rs. 0.92\* crore. The main reason for this disquieting state of affairs of this Corporation was mis-management. These are dealt with in the succeeding Chapters of this Report.

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\*At the time of factual verification, Audit has pointed out that the Amount on account sale of substandard fish upto 1974-75 was Rs. 63.11 lakhs.



## II

### OBJECTIVES

2.1. The proposal submitted in August 1965 to the Government of India for the establishment of a Central Fisheries Corporation summed up the objectives of the proposed Corporation as follows:—

“The setting up of the Central Fisheries Corporation at Calcutta will be a measure to assist in the supply of fish to the consumers at a reasonable rate, reduction of import from East Pakistan in a progressive manner and provision of a fair price to the producers within India.”

2.2. According to the Memorandum of Association of the Central Fisheries Corporation Limited, the main objects of the Company were:—

- (1) To undertake procurement of fish and aquatic products from various sources in India and in neighbouring and other countries, to make arrangements for their preservation, transportation and storage and to carry on sale of the same either directly or through agents, in wholesale or retail, in any place in India, primarily in Calcutta with a view to ensuring fair price to the producers in India and making it available to the consumers at reasonable rates.
- (2) To support by financial grants, loans, purchase of equipment and vehicles, and by training programmes, consulting services and other means, the development and operation of State and Central agencies for promotion of fish marketing.
- (3) To undertake formulation of plans in consultation with State Governments for the development of fisheries and the growth of industries connected with the processing or marketing of fish for internal consumption or export and for this purpose to undertake and implement any scheme or collaborate with suitable in or outside India.

- (4) To take steps as may be found necessary and desirable to assist in and also to undertake inland and deep-sea fishing operations.
- (5) To enter into contract with individuals, co-operative societies, companies, corporations and government agencies in procuring, processing, storing, distributing, transporting and sale of fish including fish pawns, fry and fingerlings and fish products of all kinds.
- (6) To acquire by gift purchase, exchange, lease on hire or otherwise, the property rights or privileges over tanks, rivers, lakes, reservoirs, canals, estuaries and seas for the culture of fish spawn, fry and fingerlings in connection with the development of fisheries and catching of fish for the purposes of marketing.

2.3. Asked the Corporation had been to fulfil the objectives for which it was set up and if so to what extent the Ministry in a written note stated:—

“No, Sir. The Corporation could not achieve the objective even in its limited primary function of selling fish to the consumers at a reasonable price, as the volume of trade handled was so small as compared to the total consumption that it had very little impact on the market either in the price or in the quantity of fish made available to the public.”

2.4. In a reply to a question whether any periodic evaluation of performance of the Corporation was made to see the achievements of its objectives, the Ministry stated in the affirmative and added that review of working of the Corporation was done in 1969 and 1976 respectively.

Asked as to when the Ministry came to know for the first time that the Corporation was not able to achieve its objectives, the representative of the Ministry during evidence stated:—

“To be very frank, right from the beginning it was known to the Government that it was not achieving the objectives. But efforts were being made to see that it did achieve them....”.

2.6. The Committee desired to know whether the Corporation had experienced any difficulties in achieving its objectives and if so, whe-

ther these difficulties were brought to the notice of Government. The Ministry in a written note stated as under:—

“The main constraints of the Corporation in achieving its objectives was lack of promised adequate supplies forthcoming from the State Governments. The question of continuing the Corporation was at that time being considered in consultation with the Government of West Bengal. No action was, therefore, immediately taken to implement the main recommendation of the Review Committee (1969) in respect of evolving a coordinated policy of long term lease of reservoirs/water areas by the State Governments. A decision was, however, taken to continue the Corporation under the Central Government. . . . The State Governments were requested at the level of the Minister of State in May, 1976 to lease out water areas to the Corporation on long term basis, giving preference over others, as a Government owned Company and the Corporation was also directed to pursue the matter vigorously with the State Governments. But as already stated, the policy of the State Governments in this regard continued to stand in the way of the Corporation deriving any appreciable benefits out of this request made to the State Governments.”

2.7. During the evidence of the former Managing Director (Maj.-Gen. Bejoy Bhattacharjea), CFC, the Committee enquired about the basic shortcomings and what measures were taken to improve the working of the Corporation. The witness stated as under:—

“The first thing I would say was the uncertainty which plagued the CFC for a few years after it was brought in—the uncertainty about its future which has plagued the CFC throughout. When you have the uncertainty of that nature in an organisation, then you never get the best out of them. There were small and big problems. The single important factor here was that the people there never knew how long that organisation was going to last.

The second thing was the basic shortcomings in making the Corporation a viable one, it should have been understood long ago that it ought to have had a much bigger total turnover and it could not really exist and hope to make a profit entirely on the basis of Bangladesh fish. In the dissenting note of the Review Committee's work you will kindly notice on page 3 that for the first time an attempt

was made to increase the turn-over—to buy more fish and sell more fish. If the CFC could achieve 8 metric tonnes daily, it could really be viable.

The next thing was that another short-coming as pointed out in the dissenting note on page 5 that for the first time an effort was being made to put it on a commercial footing by having people introduced into the Corporation. The Corporation had a dozen people from the fish technology side but people like Cost Accountants, Chartered Accountants, etc. were not there.

Then, the very important thing was that we never had an integrated project for processing, transporting and marketing which only came in December 1975 because I would say that it took us 10 years to produce an integrated scheme and that scheme came into effect only in December, 1975 and then again it was not implemented.”

2.8. Asked about the main causes of failure of the Corporation, the Secretary of the Ministry stated during evidence that:—

“What the Chairman pointed out is a fact *viz.* that there are very powerful vested interests in the fisheries trade.”

2.9. In this connection, the Ministry in a written reply after evidence stated that the main causes of failure of the Corporation were as follows:—

- (a) Uneven competition from private trade, not allowing the Corporation to attain a viable turnover.
- (b) Overstaffing and poor management;
- (c) Low volume of trade handled by the Corporation being inadequate to absorb the heavy overhead expenditure.
- (d) Heavy spoilage, wastage, etc. large scale local sale at the procurement centres, development expenditure incurred becoming unfruitful, retention of uneconomic procurement centres, depreciation of fixed assets like refrigerated vans, display cabinets etc. which were under utilised leading to high overhead expenditure etc.
- (e) Pricing policy was not carefully implemented. Even though the policy of the Corporation was to transact busi-

ness at a "no-profit-no-loss" basis, and keep the price at 50 paise per kg. below the prevailing market price, there was no appropriate system of monitoring the prevailing prices and occasionally the Corporation's prices were much less than the market prices."

2.10. The Committee observed that the private sector fish lobby was very powerful and they wanted destruction of the Central Fisheries Corporation and they had succeeded in that. The Committee desired the views of the Ministry in this regard. The Ministry in a note after evidence stated:—

"It is true that private sector fish lobby is very powerful in Calcutta, which served as a detriment to the effective functioning of the Central Fisheries Corporation. On this point, it would be necessary to describe the manner in which the wholesale merchants in Calcutta operate. There are nearly 100 small and big wholesale merchants in Calcutta, who have established a network procurement centres throughout the country. They advance large sums of money to their agents who in turn give advance to the fisherman group or the cooperative societies and bind them to surrender all the catches. Even before the entire loan is adjusted, additional loan is provided to the fishermen with the result that the fishermen are continuously indebted to the agents. The economics of the cost of production is not taken into account and the fishermen are invariably kept at subsistence level perpetually, entirely at the mercy of the agents. The challans prepared by the wholesale merchants do not reflect the actual sale price of fish and is manipulated to leave large margin amounting to even 30 to 40 per cent in order to make up for the bad debts.

The 100 and odd wholesale merchants are not subjected to any administrative supervision of either the Government of West Bengal or the Calcutta Corporation. Under such a situation, the Central Fisheries Corporation was only one more fish merchant and had to compete in unfavourable atmosphere, devoid of the flexibility available to the merchants. The Corporation could function effectively only if it was given complete monopoly in wholesale fish marketing at Calcutta and also the fish coming to Calcutta was passed through the Central Fisheries Corporation, completely banning wholesale fish marketing by the existing Aratdars in Calcutta. Alternatively, the Government of West Bengal should have set up a regulated fish market

under one roof and licensed aratdars and subjected them to stringent rules and regulations, as is followed in the cities like Bangkok, Hongkong and Tokyo etc. Similarly, the retailers should also have been controlled by prescribing a profit margin to be added to the purchase price as is done in the above cities to ensure reasonable price for the consumers.

In the circumstances explained above and in the absence of effective control over the fish merchants at Calcutta by either the State Government or the Calcutta Corporation, it was extremely difficult for CFC to compete with the unscrupulous private trade and function in Calcutta, as a viable unit."

2.11. The Committee are distressed to note that the Central Fisheries Corporation totally failed to achieve its primary objective of selling fish to the consumers of Calcutta at a reasonable price. The volume of business handled was insignificant and its operation had virtually no impact on the market either in terms of price or quality of fish made available to the public.

2.12. A representative of the Ministry admitted in evidence that the Government were aware right from the beginning that the Corporation was not achieving the objective for which it was set up. It is therefore very unfortunate that no concrete steps were taken by the Government in consultation with the State Governments concerned to see that the Corporation got over the difficulties and constraints. If only this was done at the Government level and the management of the Corporation was closely watched controlling the overhead expenditure, the Corporation would not have come to grief.

2.13. The Committee are more than convinced that the basic causes of the Corporations failure are its utter mismanagement and nefarious activities of the Private Trade in collusion with authorities at various levels which went unchecked all these years.

### III

## REVIEW COMMITTEES

### A. Review Committee (1969)

3.1. A review Committee under the Chairmanship of Joint Secretary, Ministry of Agriculture (Shri Godwin Rose) was, therefore, set up in January, 1969 to evaluate and report how far the Corporation had achieved the objectives envisaged by the Government at the time of its inception, and whether it could function as a viable unit. To enable the Corporation to function as a viable organisation in future, the Committee in its Report submitted to the Government in July, 1969, made the following recommendations:—

- (a) Adoption of a coordinated policy by the State Governments and the Company under which long term lease of reservoirs would be guaranteed to the Corporation by the Government;
- (b) Capital aid should be extended to fishermen cooperatives when they operate fisheries of the State under terms which would enable the Company to establish a prior claim on supplies;
- (c) Departmental production of fish should be marketed through the company; and
- (d) The Corporation should undertake development of reservoirs and water areas which have been taken on lease from the Damodar Valley Corporation and in the States of Gujarat and West Bengal and marketing of marine fish from the catches of the Central Government exploratory vessels.

3.2. The Review Committee however, felt that unless the pattern of working of the Company was changed, the quantum of procurement would remain roughly the same and there would be no appreciable change in the economics of the working of the Company. The audit has pointed out that no action was taken to implement the above recommendations by the Government.

