

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1977-78)**

**(SIXTH LOK SABHA)**

**FIFTH REPORT  
ON**

**CENTRAL INLAND WATER TRANSPORT CORPORATION**

**PROCUREMENT OF VACUATORS UNDER MYSTERIOUS  
CIRCUMSTANCE, LIGHTERING AND STEVEDORING  
OPERATIONS**

**(MINISTRY OF SHIPPING AND TRANSPORT)**

*[Presented in Lok Sabha on 19-4-1978]*

*[Laid in Rajya Sabha on 25-4-1978]*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1978/Chaitra 1900 (Saka)*

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CORRIGENDA TO THE FIFTH REPORT  
OF COMMITTEE ON PUBLIC UNDER-  
TAKINGS (6TH LOK SABHA) ON CIWTC-  
PROCUREMENT OF VACUVATORS UNDER  
MYSTERIOUS CIRCUMSTANCES,  
LIGHTERING AND STEVEDORING  
OPERATIONS

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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COMMITTEE ON PUBLIC UNDERTAKINGS  
(1977-78)

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Shri Lekh Raj—*Senior Research Officer.*

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\*Ceased to be a member of the Committee consequent on his retirement from Rajya Sabha w.e.f. 2-4-1978.

\*\*Ceased to be a member of the Committee consequent on his retirement from Rajya Sabha w.e.f. 9-4-1978.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to present the report on their behalf, present this Fifth Report on "Central Inland Water Transport Corporation Limited—Procurement of Vacuators under Mysterious Circumstances, Lightering and Stevedoring Operations."

2. The Committee held 34 sittings in all to examine the various aspects of the functioning of the Central Inland Water Transport Corporation Limited. The verbatim record of evidence ran into about 1500 pages and the written material received from the Central Inland Water Transport Corporation Limited and the Ministry, memoranda and representations received from the officers, employees' unions etc. of Central Inland Water Transport Corporation Ltd. and others covered more than 6,000 pages.

3. In my Introduction to the First Report of the Committee on "Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings" I stated that many of the public sector undertakings, "are managed by disinterested, unscrupulous, inconsiderate mercenaries who are busy with fulfilling their self-interests rather than the service of the public sector enterprises which they are expected to serve".

In the Second Report of the Committee on "Central Inland Water Transport Corporation Ltd.—Reckless and Fraudulent sale of numerous vessels" it had been clearly brought out that almost all the topmost executives of Central Inland Water Transport Corporation Ltd. entered into criminal conspiracy with the buyers and surveyors of the vessels and thereby defrauded the Corporation and the Government.

4. This Fifth Report of the Committee deals with "Procurement of Vacuators under Mysterious Circumstances, Lightering and Stevedoring Operations" by the Central Inland Water Transport Corporation.

This is yet another Report which will go to establish that the comment I made in the Introduction to the First Report was in reality an under-statement of facts. In this case it will be seen that whilst a sub-contractor for unloading the foodgrains using the Central

Inland Water Transport Corporation's vacuators and using the Corporation's oil and lubricants and all other facilities had quoted at a rate of Rs. 4.50 per tonne. The contract was given to a "firm of friends." i.e. MMP Lines Ltd. with whom the Chairman-cum-Managing Director (Shri Chelliah) and some other topmost executives of the Corporation were in collusion. The contract was given to MMP Lines at a rate which was higher by about 900 per cent i.e. at Rs. 40 per tonne. MMP Lines Ltd. had little past experience of such work.

5. In order to push through this shady business, the Chairman-cum-Managing Director completely ignored the Government Directors, representing the Ministry, and got it approved by the then Secretary of the Ministry as he was able to establish a rapport with him.

A sister undertaking, namely the Food Corporation of India had 200 vacuators lying idle. Still the vacuators were bought fraudulently from an American supplier. In order to hoodwink the authorities they went through a fake drill of obtaining vacuators from indigenous sources, as will be evident from the following extracts from a note in the Corporation's file:—