3.3. Asked whether any action was taken on the recommendations of the Review Committee (1969) the Ministry stated in a reply after evidence that:—

“The recommendations were examined by the Government threadbare. In view of the fact that the Corporation had been persistently suffering losses since its inception even in its limited primary function of procuring and selling fish at a reasonable price, the Government was of the view that any increase or diversification of the activities of the Corporation, as recommended by the Committee, would only increase its losses and not reduce them and that since the Corporation could not even fulfil the main function for which it was set up, the Government further contemplated that it could be wound up. But before doing so, an attempt was made to transfer the Corporation to the West Bengal Government on the following terms:—

- (i) Transfer of the Central shares to the Government of West Bengal with financial adjustment.
- (ii) Write off of the loan aggregating to Rs. 11.00 lakhs given by the Central Government to the Corporation upto that time and grant of further loan of Rs. 20 lakhs to the Corporation.

After protracted correspondence and discussions, the State Government finally declined in May, 1971 to take over the Corporation in view of the paucity of financial resources and also on the ground that fish available from the State Development Projects did not justify operation of a marketing unit.

on the State Government's finally declining to take for the Corporation, it was proposed to wind it up in June, 1971 on the ground that the Corporation was not in a position to fulfil the objectives envisaged in 1965 or to make any contribution to the fish supply position in the Calcutta market. The proposal was, however, deferred on the following grounds:—

- (i) The Central Government was just then in the process of implementing a decision to stabilise and review private industries in Calcutta and the closure of the public sector undertaking in Calcutta at that stage would be inconsistent with the declared policy of the Government



and would undermine its stand in regard to rehabilitation of industry in Calcutta; and

- (ii) Development of the erstwhile West Pakistan gave rise to the expectation that a situation would arise in which fish supply from that area might be resumed.

While deferring the winding up proposal, it was simultaneously decided that the question of further continuation or winding up of the Corporation would be reviewed if the level of imports from Bangladesh in 1973-74 fell below 4000 tonnes. Import from that country was 4412 tonnes during 1973-74. Imports from Bangladesh during 1974-75 and 1975-76, however, fell below 4000 tonnes and totally stopped after December, 1975.

The Corporation continued to suffer losses almost every year since its inception except in the year 1973-74 in which it made a marginal profit of Rs. 2.54 lakh on account of trade with Bangladesh."

3.4. As regards the steps to be taken to improve the working of the Corporation the Ministry stated that the following steps were contemplated by the Government:—

- "(i) In order to diversify the activities of the Corporation a scheme under Fifth Five Year Plan, was drawn up for the Corporation to undertake coastal fishing by mechanised boats; but it could not be implemented by the Corporation.
- (ii) Another plan scheme for setting up of seed farms and nurseries was also sanctioned. This scheme also could not be implemented.
- (iii) The State Governments were requested to lease their water areas to the Corporation on a long term basis on mutually agreed terms. This also failed to a large extent.
- (iv) It was decided that the catches of fishing vessels of the Projects under the Department of Agriculture should be handed over to the Corporation for augmentation of its turnover. The Corporation could not exploit this concession and the Institutes suffered some losses in the process. Finally this procedure had to be discontinued.
- (v) West Bengal Government's scheme for marketing of levy fish through CFC was moved, but it did not succeed.
- "

In spite of the above measures the Corporation continued to suffer losses over the years."

3.5. The Committee invited the attention of Secretary of the Ministry to the C&AG Report (1976) wherein it was mentioned that no action was taken to implement the recommendations of the Review Committee (1969). The representative of the Ministry stated that "when we considered the recommendations, at that time, the Corporation failed to fulfil the objectives. When this fact came to the notice of the Government, the recommendations itself highlighted two or three aspects.....The recommendation itself says that it would be viable only in 1974-75 and the Corporation had not been able to fulfil the objective.....It was thought that it might not be proper to make any investment on this."

#### **B. Review Committee (1976)**

3.6. Another Review Committee was, set up in November, 1976 to go comprehensively into the working of the Corporation. The Committee in its Report (submitted to the Government in August, 1977) observed that there was no possibility of the Corporation, attaining any measure of viability in the foreseeable future. The Committee also observed that the primary responsibility for regulating supplies and maintaining reasonable price of fish in the Calcutta Market was that of the State Government of West Bengal, and therefore, recommended its transfer to the Government of West Bengal for eventually being merged into the State Fisheries Development Corporation. The State Government however, declined to take over the Corporation.

3.7. In this connection it has been stated by the Ministry that as the Corporation has been suffering losses almost every year since its inception despite full financial and other assistance rendered to it by the Government and as there was no possibility also of the Corporation attaining any measure of viability in the near future, there was no alternative left to the Government of India but to wind up the Corporation. Commercial functioning of the Corporation was also stopped from September, 1977.

3.8. The Corporation desired a minimum additional investment of Rs. 93.72 lakhs with a view to reach the targeted procurement of 3850 tonnes in 1978-79. The Review Committee were of the view that the heavy investment of Rs. 93.72 lakhs initially and something more later was unlikely to make any substantial change in the working results of the Corporation in the foreseeable future.

3.9. In the Note of Dissent given by Col. P. K. Mukherjee a former officer of CFC and a Member of the Review Committee, 1976 it has been stated among others that "the Corporation has never been given a fair chance of implementing the directives given in the Memorandum and Articles of Association of the Corporation. Though in some of the paragraphs this has been conceded in the report the conclusion "that the Corporation has failed inspite of full financial and moral support" does not follow. It has also been stated in this note that efforts were not made to implement the recommendation of Godwing Rose Committee of 1969 nor the views contained in CAG's report of 1976 Part II have been taken into account by the Review Committee 1976 while arriving at their conclusions.

3.10. Asked about the comments of the Ministry on the Note of Dissent given by Col. P. K. Mukherjee, the representative of the Ministry stated during evidence that he had raised three or four points replies of which are stated to be as follows:—

"About the Corporation not being given a fair chance, this is an expression of opinion. They have been in business for the last 12 years and probably one could consider that this was a fair chance to them. As we tried to introduce various measures, the losses went on increasing. Even in 1976-77 to which Mr. Mukherjee refers, that was the year when the Corporation suffered maximum loss of Rs. 37 lakhs. I would not say that the Corporation has not been given a fair chance.... The other point that he made was that there was no Managing Director for a certain period and during that period, the Corporation incurred certain losses. And he has given certain figures also. These figures are correct, but it is difficult to come to this conclusion that these losses occurred largely for the reasons that there was no Managing Director. The reasons leading to losses could perhaps be different. I would substantiate this point. In 1972-73, the loss was of the order of 35.31 lakhs. This was the year when from August onwards, we had a full-fledged Managing Director. He had the experience of being Director, Fisheries, West Bengal and he was strongly recommended for this appointment. In 1976-77, we had a full time Managing Director, and the losses were unprecedented. It is true that we did not have the Managing Director for some time, but it does not mean that the losses were due to that only. We did not have the Managing Director for some time—the reason was that

the future of the Corporation during this period was uncertain. It was considered appropriate to have the Director of Fisheries as the Managing Director at that time..."

3.11. It has been noticed that the Review Committee (1976) held its meetings only in Calcutta. They had also final round of discussions in Calcutta from 25th to 28th May, 1977.

3.12. It has been alleged that the Members of Review Committee, 1976 were influenced by the private fish market lobby and they had recommended the winding up of the Central Fisheries Corporation. In this connection the Secretary of the Ministry stated during evidence that:—

"I looked into the file myself. I have not had a single complaint. This happened in 1976. There has been no complaint by anybody about the members of the review committee or review team being influenced and so on. We have examined all the files. There has been no allegation of this kind."

3.13. In this connection the former Managing Director of CFC stated during his evidence that:—

"In regard to the Review Committee being influenced by some private beneficiaries, I have no knowledge but reading the dissenting note one finds that the review committee is not backed by facts. There are inaccuracies and mistakes and the report may not be quite objective as the Member has brought it out. I am fully in agreement with the dissenting note."

3.14. The Committee note that Government decided to set in February, 1969 a Review Committee to evaluate as to how far the Corporation had achieved the objectives envisaged by the Government at the time of its inception and whether it could function as a viable unit. To enable the Corporation to function as a viable organisation the Review Committee recommended long term lease of reservoirs by the State Governments, capital aid to fisherman co-operatives so that the CFC could get claim on their fish; and also marketing of marine fish from the catches of the Central Government exploratory vessels.

3.15. However Government did not agree to diversify the activities of the Corporation as recommended by the Review Committee

(1969) but made an unsuccessful attempt to transfer the Corporation to the West Bengal Government.

3.16. Another Review Committee was set up in 1976 to go comprehensively into the working of the Corporation. The Review Committee in its report submitted to Government in August, 1976 felt that since there was no possibility of the Corporation attaining any measures of viability it could be transferred the Government of West Bengal for eventually being merged with the State Fisheries Development Corporation. The State Government, however, once again having declined to take over the Corporation, it has been decided to be wound up.

3.17. The failure of the Corporation was due to continuous and worst type of mismanagement and various mal-practices under the very nose of the Ministry. The Committee are therefore, of the firm view that Ministry has to equally bear the blame. What the private fish trade wanted the Govt. and the Corporation to do i.e. sabotaging the working of the Corporation, they readily obliged them and ultimately forced the closure.

## IV

### PROCUREMENT OPERATIONS

4.1. It is stated that the proposal for setting up the Company had envisaged that during the first year of its operation, beginning with small quantities, the Company would attempt to market 10,000 tonnes of fish procured. In subsequent years, the Company's turnover was expected to be increased at the rate of 10,000 tonnes annually, till it reached 40,000 tonnes per annum. It was also envisaged that imports from the erstwhile East Pakistan would be a substantial source of supply for the Company at initial stages and that these should be entrusted to the Company on a monopolistic basis. The imports were to be reduced progressively with the augmentation of internal supplies. In the matter of procurement of fish from indigenous sources, it was anticipated that the Company would have only a limited number of sources of supply, and would have to face serious competition from well-organised private trade.

## IV

### A. Modes of Procurement

4.2. According to Audit the following modes were adopted by the Company for procurement of fish:—

- (a) Supplies from the State Governments/co-operative societies on annual rate contract basis.

This was mainly restricted to fisheries of State Governments and co-operative societies sponsored by State Governments. As the State Government leased out fisheries to the highest bidders in public auction or to the fishermen's Co-operative Societies, attempts of the Company to obtain fisheries on lease basis did not meet with much success.

## (b) Supplies of marine fish from Government sources.

Marine fish was procured from the offshore fishing station of the Government of India at Visakhapatnam and from the Paradeep centre of the Government of Orissa. Supplies were received by the Company by bidding in auction or on consignment basis.

## (c) Direct procurement centres

The Company opened several procurement centres in the States of Andhra Pradesh, Madhya Pradesh, Orissa etc., to purchase fish directly from the fishermen from open market.

## (d) Development Schemes

Water areas were obtained by the Company on long-term basis from the Governments of West Bengal and Gujarat and the Damodar Valley Corporation for pisciculture.

## (e) Import

After the emergence of Bangladesh and conclusion of trade agreement between the Government of India and Government of Bangladesh in March, 1972, the Company was appointed by the Government of India as the sole importer of fish from Bangladesh and the Company started making import from 1972-73 onwards.

4.3. Asked about the targets for procurement of fish from various sources fixed during each of the years from 1966-67 to 1977-78 and how far these were achieved, the Ministry in their written reply stated that the targets for procurement of fish sourcewise were not fixed since procurement depended on a number of factors. They have, however, given the targets and the total procurement of fish during the period from 1966-67 to 1977-78 as under:—

Year	Original Targets (MT)	Actual Procurement (MT)
1966-67 . . . . .	..	1441
1967-68 . . . . .	..	1106
1968-69 . . . . .	..	1329

1	2	3
1969-70 . . . . .	1300	1200
1970-71 . . . . .	1300	709
1971-72 . . . . .	1000	400
1972-73 . . . . .	2000	1575
1973-74 . . . . .	8685	5130
1974-75   . . . . .	5416	3201
1975-76 . . . . .	3896	2988
1976-77 . . . . .	4283	2422
1977-78 . . . . .	3500	*1650

4.4. From the above it would be seen that no targets of procurement of fish were at all fixed for three years from 1968-69 to 1968-69. The Corporation also could not achieve the target in any year from 1969-70 to 1977-78.

4.5. Asked whether any review was made periodically to refix the targets of procurement of fish, the Ministry in a note stated:—

“Since the targets were not fixed source-wise, periodical review of those targets was not made. However, the targets for procurement for the Corporation as a whole used to be fixed year-wise and reviewed from time to time depending upon the actual procurement.”

4.6. The Ministry have further stated that the Corporation did not bring any difficulties/constraints in this regard to non-achievement of targets to the notice of the Government.

(i) *Procurement operations in different States*

4.7. According to Audit in pursuance of the policy of the Company, various State-Governments were approached for rendering assistance in the matter of procurement of fish by leasing out the water areas in the various States to the Central Fisheries Corporation Limited.

Out of about 4,300 tonnes of fish procured upto 1972-73 from lease of water areas of different States, about 4,100 tonnes were procured from States of Uttar Pradesh and Tamil Nadu, the balance being



procured mainly from Madhya Pradesh and Rajasthan. Out of 853 tonnes of marine fish procured up to 1968-69, 522 tonnes were procured from Paradeep centre of Government of Orissa in 1966-67, the balance 331 tonnes being procured from the Government of India off-shore fishing station at Visakhapatnam.

4.8. The Review Committee (1976) made the following observations:—

“The procurement from the States other than West Bengal has been by obtaining the leases of reservoirs either through negotiations or open bid or by direct procurement from fishermen cooperative societies. The policy of the State Governments is to lease out fisheries to the cooperative societies in the absence of which to the highest bidder in public auction. The Corporation has been assessing the potentiality of reservoirs on the basis of information available with the State Governments with regard to the past catch statistics and the quantum of stocking. In some specific instances examined by the Committee, it has been observed that the assessment is several times higher than the actual quantity caught in the previous years. It is to be noted that the Corporation has been heavily dependent on the reservoirs which are the only water areas available with the State Governments.... It was realised even before setting up the Corporation that the wholehearted support of the State Governments would be absolutely essential if the Corporation is to fulfil the objective of obtaining adequate supplies to make a dent in the Calcutta Fish Market. It is with this end in view that the Government of India offered Share Capital participation to the State Governments of which West Bengal, Tamil Nadu Uttar Pradesh and Gujarat participated. Although the State Government supported in general the proposal for setting up of the Corporation, the State Governments have not been of any substantial help to the Corporation in the procurement of fish supplies or even in the leasing out of water areas to the Corporation on preferential basis. The policies of all the State Governments are to offer all available waters to the Cooperatives or to the highest bidder in open auction. Since, the Corporation was not in a position to complete in the open auctions due to various difficulties, inherent in a Government undertaking, the Company was forced to depend to a large extent, on the cooperatives.

In order to exploit the reservoirs taken on lease the Corporation had to set up its own procurement staff and engaged primarily the local fishermen cooperatives for catching the fish. In cases where the reservoirs were leased out to cooperative societies by the State Governments, the Corporation had to negotiate for lifting of fish on the conditions stipulated by the fishermen cooperatives which were generally stiffer than the conditions for supply of fish to private traders. Even when an amicable settlement was reached the cooperatives have been diverting the fish to private merchants at crucial times, depriving the Corporation of the supplies. The prices paid to the cooperatives were also fairly higher than the prevailing rates since the private traders were constantly enticing the cooperatives with higher rates in order to disrupt the trade arrangements with the Corporation."

4.9. During evidence the Secretary of the Ministry admitted that "from the records and from my own enquiries I had the information that the Corporation did not get the support from the State Governments. There is no doubt about it."

In this connection, he further stated that "again from the files I find that the State Government has taken the view that the Corporation is like any other private body. They did not give any preferential treatment."

4.11. Asked about the reasons for not procuring the fish within the State of West Bengal, the Corporation/Ministry stated as under:—

"The Corporation had not been successful in getting any substantial supplies of fish from West Bengal due to fish trade in that state being, by and large, in the hands of private contractors. The prices of fish obtaining in West Bengal had always been very high and consistent with the Corporation's objective to supply fish to the consumers at a reasonable price, it was not possible for the Corporation to market the same on a reasonable profit. The Corporation requested the Directorate of Fisheries, West Bengal, whether some of the fisheries under their control could be given to the C.F.C. for development and exploitation. As already stated the Govt. of West Bengal had been encouraging, as a matter of policy only the Fishermen Cooperative within the State in the matter of lease of fisheries/reservoirs despite the Govt. of India request to give pre-

ference to the DFC as a Government owned Company. In view of this policy of the State Government, the Corporation could hardly procure any substantial fish from within the State except a small quantity of levy fish by way of an unwritten gentleman's agreement between the Aratdars and the Corporation at the instance of the State Government. According to the agreement, 20 per cent of fish arrivals at Calcutta was to be handed over to the Corporation. The rate of purchase and the retail sale was fixed by the State Govt. The Corporation was also supposed to work on no profit and no loss basis and was to recover only overhead expenses in handling fish. The margin varied from Re. 1 to 1.60 per kg. depending upon the quality of fish. When the agreement was first introduced on 22 August, 1975, about 3½ tonnes of fish was received per day. In due course, it dwindled down to 250 kg per day and then stopped ultimately on 31st March, 1976 leaving the CFC high and dry. In the meantime it is understood the Govt. of West Bengal had been encouraging a number of Fishermen Cooperatives within the State to set up their own retail stalls in Calcutta to sell their own catches ignoring the C.F.C. Naturally, the inevitable conclusion was that the Corporation had been given a raw deal by the West Bengal Government although the very purpose of setting up the CFC in Calcutta was to eliminate the Aratdars gradually and to make fish available at a reasonable price to the consumers mostly in Calcutta. So the Corporation could not derive any appreciable benefit out of this levy fish to augment its procurement in the State.

4.12. It has been noticed that though the Corporation had been experiencing various types of difficulties viz., lack of cooperation from State Governments in procuring the fish from State Governments to concerned the Corporation did not bring these difficulties to the notice of the Government of India. This was a serious lapse on the part of the Corporation.

### **B. Marine Fish**

4.13. The Review Committee (1976) had made the following observation:—

“The Government of India directed the Central Institutions, viz., the Exploratory Fisheries Project and the Central Institute of Fisheries Operatives to hand over all the catches of the trawlers to the Central Fisheries Corporation from the bases at Vizag, Calcutta, Paradeep and Madras. The economic

varieties which form a very small percentage of the catches are to be given to the C.F.C. on the basis of the average price for the previous three years and the remaining fish to be auctioned by the Corporation on the spot. Later, prices were fixed on the basis of average cost for all the varieties of fish. It was reported that these institutions have been getting lower prices than the market prices. The C.F.C. is also reported to have been selling the uneconomic varieties at 5 per cent margin which results in the private traders getting this fish at a far lower price than they had to pay earlier when they were bidding directly for the fish. However, the quantity of fish procured from marine sources being insignificant and out of which only about 1 to 6 per cent being actually despatched to Calcutta for sale, the efforts of the C.F.C. in setting up separate procurement units and expenses incurred in the procurement did not seem to commensurate with the returns. No separate economics of the handling of marine fish is available with the C.F.C."

4.14. Subsequently the Central Government took a decision that the Corporation should submit quotations on open tenders to the Central Government institutions and that everything being equal preference would be given to the Corporation.

#### **C. Procurement from Corporation's own development schemes**

4.15. Audit intimated that for augmentation of internal supply, development of fisheries within the country was essential and it was envisaged that the Company should formulate plans for development schemes. The Company acquired water areas, particularly from Damodar Valley Corporation, Gujarat Government and West Bengal Government during 1966 to 1969. The Review Committee had also suggested (June 1969) some measures for improvement in their working. However, the Management decided that in view of the difficult financial position of the Company, as also its uncertain future it should not be involved in any more long term projects. The quantities of fish procured from the Damodar Valley Corporation reser-

voirs, the Gujarat Government reservoirs, the Mayurakshi reservoir and the Sibpur tank in West Bengal, are indicated below:—

Year	Catch of fish (In tonnes)			
	D.V.C. Reservoirs	Gujarat Government Reservoirs	Mayurakshi Reservoir	Sibpur tank
(1)	(2)	(3)	(4)	(5)
1966-67 . . . . .	53	16	..	
1967-68 . . . . .	53 ↓	11	Negligible	..
1968-69 . . . . .	41 ↓	4	5	2
1969-70 . . . . .	32	16 ↓	4	Negligible
1970-71 . . . . .	24 ↓	3	2	Do.
1971-72 . . . . .	16	19		1 ↓
1972-73 . . . . .	4	31	..	2
1973-74 . . . . .		53		Negligible
1974-75 . . . . .		52	..	2
1975-76 . . . . .		66		1
1976-77 . . . . .	..	22.131		..
1977-78 . . . . .				..
1978-79 . . . . .				
(So far) . . . . .				

4.16. Since the State Govts. do not have any waters to offer except reservoirs, the C.F.C has been concentrating on obtaining these waters either for lifting the fish or for exploiting the waters by its own efforts or for developing the waters wherever feasible. The Company acquired for this purpose the reservoirs of the Damodar Valley Corporation, 9 reservoirs from the Govt. of Gujarat and 2 reservoirs belonging to public sector undertakings and one from West Bengal. The period of lease was for 5-10 years. The working of the D.V.C. reservoir was poor inspite of engaging the entire fisheries staff of the D.V.C. The Corporation was not able to implement the develop-

ment programmes and the catches were uneconomic with the result that the reservoirs had to be returned to the D.V.C. in June 1972, before the expiry of the contract.

4.17. In the case of Gujarat Reservoirs the terms and conditions of the lease included a lease period of 10 years, a lease rent of Rs. 101 per year per reservoir for the first 7 years, net profit to be shared with the State Govt. on 50-50 basis for the last 3 years etc. Here also the Company was not able to stock the reservoirs according to the technical requirements and the catch was far below the expectation. The management stated that the procurement during 1969-70 and 1970-71 was low and the fish seed farms planned could not be effectively set up. Further due to uncertainty of the Company's future no sizeable investment could be made in these reservoirs.

The only reservoir given to the C.F.C. by the Govt. of West Bengal was Mayuraksh Reservoir on a lease of 10 years from 1968 on an annual rental of Rs. 9000/-. A project was prepared according to which 20 million fingerlings were to be stocked and the anticipated yield was about 100 tonnes per year from the 6th year. In actual practice, hardly 50,000 fingerlings were stocked and only 4 tonnes of fish could be caught from 1968-70. The Corporation exploited the reservoir through fishermen brought from Tamil Nadu since no local fisherman was willing to work as it was more profitable for them to fish clandestinely in the same reservoir. The West Bengal Govt. was not able to help the Corporation in the matter with the result that the Company had to return the reservoir to West Bengal Govt. in 1972.

4.19. Asked about the total expenditure incurred on the procurement centres till these were closed the C.F.C./Ministry stated as under:

	1970-71	1971-72	1972-73
	Rs.	Rs.	Rs.
Bilaspur . . . . .	30,420.53	36,714.68	13,788.70
Aakinada . . . . .	5,557.95	Centre closed	Centre closed
Akividru . . . . .	25,780.14	14,320.24	5,548.36

No details have been given for the period after 1972-73.

4.20. On being asked whether the Financial implications for opening the procurement centres had been worked out, it was stated that "No Financial implications could be worked out before opening these centres..... However, expectations of procurement from these centres were quite encouraging which prompted C.F.C. to open centres at these places".

#### **D. Import from Bangladesh**

4.21. One of the original objectives of the Corporation was to handle all the imported fish from the then East Pakistan on a monopoly basis. The imports, however, were to be reduced progressively with the augmentation of internal supplies. The whole perspective, however, completely changed by the time the Company was set up in September 1965 as hostilities broke out between India and the then East Pakistan. In the situation of shortage of fish, aggravated by stoppage of import, the Company's effort to obtain fish from internal sources meant competing for the available fish internally, resulting in the need to pay higher prices for the fish.

4.22. With the emergence of Bangladesh the Company was appointed by the Govt. of India as the sole importing agency according to the Agreement of March, 1972. The Company was able to import 1293 tonnes, 4412 tonnes and 2228 tonnes during 1972-73, 1973-74, and 1974-75 respectively. In the process, the Company lost Rs. 35.31 lakhs in 1972-73 and Rs. 25.15 lakhs in 1974-75 but managed to obtain a marginal profit of Rs. 2.54 lakhs in 1973-74. The Company has stated that the loss in 1972-73 was due to abnormal fall in procurement of fish from Bangladesh on account of poor availability and high prices of fish, upward revision of pay scales on the Recommendation of the Third Pay Commission, increase in Dearness Allowance from time to time and constant increase in the prices of fuel and transport charges etc. The fact remains that the Corporation was not able to profit substantially by import of fish from Bangladesh. From 1975 onwards there has been no import of fish from Bangladesh and the future import is uncertain.

4.23. It has been stated by the Ministry that the Trade agreement between the two Governments expired on 31-12-75. It was again concluded in February 1976 but the supply of fish was not resumed. The matter was taken up at the diplomatic level also but with negative results.

4.24. The Fisheries Corporation was set up in 1965 with a view to augment the supply of fish to Calcutta from various sources within

India and the East Pakistan. It was envisaged that the procurement would be ultimately of the order of 40,000 tonnes per annum. However, there was no programme drawn up for procurement of fish from various sources from time to time. Although for the successful operation of an undertaking of this nature the cooperation of the State Governments and their related organisations was essential, no firm commitment appears to have been obtained from them at the Government level. Further the basic assumption of procuring large quantity of fish from various areas now coming under Bangla Desh having been knocked out with the outbreak of Pakistani war of 1965, the scheme was not promptly reviewed. It was only in 1969 that a Review Committee was set up. Unfortunately even this Review Committee did not hold discussions with the State Governments on the future procurement possibilities of the Corporation. Despite this serious deficiency the Review Committee recommended steps to improve the existing pattern of procurement and measures to improve supply of fish and thereby the operation of the Corporation. However as pointed out by the C&AG no action was taken on these recommendations, the implementation of which would have, to some extent, ensured availability of fish. In this connection it is distressing to note that since 1966-67 the dilly-dallying of the Government on the future of the Corporation for reasons not difficult to understand, resulted in the Corporation virtually not taking up any developmental work although it had taken on lease a number of reservoirs. This gives rise to serious suspicion.

4.25. At the instance of the West Bengal Government an unwritten gentlemen's agreement was reached in 1975 between the aratdors and the Company under which 20 per cent of arrivals of fish at Calcutta was to be handed over to the Company for disposal through retail stalls. It is distressing to note that a meagre quantity of 241 tonnes and 191 tonnes was given to the Corporation upto 31 March 1976 and during 1976-77.

4.26. Viewed against the bungling at every stage as pointed out in the foregoing paragraphs, it is not at all surprising that the annual procurement ranged from 481 tonnes to 3086 tonnes except in 1974-75 when it was 5130 tonnes. The failure thus being so obvious it is not necessary for the Committee to make any further comments.



## V SALES

### A. Sales' Analysis

5.1. The object of the Corporation was to supply fish primarily in Calcutta. The sales activity of the Corporation was therefore, concentrated in Calcutta. Sales were also made in Madras and Coimbatore to meet the local needs and to dispose of fish which could not be economically transported to Calcutta. Sales in Delhi, were made mainly to dispose of the fish that would not stand transportation. Sales at other places represented disposal at the procurement centres locally, as fish procured was not suitable for Calcutta market, or was of sub-standard variety or could not stand transportation to Calcutta. The Company does not maintain separate cost records for these operations with the result that the profit or loss on sales made locally could not be ascertained. During 1972-73 and 1973-74 a part of fish imported was sold also in Assam, Meghalaya and Tripura, etc.

5.2. The statement below indicates the total availability of fish for sale and total sales classified into sales in Calcutta, Madras, Delhi and other places during 1966-67 to 1977-78:—

*Statement showing the total availability of fish for sale and total sales classified with sales in Calcutta, Madras, Delhi and other places during 1966-67 to 1977-78:—*

Year	Total quantity available for sale (Procurement + opening stock + excess in weight)	Total sales	Sales in Calcutta	Sales in Madras	Sales in Delhi	Sales at other places	Percentage of sales in Calcutta to total sales
<i>(Figures in tonnes)</i>							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1966-67	1,441	1,427	663	1	84	679	46
1967-68	1,108	1,052	751	52	12	237	71
1968-69	1,336	1,310	809	105	32	364	62

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1969-70 .	1,208	1,170	610	163	24	373	52
1970-71 .	724	686	372	167	2	145	54
1971-72 .	402	373	148	111	2	112	40
1972-73 .	1,625	1,601	1,372	102	1	126	86
1973-74 .	5,131	4,980	3,533	149	9	1,289	71
1974-75 .	3,247	3,153	2,587	96	10	460	82
1975-76 .	3,292	3,210	2,452	14	2	616	86
1976-77 .	2,417*	2,394	1,578	262	200	354	66
1977-78 .	1,757	1,684	779	336	211	358	46

\*Subject to audit adjustment.

5.3. It is stated that Sales performance of some of the important stalls in Calcutta for a number of days in December 1972, January 1973, February 1973, April 1974, July 1974 and January 1975 for which information is summarised in Annexure V of the Report of the C&AG (1976). It has been pointed out that although the stalls usually sold fish more than 50/60 kgs. per day for more than 60 per cent of the operating days, the stalls were not supplied fish on a large number of days or were supplied with fish much below their sales potentiality. In addition, there had been a large number of other stalls which usually sold fish in the region of 40 to 50 kgs. per day which were similarly kept under utilised. Besides there were stalls in some important markets which had been selling fish of insignificant quantities.

5.4. There were no records available to indicate the reasons for non-supply or poor supply to these important stalls. There was also no record of any investigation into the reasons for poor performance of the stalls in important markets. It would be observed that the retail stalls remained underutilised and with a proper utilisation of the retail stalls substantial portion of standard fish sold in auction could have easily been canalised through these stalls to fetch more revenue.

5.5. It has also been pointed out that out of the total quantity of 10,845 tonnes of fish sold in Calcutta during the 9 years, 2456 tonnes (even assuming that there was no sale of sub-standard fish in 1966-67 for which data are not available) of fish, representing about

23 per cent of total sales, had to be sold as sub-standard fish in auction while entire sub-standard fish was sold by auction only, large quantities of standard fish had also to be sold from time to time by auction. The total quantity of standard fish thus sold in auction during the same period was 2865 tonnes, representing about 34 per cent of the total standard fish sold in Calcutta. The total quantity of fish sold by auction during the 9 years ending 1974-75 was 5321 tonnes constituting about 49 per cent of the total sales in Calcutta. The implications of sale by auction were that not only lower rate was available for sale, but also after sale this quantity went into the hands of private traders who had the benefit of this supply as a result of which the effectiveness of Company's sales efforts in influencing the price was not significant.

5.6. The sales in Calcutta ranged between 40 per cent and 82 per cent of the total sales during the year 1967 to 1975-76.

### B. Sales by Auction

5.7. The Corporation sold a total quantity of 13,297 tonnes during the 10 years ending 31st March, 1976 out of which 6,772 tonnes were sold through retail stalls, Co-operative Societies, agents and ceremonial sales and the remaining quantity through auctions. The quantity sold through auctions comprised 3,724 tonnes of standard fish and 2,801 tonnes of sub-standard fish. Thus roughly 50 per cent of the total sales were made by the Corporation through auction, thereby implying that not only lower rate was realised in auction sales but this quantity went into the hands of the private traders as a result of which Corporation's sales efforts in influencing the prices were hardly effective.

5.8. A substantial quantity of fish procured and sold through auction was sub-standard; the percentage of sub-standard fish ranged from 14 to 37.23 during the years 1967-68 to 1975-76. As a result, the Corporation incurred a substantial loss of revenue on the sale of sub-standard fish. The short realisation with reference to the average price differential between standard and sub-standard fish amounted to Rs. 63.11 lakhs during 1967-68 to 1974-75.

5.9. Further, authentic records were not available regarding appraisalment of sub-standard fish. Notwithstanding the plea of the Corporation that, on certain days, arrival of fish at Calcutta exceeded the retail outlet capacity, it was noticed that there was considerable under-utilisation of the capacity of retail outlets.

### C. Sale of Sub-Standard Fish

5.10. It has been noticed that out of the total quantity of 10,845 tonnes of fish sold in Calcutta during the 9 years, 2456 tonnes representing about 23 per cent of total sales was sold as sub-standard fish in auctions.

5.11. According to the auditors of the company (1974) the appraisal of sub-standard fish should be signed either by the Development Officer or the Assistant Development Officer as any neglect or oversight in such appraisal may entail loss to the Corporation. Enquiries and explanations were not available as to why the fish became sub-standard.

5.12. Asked whether the Corporation considered the quantum of sub-standard fish which ranged between 14 per cent and 37 per cent during the period 1967-68 to 1975-76 was within the reasonable limit, the Corporation|Ministry replied in negative.

5.13. It was also stated that an allow limit of 15 per cent was fixed for fish becoming sub-standard as a check towards reduction in the quantum of sub-standard fish. No system of artification of appraisal of substandard fish was, however, evolved.

It was also stated that total loss of revenue incurred by the Corporation on the sale of sub-standard fish was not separately maintained.

5.14. Asked about the loss of revenue on account of sale of standard fish through auctions the Corporation|Ministry stated that no separate account of sale of standard fish through auctions was maintained and therefore, it was not possible for the Corporation to assess the loss of revenue on account of sale of such fish.

### D. Retail Sales

5.15. Although the Company had a number of retail stalls of its own in Calcutta, they remained under utilised. With the proper utilisation of stalls substantial portion of standard fish sold in auction could have been easily canalised through these stalls to fetch more revenue. There was no records available to indicate the reasons for non-supply or poor supply to the stalls.

5.16. It was stated to have been reported that often the unscrupulous private traders bought fish from the Company stalls and sold at higher price taking advantage of the difference in price.

5.17. It was also stated that records relating to daily issue of fish to retail stalls agents, etc. pertaining to the year 1973-74 were reported to be in police custody. It was stated by the Corporation that the papers in question were still under the custody of Police authorities.

### **E. Quality Control**

5.18. On being, asked about the arrangements made by the Corporation for exercising quality control in the procurement of fish, the Corporation/Ministry stated that the Corporation had no unit as such for quality control. Procurement staff were, however, given guidance on the basis of quality control measures prepared by a Food Preservation Expert of the Jadavpur University. Over and above, in some procurement centres, CFC at its own cost used to supply ice to the fishermen before taking delivery of fish from them to maintain the quality. Re- that occasional oral complaints were received and those were looked guarding the complaints about the quality of fish it has been stated into. Deep Freezers were installed at various Sub-Depots at Calcutta and Howrah for proper preservation of Fish.

### **F. Pricing Policy**

5.19. The pricing policy followed by the Corporation for fixing the retail prices by 50 P. per Kg. below the prevailing market price did not yield the desired results of influencing the market price to any appreciable extent in view of the limited supply of fish by the Corporation. On the contrary, it opened the possibilities for malpractices like attempts by unscrupulous persons to buy fish at lower rates from the Corporation and to sell the same at higher rates outside the Corporation's stalls. The Board had authorised the fixation of day to day sale price of fish with reference to the prevailing retail price.

5.20. Asked about the mechanism evolved by the Corporation to have the information relating to prevailing retail market price, the Corporation|Ministry stated that the Corporation had taken strict measures to rule out any sale to unscrupulous persons from the Company's retail stalls. Supplies from retail stalls were restricted only to daily normal requirement of a family except on ceremonial occasions when normal supply was suitably increased. The gap between the retail price of the Corporation and the market price had been narrowed down in such a way that there was not much attraction for unscrupulous persons to purchase fish from SFC stalls and then sell it at higher prices in the market.

5.21. It has been pointed out that no norms for the loss on account of spoilage and shortage etc. had been fixed by the Corporation. In this connection the Corporation|Ministry stated that the reasons for not fixing any norms for loss on account of spoilage|shortage were that spoilage|shortage were dependent on a large number of factors. It has been admitted by the Corporation|Ministry that the percentage of shortage and spoilage during the years 1967-68 to 1971-72 was higher on account of shortage non-availability of ice in the procurement centres/units.

5.22. As regards the fixation of prices of fish by the staff of the Corporation the Review Committee (1976) has observed that "the enormous latitude given to the selling staff for fixation and re-fixation of selling prices above a minimum laid down prices appears to have given a lot of scope to the salesman to manipulate the prices and to substitute standard fish with sub-standard fish and thus earn illegal private profit. This nefarious operation, cannot be easily detected. It can safely be assumed that the methodology of retail sale and discretion given to the Sales staff in price adjustment give them ample opportunity to manipulate the prices to the detriment of the Corporation.

5.23. During tour of a Study Group to Calcutta the Committee were informed that on ceremonial occasions like marriages, puja, etc. the officers of the Central Fisheries Corporation in collusion with aratdars at the procurement centres did not send or sent very small quantity of fish to the Corporation and large quantities of fish were allowed to be purchase by the private traders who sold the fish at exorbitant prices.

5.24. Ironically, the total quantity sold in Calcutta market during the 11 years of the functioning of the Corporation was a mere 13872 tonnes against the contemplated marketing of 10,000 tonnes in the very first year of its existence. This is not all. As much as 2456 tonnes supplies during the first 9 years (23 per cent of the total sales) was described as sub-standard which the Committee are unable to accept as truth. Distressingly, short realisation on this account was of the order of Rs. 63.11 lakhs. What is disturbing is that inquiries and explanations were not found by the auditors as to why the fish became sub-standard. The malpractice is not difficult to understand.

5.25. The total quantity of fish sold in auction during 9 years upto 1974-75 was 5321 tonnes which included the so called sub-standard fish. The implications of sale in auction were that not only lower rate was available for sale but also after sale this quantity went into the hands of private traders who sold it at a high rate in the open

market. Such large scale sales in auction are quite understandable because a number of retail stalls owned by the Corporation in Calcutta remained grossly under-utilised. Surprisingly, there were no records available to indicate the reasons for non-supply or poor supplies to the stalls. The Committee also understand that very often unscrupulous private traders were allowed to buy fish from the stalls of the Corporation for sale at higher prices. It is no wonder therefore that the records pertaining to daily issue of fish to retail stalls agents etc., pertaining to year 1973-74 are reported to be in police custody.

5.26. It is interesting to note the observations of the Review Committee (1976) that the enormous latitude given to the selling staff for fixation and realisation of selling prices appears to have given a lot of scope to the salesmen to manipulate the prices and to substitute sub-standard fish for standard fish and thus earn illegal money.

5.27. On ceremonial occasions the Corporation procurement staff at outstations in collusion with other authorities instead of making available fish to the Corporation for sale at reasonable price connivingly passed on the bulk of fish to private trade who fleeced the poor people by charging exorbitant prices.

5.28. The facts brought out above are an unmistakable indicator of the extent to which the Corporation was bristling with mal-practices and various manipulations which alone accounted for huge losses sustained by it. What is intriguing in this context is that none whosoever occupying responsible position in the Corporation seems to have been proceeded against. Thus, for from countering the pernicious influence of private traders they were helped to thrive better. The Committee insist that a thorough probe should be instituted forthwith to identify the culprits and launch prosecution against them at the earliest. The CBDT should spot out the private traders through a special cell in order to realise their due share of taxes in addition to instituting Penal action.

## VI

### FINANCIAL POSITION

#### A Capital Structure

In addition to the Government of India, 4 State Govts. have subscribed to the share capital of the Corporation. The authorised capital of the Corporation is Rs. 500 lakhs made up of 500 equity shares of Rs. 1.00 lakh each. As on 31-3-1976, the subscribed capital of the Company amounted to Rs. 100 lakhs. In 1975-76, the Government of India subscribed another Rs. 25 lakhs towards the capital of the Company. The position as it stands at the end of March 1977 is as under:

##### Break-up of subscribed capital of C.F.C.

	(Rs. in lakhs)
1. Govt. of India . . . . .	76.00
2. Govt. of West Bengal . . . . .	15.00
3. Govt. of Uttar Pradesh . . . . .	5.00
4. Govt. of Tamil Nadu . . . . .	3.00
5. Govt. of Gujarat . . . . .	1.00
	<hr/>
	100.00

In addition to the above, the Govt. of India has also been sanctioning loans to the Corporation to meet its requirements from time to time. Including a loan of Rs. 10 lakhs given as in October 1976, the total loan granted to the CFC by the Govt. of India amounted to Rs. 75 lakhs as at the end of October 1976. Apart from the amount of loan due for repayment, the Corporation has not paid the full amount of interest due on these loans to the Central Government. Out of a cumulative interest of Rs. 19.51 lakhs, the Corporation has paid only Rs. 7.08 lakhs to the Government. The balance of Rs. 12.43 lakhs is still due to the Government by way of interest alone.

#### B. Working Results

6.3. It was anticipated at the time of setting up the Company that on a turnover of 10,000 tonnes of fish the gross profit would be about Rs. 35 lakhs and after meeting the cost of staff, contingencies, etc., the net profit would be about Rs. 3.5 lakhs. It was, however, apprehended that competition from private industry might reduce the volume of transactions of the Company, increase the procurement cost and also force the Company to sell fish at an uneconomical price. It was, however, felt that net loss might not exceed 5 per cent of the total transactions and might be about Rs. 10 lakhs over an annual turnover of Rs. 280 lakhs. It was apprehended that loss on similar scale might have to be sustained for two to three years.

6.4. The results of working of the Company since inception upto 1974-75 are tabulated as under:—



(Rupees in lakhs)

Year	Sales of fish	Procurement cost of fish sold	Trading overhead	Trading Profit (+) Loss(-)	Adm. Evc. over head	Net Profit (+) Loss(-)	Percentage of	
							Trading over-head to sales	Adm. over-head to Sales
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1965-66	7.82	7.59	0.48	(-)0.86	1.84	(-)2.08	6.14	23.83
1966-67	24.88	15.76	7.99	(+)3.72	9.88	(-)5.61	32.11	39.71
1967-68	34.93	22.76	9.66	(+)2.76	16.14	(-)12.68	27.66	46.21
1968-69	42.75	32.40	10.29	(+)0.68	14.42	(-)10.58	24.07	38.78
1969-70	37.39	24.96	9.90	(+)3.37	13.93	(-)9.94	26.07	36.69
1970-71	21.82	15.03	6.50	(+)0.42	12.58	(-)11.96	29.79	57.65
1971-72	11.94	6.43	4.24	(+)1.31	14.69	(-)13.10	35.51	123.03
1972-73	81.20	75.31	14.71	(-)8.26	27.31	(-)35.31	17.45	32.63
1973-74	288.65	208.24	40.82	(+)39.91	37.67	(-)2.54	14.14	13.05
1974-75	218.96	162.67	46.32	(+)19.37	45.16	(-)25.15	16.63	20.68
1975-76	233.00	138.93	31.06	(+)63.02	55.34	(-)8.45	13.33	23.75

6.5. It would be seen that the Corporation since its inception had incurred losses in all the years except during 1973-74 and 1975-76 when it made a profit of Rs. 2.54 lakhs and Rs. 8.49 lakhs respectively.

6.6. An analysis of the factors contributing to the loss incurred by the Corporation indicates that, apart from low volume of transactions, uneven flow of procurement, inadequate retail outlet capacity etc. heavy spoilage and wastage, high quantum of fish becoming sub-standard, retention of uneconomic procurement centres, expenditure on development schemes and fixed assets which proved unproductive, were also responsible for the losses.

In addition to the above the Corporation incurred more than 55 lakhs on the overhead of the Management during the period from 1965-66 to 1975-76 as evident from the above statement.

6.8. The statement below would show that the Operating expenses of the Corporation as well as overhead expenses (establishment and administration) and the quantities sold for the period 1973-74 to 1975-76.

	1973-74	1974-75	1975-76
1. Sales M.T. . . . .	4980	3037	2990
2. Operating Expenses Rs./Tonne . . . . .	820	1196	1020
3. Overhead expenses (Establishment plus administration expenses) Rs./Tonne. . . . .	659	1312	1630

The establishment expenses mainly comprise salaries and wages. Administrative expenses comprise several items such as rent, electricity charges, printing and stationery, brokerage, agents' commission, etc. The overhead expenses relating to establishment and administration have been going up from 1973-74 whereas the quantity sold has been declining. It would have been prudent on the part of the management to have made an attempt to control the overhead expenses relating to establishment and administration particularly when the quantity sold has been declining from year to year. On the other hand, there has been no such attempt to reduce the expenses. There are no reasons for this failure on the part of the management except that it has not been very realistic in its approach.

The accounts for 1976-77 are yet to be compiled and certified by the Auditors of the Corporation. However, according to the provisional accounts referred to in the Annual Report of the Bureau of Public Enterprises, the Corporation had sustained a loss of Rs. 37 lakhs in 1976-77. Cumulative loss upto 31st March 1977 stood at Rs. 152.33 lakhs, thus wiping off the entire equity capital of Rs. 1

crore and a major portion of the unsecured loan of Rs. 75 lakhs obtained from the Government of India.

6.9. On asking for the details of value of assets of the Corporation, it has been stated that the value of assets of the Corporation as on 31st March, 1978 was estimated as under:

fixed assets Rs.	Rs. 7,57,292.60
Current Assets	2,58,677.49
TOTAL	<u>10,15,970.09</u>

6.10. It has been further stated that the said amount could not cover the repayment or loans advanced to the Corporation and the interest thereon.

6.11. In this connection the Ministry in their further reply stated that:—

“Due to continued losses suffered by the Corporation over the years, its working capital virtually came down to ‘nil’ in 1977-78 itself. In view of uncertain future of the Corporation, the trading activities of the Corporation were suspended since September, 1977. Since January, 1978, the administrative Ministry has been giving loans to the Corporation to the extent of about Rs. 3 lakhs per month for payment of idle salaries to the staff and for meeting other essential establishment expenses.”

6.12. Asked about the reasons for non compilation of accounts for 1976-77 and 1977-78 and getting the audited, the Ministry stated as under:—

†“The account for the year 1976-77 has been compiled but is yet to be audited. The compilation of accounts for the year 1977-78 has been taken at hand by the Corporation. We have already requested the Company Law Board to appoint Statutory auditors for the Corporation for both the years i.e. (1976-77 & 1977-78). The Company Law Board has however, not yet appointed the auditors for these two years and they have been reminded to expedite the appointment.”

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† Audit has pointed out that the figures of current assets should be Rs. 2,75,895.99(Pro v.)

† Audit has pointed out that specific reasons for non-completion of the accounts for these years have not been given.

### C. Accounting Manual

6.13. It was pointed out that there was no Accounting Manual and in the absence of Accounting Manual defects and deficiencies were found in the maintenance of accounts.

6.14. It was stated by the Management that an accounting Manual outlining the financial and accounting rules of the Corporation was prepared in December, 1976.

### D. Uneconomic Purchase of Refrigerated Vans

6.15. Gross Block includes three imported refrigerated vans purchased by the Company at the instance of the Ministry for Rs. 6.24 lakhs were allotted to the Central Fisheries Corporation its formation. The operation of these vans was considered to be uneconomical by the Corporation. Again, on account of meagre procurement; they remained largely under-utilised and the Corporation decided to dispose of these vans in June, 1969.

6.16. It is noticed that the Board at its meeting held in November 1965 had asked the Management to examine the economics of the purchase of these vans and if these were considered uneconomical, endeavours were to be made to pass on these to the State Governments.

6.17. It has been pointed out that no running and maintenance expenditure was incurred during the year 1975-76, written down value as on 31-3-1976 was Rs. 62,277-52. It has been stated that one van has been disposed off for Rs. 26,000 during 1977-78.

6.18. It was observed that when the Corporation had estimated (in June, 1967) that the operating expenses of these vans would be too high, why efforts were not made to dispose of these vans to State Governments as desired by the Board. The CFC/Ministry stated that:—

“before the recommendations of the Board could be considered, the delivery of the vans was taken by the Company in Madras in March, 1967. Expecting that fish supplies from Bangladesh could be resumed, efforts were not made to dispose of these vans.”

6.19. Asked about the utilisation of these vans the CFC/Ministry stated that: out of the 3 vans, 2 were based at Howrah Central Depot. and 1 at Madras. Out of the 2 vans available at Howrah, only one could be utilised for distribution of Bangladesh fish to the retail

stalls of CFC in Calcutta. The other van remained idle because of major break down since 1971.

6.20. It has been stated by the Corporation that the CFC had the following three types of equipment for the purpose of storing fish in cold storage:

- (a) Cold storage plant.
- (b) Walk in Cooler.
- (c) Deep Freezer.
- (i) *Cold Storage Plant*

The cold storage plant (4x40 ton capacity) was taken over by the CFC in 1975 from the Government of West Bengal. Out of 4, commissioning of 3 cold storage plants were completed by M/s. Voltas and the commissioning of the remaining Plant was yet to be completed. Cold Storage started functioning in early 1977 but on account of suspension of the commercial activities of the Corporation since September, 1977, on account of its uncertain future, the plants have been lying idle.

- (ii) *Walk-in-Cooler*

There were 6 walk-in-cooler (3 ton capacity each) for storage and preservation of fish at the Central Depot, Howrah. On account of curtailment of the business activities of the Corporation, three have already been disposed of and the remaining three are at present lying at the Central Depot in partially dismantled and out of order condition.

- (iii) *Deep Freezers*

C.F.C. Purchased 13 (thirteen) Gulmarg Deep Freezers of 425 litre capacity each for storage and preservation of fish in various sub-depots in 1976. All are lying now in unused condition since last year (Sept. 1977) on account of suspension of commercial activities of the Corporation.

6.21. It was brought to the notice of the Committee that these Deep Freezers were purchased each at a cost of Rs. 9000/- from a private firm of Calcutta and these were not found to be worthy of preserving fish. In this connection the former Managing Director (Maj.-General Bejoy Bhattacharjee) stated during his evidence that the Board officers, who had the benefit of the technical consultation,

were appointed and they had selected and approved the purchase of deep-freezers.

(iv) *Purchase of Display Cabinets*

6.23. Gross Block also includes 15 display cabinets at a cost of Rs. 1.49 lakhs, out of 16 display cabinets purchased by the Company between November 1965 and April 1966 at a total cost of Rs. 1.56 lakhs. Some of these cabinets were supplied to co-operative societies selling fish as agents of the Company. It is expected that this would help the Co-operative Societies and the Company would get some rent in return. No agreement was made with the co-operative societies about the rent. No rent could be realised as the co-operative societies refused to pay rent on the ground that the Company had failed to supply fish to them on a regular basis with the result that the societies had earned meagre profit on fish trade. The cabinets also frequently went out of order. Ultimately, the cabinets were taken back from them. One cabinet was returned to the suppliers in October, 1971 due to manufacturing defect. The Review Committee in their Report in June, 1969 had already considered the cabinets as unproductive and recommended their disposal. However, the cabinets were still (May 1975) lying unutilised.

6.24. The Ministry stated (August 1976) as follows:—

“Action is being taken to dispose them of expeditiously.”

6.25. The Ministry in their reply after evidence stated that the condition of the cabinets deteriorated owing to use and abnormal wear and tear. Later on these were disposed of through DGS&D. 15 Display Cabinets were purchased at a cost of Rs. 1,48,633.35. Out of them 13 were sold at Rs. 12,280.00 and two were handed over to D.V.C.

6.26. When asked that during his tenure some unavoidable expenditure like purchase of dictaphone tape-recorders (cassets) was incurred, the former Managing Director (Maj. Gen. Bhattacharjee) stated that “there was no waste of money. The minutes of various meetings had to be recorded. We did not have qualified people... These were, in my opinion, essential. I must have approved these tape-recorders (Cassets)....these tape-recorders were issued.”

6.27. Asked about the airconditioning his office room in the Corporation; the former Managing Director admitted that “we had one air-conditioner purchased during my time.”

**6.28. The cumulative losses of over Rs. 152 lakhs have wiped out the paid up capital of the Corporation (Rs. 100 lakhs). The Commit-**

They are convinced that even with the low level of turnover no loss would have been occasioned if only there was no serious mis-management or wholesale defrauding.

6.29. The Ministry cannot be absolved of the blame and responsibility therefor has to be fixed. The organisation's staffing pattern was top heavy and wasteful expenditure was recklessly indulged in by the management. It is most distressing that when the Corporation was limping its Chief Executive was enjoying the luxury of air-conditioned office accommodation to mention only one instance. The overhead expenses per tonne of fish handled rose from Rs. 659 in 1973-74 to Rs. 1630 in 1975-76 which was more than 50 per cent of the sales realisation. This certainly cannot be merely explained away by low level of procurement. Here again the Ministry seems to have remained a silent spectator which is deplorable.

## VII

### ORGANISATIONAL SET UP

7.1. According to Audit the Board of Directors of the Company consists of representatives of the Ministries of Food and Agriculture, Finance, Railways, Commerce of the Central Government and representatives of the participating State Governments and one non-official member, besides the Chairman and the Managing Director.

7.2. During the period from 21st August, 1969 to 21st August, 1972 the Company had no Managing Director. The duties of the post were looked after by a Director on part time basis.

7.3. The post of the Secretary fell vacant in December, 1972 and his functions were being exercised by the Chief Enforcement officer/Divisional Manager/Accounts Officer on a temporary basis. The post of the Accounts Officer remained vacant from November, 1969 to February, 1974. The post of Assistant Secretary was filled with effect from 2-3-1977.

7.4. In this connection the Ministry intimated (October 1976) as follows:—

“The top and middle management cadre of the Company has been further strengthened. The post of Divisional Manager has been filled. A Market Research and Development Section to undertake research in costing, pricing and marketing has been created. A separate section for material management has also been created.”

7.5. The Review Committee (1976) in its report submitted to the Government stated that:—

“The Corporation is managed by a Board of Directors consisting of the representatives of the Ministries of Agriculture, Finance, Railways, Commerce and the Governments of West Bengal, Uttar Pradesh, Tamil Nadu and Gujarat etc. besides the Managing Director. A non-official member also was there till recently.

It is understood that the organisational manual is under preparation but the affairs of the company are managed.



Through executive orders. From 1965, 5 Managing Directors were appointed in succession, each holding office for a period of approximately 2 years. From September 1965 to August 1966 and from August 1969 to 1972 the company had no Managing Director. Similarly the post of Secretary was also vacant from November 1969 to February 1974. The vacancies in the above cited important positions could have weakening effect on the working of the Corporation.

The Corporation has not been engaging professional on management side of technical personnel for development activities except in the case of Damodar Valley Corporation or in the case of reservoirs in Gujarat or one or two technical officers in connection with the fish seed trade. Practically the entire staff comprises of either retired re-employed personnel or fresh recruits without any previous experience in fish trade or fisheries management.

\* \* \* \*

The headquarters of the Central Fisheries Corporation being in Calcutta, recruitments to almost all categories of staff are made through local employment exchange and almost the entire staff comprises of natives of Bengal who when rapport with the local fishermen due to language barrier."

7.6. Asked about the reasons for not filling up the top posts of Management of the Corporation, the Ministry stated that:—

"It would not be correct to say that there was no Managing Director of the Corporation till 31-12-1975. The post of Managing Director of the Corporation had been filled from time to time. From 1965 onwards five Managing Directors were appointed in succession, each holding office for a period of approximately two years. From September 1965 to August 1966 and again from August, 1969 to August, 1972 the Company had, however, no Managing Director. From September 1965 to August, 1966. Fisheries Development Adviser in the Ministry functioned as Chairman-cum-Managing Director of the Corporation. From August, 1969 to August, 1972, the duties of the post of Managing Director were looked after by the State Government Director on a part time basis.

The top and middle-management cadres of the Company, namely, the Divisional Manager and the three Deputy

Divisional Managers were filled on the above-mentioned dates, consequent on the Corporation contemplating certain development activities. The post of Secretary fell vacant in December, 1972 and his functions were being exercised by the Chief Enforcement Officer/Divisional Manager/Accounts Officer on a temporary basis. Efforts to obtain the services of a qualified Secretary having failed despite repeated attempts, the post of Assistant Secretary was filled with effect from 2-3-1977, who is presently also looking after the current duties of the post of Company Secretary in addition to his own duties."

#### A. Organisational Manual

7.7. There was no organisational Manual of the Company. The Management stated (April 1975) that "the affairs of the Company are managed through Executive Orders, which would be incorporated into Manuals, when compiled".

7.8. Asked about the delay in preparation of the Organisational Manual, the Ministry stated that the organisational manual of the Corporation was got prepared in 1976 and was being followed. Prior to this the CFC adopted Service, Conduct & Disciplinary Rules and these Rules only were being followed by the Corporation. Apart from the Organisational Manual, Accounts Manual and Internal Audit Manual had also been prepared and were being followed.

#### B. Cases of Irregularities & Malpractices

7.9. A number of cases of irregularities and mal-practices which were prevailing in the Corporation were brought to the notice of the Committee by the Employees' Associations of the Corporation.

7.10. After going through these cases the Committee got the impression that if only there were proper management and planning the Corporation would not have reached this stage of winding up again a matter in which Corporation had to function itself. Some During evidence the Secretary of the Ministry stated that "this is of these things had to be done by the Corporation. Government looks into the results of the Corporation as a whole over a period of time...."

7.11. Replying to another question, the Secretary of the Ministry stated as under:—

"This Review Committee's report led to the present decision. There was complete mismanagement of the Company. There is indiscipline in the organisation even now...."

7.12. When certain instances of wastage of money during the period of previous Managing Director (Maj. Gen. Bejoy Bhattacharjea) were brought to the notice of the Secretary of Ministry, he replied "I was not aware of it. I fully agreed with you last time itself, that there was gross mismanagement".

7.13. During the evidence of the former Managing Director (Maj. Gen. Bejoy Bhattacharjea) he stated that there were certain charges against two or three officers of the Corporation which were processed in December, 1977.

7.14. To a question by the Committee as to how many retired army personnel were inducted into the Central Fisheries Corporation, the former Managing Director replied "May be 6 or 7". He added that because of the uncertainty about the future of the Corporation, "the cheapest way we could get qualified, experienced people on short term engagement was to recruit retired officer."

7.16. Lack of continuity in the top management posts of the Corporation, which were also kept unfilled from time to time, was one of the most crucial factors which were responsible for the ruination of the corporation. The Review Committee (1976) has pointed out that there were as many as 5 Managing Directors appointed in succession, each holding office for a period of approximately 2 years. For a period of more than 3 years there was no Chief Executive at all. Further the posts of Secretary and Accounts Officer also remained vacant for a long time. Practically the entire staff of the Corporation comprised of either retired re-employed personnel or fresh recruits having no previous experience in fish trade or fisheries management.

7.17. In fact a former Managing Director of the Corporation who was a Major General admitted in his evidence before the Committee that he inducted a number of retired army personnel in the Corporation. Further owing to language barrier the staff are stated to have been unable to establish a rapport with the local fishermen or officials of the cooperative societies. All this undoubtedly had debilitating effect on the working of the Corporation. It is clear that there was no effective periodic appraisal of the working of the Corporation by the Govt. not to speak of taking prompt remedial measures. The Ministry of Agriculture therefore owe it to the Committee to explain how such a situation was allowed to continue.

## VIII

### WINDING UP OF THE CORPORATION

8.1. In his statement made in the Lok Sabha on 9.5.1978 in response to a calling attention Notice, the Minister of Agriculture stated that the Central Fisheries Corporation had been running into losses almost every year since its conception. A review Committee was constituted in November, 1976 to comprehensively review the working of the Corporation. The Committee recommended that since the Corporation had failed to achieve the objectives for which it was set up in spite of full financial and moral support of the Central Government and since the primary responsibility for regulating supplies and maintaining reasonable price of fish in the Calcutta market was that of the State Government, the Corporation should be transferred to the State Government to be merged with the State Fisheries Development Corporation.

8.2. The Review Committee was convinced that the Corporation would not prove viable under the existing circumstances and therefore, further recommended that no additional financial support should be given to the Corporation except to pay to the minimum staff, till a decision was taken on the future of the Corporation.

8.3. The Government of West Bengal was accordingly requested to take over the activities of the Corporation to be merged into the State Fisheries Development Corporation. The State Government had since expressed their inability to take it over.

8.4. As there was no possibility of the Corporation attaining any measure of viability, further continuance of the Corporation would only involve further infructuous expenditure to the Public Exchequer. The question of winding up of the Corporation was, therefore, under consideration of the Government.

8.5. The Committee on Public Undertakings decided at their sitting held on the 12th June, 1978 to take up the examination of the Central Fisheries Corporation. The Ministry of Agriculture & Irrigation were informed on the 3rd July, 1978 that pending the Committee's examination of the Central Fisheries Corporation no action might be taken to wind up the Corporation.

8.6. In this regard the Minister of Agriculture and Irrigation in his D.O. letter dated the 7th July, 1978 to the Chairman, C.P.U. stated as under:—

- "I understand that the Committee on Public Undertakings has decided to examine the working of the Central Fisheries Corporation Ltd. and an advise has been sent from the Lok Sabha Secretariat to the Department of Agriculture that no further action should be taken to wind up the Corporation pending Committee's examination.
- (2) As you are aware, this matter had come up in the Lok Sabha on 9.5.78 through a Call Attention Notice by Prof. Samar Guha and I had made a statement indicating the circumstances under which we were considering winding up of the Corporation. I had also clarified that in view of a recent enquiry in to the working of the Company by a Review Committee, no further enquiry was necessary. Subsequently, the matter was placed before the Cabinet on 17.5.78 and it was decided that the Company should be wound up.
- (3) The decision of the Government has already been conveyed to the Secretary of the Company. The legal formalities are likely to be completed within a few months. As the Company is not likely to exist after a few months, examination of its working by the Committee on Public Undertakings does not appear to be necessary. The process of putting the Company under voluntary liquidation and getting the surplus employees absorbed in public sector undertakings under this Ministry to the extent possible has already been started.
- (4) In view of the position explained above you would appreciate that it would be appropriate to exclude the Central Fisheries Corporation from the examination by the Committee on Public Undertakings."

8.7. The Committee considered the aforesaid letter of the Minister of Agriculture on 21-7-1978 and decided that notwithstanding the decision, the Committee should continue the examination of the Corporation on the basis of the Report of the Comptroller & Auditor-General of India and other material that might be available. The Committee further desired that the Government be requested to defer the winding up of the Corporation. The Ministry of Agricul-

ture & Irrigation (Deptt. of Agriculture) were accordingly informed by the Lok Sabha Secretariat (*vide* O.M. Dt. 22-7-78). The Ministry of Agriculture in their O.M. dated 31-8-78 informed that:—

“.....procedural formalities connected with winding up operation are time-consuming and as it may normally take some time before the Corporation is actually wound up, it does not appear necessary nor possible to stay the winding up operations. In the meanwhile, steps have also been taken to get the surplus employees absorbed in public sector undertakings to the extent possible. Even otherwise, any defering or slowing down of the winding up operations will cause hardship to the employees because it may also delay their absorption....”

8.8. A telegram dated 12th September, 1978 addressed to the Chairman C.P.U. was received from the Central Fisheries Corporation Employees Association wherein it was stated that Agriculture Ministry contemplating retrenching bulk staff from November, 1978 and C.F.C. Management directed to calculate retrenchment compensation accordingly. As decided by the Committee on 14-9-78 the Ministry of Agriculture were requested on 15-9-78 to maintain the *status quo* as on the date of communication of their earlier request to defer the winding up operations of Central Fisheries Corporation. Thereafter a Study Group of the Committee visited Calcutta and held informal discussion with the officers of the CWC and other connected with its activities.

8.9. As per the Committee's decision on 26-12-1978. The Ministry were requested “not to dispose of any assets of the C.F.C. in any manner at this stage.....The Committee have also decided that the Ministry should be informed that it is essential that none of the employees of the Company is shifted pending presentation of the Report of the Committee which is going to be done very soon....”

8.10. The Ministry of Agriculture sent the following telegram to the Secretary, C.F.C. Calcutta on 3-1-79 which was endorsed to the Lok Sabha Secretariat:—

“No assets of the Corporation should be disposed of in any manner at this stage and no employees shifted from one unit to another pending presentation of Committee on Public Undertakings Report.”

8.11. Having received a number of letters from the Employees Associations of the Corporation in regard to the action being pro-

cessed for winding up the Corporation, the Committee desired to know the latest position in the matter. The Secretary of the Ministry stated during evidence on 23-3-1979 as under:—

“Government have taken a clear decision at the highest level, at the level of the Cabinet, after taking into account the whole history of the Corporation, that it should be wound up various steps also have been initiated to implement this decision. We have now to see that the assets, if any, are disposed of and the liabilities are discharged, as provided by law, and also to provide, to the extent that we can, re-employment facilities to the employees of the Central Fisheries Corporation. In this particular case we have been taking the best steps.... It has been brought to the notice of the Cabinet Secretary and also to the Prime Minister's notice.

8.12. It has been brought to the notice of the Committee (12-4-1979) that there is no Managing Director of the Central Fisheries Corporation Ltd. The acting Secretary of the Corporation is absent in the Office presumably on leave since 7th April, 1979 and the absence of the Secretary, office work and other matters are completely paralysed. The interests of the employees in seeking the alternate employment are also not encouraging.

#### A. Staff Strength

8.13. It has been stated by the Ministry that the actual staff strength of the Corporation as on 1-9-1978 was as under:—

(i) Group 'A'	6	Cadres	—	1	
(ii) Group 'B'	8	Cadres	—	140	*One re-employed
(iii) Group 'C'	13	Cadres	—	160	
(iv) Group 'D'	5	Cadres	—	134	

In addition to above, 152 casual employees are in strength.

8.14. The Committee desired that in the event of winding up of the Corporation all officers and staff of the Corporation should be given alternate employment elsewhere. In this connection the Secretary of the Ministry stated during evidence that:—

“For the information of the Committee, we have written to all the public sector corporations under the control of our Ministry to take a more sympathetic view and to find out,

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\*At the time factual verifications the Ministry stated that according to their information Secretary CFC was supposed to be in office on 7-4-79 and was on leave on 9th to 12th April, 1979.

if possible, if any of these employees could be employed. A few of them have been employed. We are not satisfied with it. I discussed this matter with their representatives of the corporations working under our Ministry. I have made a personal appeal to them to see if some of these people could be employed. So far as Assistants and Stenographers are concerned, could you not consider their cases? These people have not done work for quite some time. So they are somewhat reluctant to take them. I persuaded them to give them some interview and take them. I hope they will choose the best among them so that they can have some continuity in service—We have taken up this matter with the Ministry of Labour and Employment. I requested their representatives also to attend my meeting. We will try to do our level best to see that these people are considered for appointment elsewhere. But I am not making any promise, because it depends upon their suitability and their capacity also.

8.15. On a suggestion that this matter might be placed before the Cabinet for issuing necessary directive, the Secretary stated that "this is a matter which has to be taken up with the Minister."

8.16. The Committee's examination of the Central Fisheries Corporation in the context of the contemplated winding up of the Corporation was mainly devoted to find out whether there was anything conceptually wrong with the scheme of its setting up or the circumstances that have led to the decision to wind it up was as a result of something else. The Committee's findings and conclusions contained in this Report would convince anybody that the organisation has been brought to this pass on account of utter mis-management and rank corrupt and fraudulent practices that went unchecked all these years. Unfortunately, despite repeated requests from the Committee Govt. seems to proceed with the winding up of the Corporation instead of investigating the affairs of the Corporation and taking immediate remedial measures to put it on sound footing for once.

8.17. If only the Cabinet was made fully aware of the circumstances in which the Corporation was ruined, the Committee are positive that they would not have taken a decision to wind up and instead preventive as well as curative steps would have been taken. It is, therefore, abundantly clear that because of the utter failure and corrupt practices for which Ministry was equally responsible, the correct picture was not depicted in order not to get exposed. The Committee has yet to come across an instance such as this where



a Public Sector Undertaking, under the very nose of the Ministry, went on plundering the national asset and in the process brought ruin to itself and enriched the private fish mongers.

8.18. Considering the potentiality of fish production in the country as well as the fact that fish is the staple food for millions of our people who suffer from malnutrition a scheme of this kind even if it was initially conceived to benefit one city ought not to be terminated under any circumstances. The decision of government unless reversed will mean that the consumers, particularly belonging to the weaker sections of society will pay for the misdeeds of those who are in authority. As it is our intake of protein is the lowest in the world. With the rise in export of fish it is becoming a very rare commodity and already it is quite outside the reach of a common man. Under the circumstances, the Committee earnestly urge that the Corporation which has gone out of business from September 1977 should be immediately revived in consultation with particularly the State Government of West Bengal. The Committee would further suggest that the Corporation activities could be expanded to cover marketing in a wider area of the country.

NEW DELHI;  
April 25, 1979  

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Vaisakha 5, 1901 (S).

JYOTIRMOY BOSU,  
Chairman,  
Committee on Public Undertakings.

## APPENDIX

### *Summary of Conclusions/Recommendations*

S. No.	Reference to Para No.	Summary of Conclusions/Recommendations
1	2	3
1	2.11 and 2.12	<p>The Committee are distressed to note that the Central Fisheries Corporation totally failed to achieve its primary objective of selling fish to the consumers of Calcutta at a reasonable price. The volume of business handled was insignificant and its operation had virtually no impact on the market either in terms of price or quality of fish made available to the public.</p> <p>A representative of the Ministry admitted in evidence that the Government were aware right from the beginning that the Corporation was not achieving the objective for which it was set up. It is therefore very unfortunate that no concrete steps were taken by the Government in consultation with the State Governments concerned to see that the Corporation got over the difficulties and constraints. If only this was done at the Government level and the management of the Corporation was closely watched controlling the overheads expenditure, the Corporation would not have come to grief.</p>
2	2.13	<p>The Committee are more than convinced that the basic causes of the Corporations failure are its utter mismanagement and nefarious activities of the Private Trade in collusion with authorities at various levels which went unchecked all these years.</p>
3	3.14 and 3.15	<p>The Committee note that Government decided to set in February, 1969 a Review Committee to</p>

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evaluate as to how far the Corporation had achieved the objectives envisaged by the Government at the time of its inception and whether it could function as a viable unit. To enable the Corporation to function as a viable organisation the Review Committee recommended long term lease of reservoirs by the State Governments capital aid to fisherman cooperatives so that the CFC could get claim on their fish; and also marketing of marine fish from the catches of the Central Government exploratory vessels.

However Government did not agree to diversify the activities of the Corporation as recommended by the Review Committee (1969) but made an unsuccessful attempt to transfer the Corporation to the West Bengal Government.

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Another Review Committee was set up in 1976 to go comprehensively into the working of the Corporation. The Review Committee in its report submitted to Government in August, 1976 felt that since there was no possibility of the Corporation attaining any measures of viability it could be transferred to the Government of West Bengal for eventually being merged with the State Fisheries Development Corporation. The State Government, however, once again having declined to take over the Corporation, it has been decided to be wound up.

The failure of the Corporation was due to continuous and worst type of mismanagement and various malpractices under the very nose of the Ministry. The Committee are, therefore, of the firm view that Ministry has to equally bear the blame. What the private fish trade wanted the Government and the Corporation to do, i.e., sabotaging the working of the Corporation, they readily obliged them and ultimately forced the closure.

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5	4.24	<p>The Fisheries Corporation was set up in 1965 with a view to augment the supply of fish to Calcutta from various sources within India and the then East Pakistan. It was envisaged that the procurement would be ultimately of the order of 40,000 tonnes per annum. However, there was no programme drawn up for procurement of fish from various sources from time to time. Although for the successful operation of an undertaking of this nature the cooperation of the State Governments and their related organisations was essential, no firm commitment appears to have been obtained from them at the Government level. Further the basic assumption of procuring large quantity of fish from various areas now coming under Bangla Desh having been knocked out with the outbreak of Pakistani war of 1965, the scheme was not promptly reviewed. It was only in 1969 that a Review Committee was set up. Unfortunately even this Review Committee did not hold discussions with the State Governments on the future procurement possibilities of the Corporation. Despite this serious deficiency the Review Committee recommended steps to improve the existing pattern of procurement and measures to improve supply of fish and thereby the operation of the Corporation. However, as pointed out by the C&amp;AG no action was taken on these recommendations, the implementation of which would have, to some extent, ensured availability of fish. In this connection it is distressing to note that since 1966-67 the dilly-dallying of the Government on the future of the Corporation for reasons not difficult to understand, resulted in the Corporation virtually not taking up any developmental work although it had taken on lease a number of reservoirs. This gives rise to serious suspicion.</p>
6	4.25	<p>At the instance of the West Bengal Government an unwritten gentlemen's agreement was</p>

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.		reached in 1975 between the aratdars and the Company under which 20 per cent of arrivals of fish at Calcutta was to be handed over to the Company for disposal through retail stalls. It is distressing to note that a meagre quantity of 241 tonnes and 191 tonnes was given to the Corporation up to 31 March, 1976 and during 1976-77.
7	4.26	Viewed against the bungling at every stage as pointed out in the foregoing paragraphs, it is not at all surprising that the annual procurement ranged from 481 tonnes to 3086 tonnes except in 1974-75 when it was 5130 tonnes. The failure thus being so obvious it is not necessary for the Committee to make any further comments.
8	5.24	Ironically, the total quantity sold in Calcutta market during the 11 years of the functioning of the Corporation was a mere 13,872 tonnes against the contemplated marketing of 10,000 tonnes in the very first year of its existence. This is not all. As much as 2,456 tonnes supplied during the first 9 years (23 per cent of the total sales) was described as sub-standard which the Committee are unable to accept as truth. Distressingly, short realisation on this account was of the order of Rs. 63.11 lakhs. What is disturbing is that inquiries and explanations were not found by the auditors as to why the fish became sub-standard. The malpractice is not difficult to understand.
9	5.25 and 5.26	The total quantity of fish sold in auction during 9 years up to 1974-75 was 5,321 tonnes which included the so called sub-standard fish. The implications of sale in auction were that not only lower rate was available for sale but also after sale this quantity went into the hands of private traders who sold it at a high rate in the open market. Such large scale sales in auction are quite understandable because a number of retail stalls owned by the Corporation in

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Calcutta remained grossly under-utilised. Surprisingly, there were no records available to indicate the reasons for non-supply or poor supplies to the stalls. The Committee also understand that very often unscrupulous private traders were allowed to buy fish from the stalls of the Corporation for sale at higher prices. It is no wonder therefore that the records pertaining to daily issue of fish to retail stalls agents etc., pertaining to year 1973-74 are reported to be in police custody.

It is interesting to note the observations of the Review Committee (1976) that the enormous latitude given to the selling staff for fixation and realisation of selling prices appears to have given a lot of scope to the salesmen to manipulate the prices and to substitute sub-standard fish or standard fish and thus earn illegal money.

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On ceremonial occasions the Corporation procurement staff at outstations in collusion with other authorities instead of making available fish to the Corporation for sale at reasonable price connivingly passed on the bulk of fish to private trade who fleeced the poor people by charging exorbitant prices.

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The facts brought out above are an unmistakable indicator of the extent to which the Corporation was bristling with mal-practices and various manipulations which alone accounted for huge losses sustained by it. What is intriguing in this context is that none whatsoever occupying responsible position in the Corporation seems to have been proceeded against. Thus, far from countering the pernicious influence of private traders they were helped to thrive better. The Committee insist that a thorough probe should be instituted forthwith to identify the culprits and launch prosecution against them at the earliest. The CBDT should spot out the private

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		traders through a special cell in order to realise their due share of taxes in addition to instituting Penal action.
12	6.28	The cumulative losses of over Rs. 152 lakhs have wiped out the paid up capital of the Corporation (Rs. 100 lakhs). The Committee are convinced that even with the low level of turnover no loss would have been occasioned if only there was no serious mis-management or wholesale defrauding.
13	6.29	The Ministry cannot be absolved of the blame and responsibility therefor has to be fixed. The organisation's staffing pattern was top heavy and wasteful expenditure was recklessly indulged in by the management. It is most distressing that when the Corporation was limping its Chief Executive was enjoying the luxury of air-conditioned office accommodation to mention only one instance. The overhead expenses per tonne of fish handled rose from Rs. 659 in 1973-74 to Rs. 1630 in 1975-76 which was more than 50 per cent of the sales realisation. This certainly cannot be merely explained away by low level of procurement. Here again the Ministry seems to have remained a silent spectator which is deplorable.
14	7.16	Lack of continuity in the top management posts of the Corporation which were also kept unfilled from time to time, was one of the most crucial factors which were responsible for the ruination of the Corporation. The Review Committee (1976) has pointed out that there were as many as 5 Managing Directors appointed in succession, each holding office for a period of approximately 2 years. For a period of more than 3 years there was no Chief Executive at all. Further the posts of Secretary and Accounts Officer also remained vacant for a long time. Practically the entire staff of the Corpo-

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ration comprised of either retired re-employed personnel or fresh recruits having no previous experience in fish trade or fisheries management.

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In fact a former Managing Director of the Corporation who was a Major General admitted in his evidence before the Committee that he inducted a number of retired army personnel in the Corporation. Further owing to language barrier the staff are stated to have been unable to establish a rapport with the local fishermen or officials of the cooperative societies. All this undoubtedly had deliberating effect on the working of the Corporation. It is clear that there was no effective periodic appraisal of the working of the Corporation by the Govt. not to speak of taking prompt remedial measures. The Ministry of Agriculture therefore owe it to the Committee to explain how such a situation was allowed to continue.

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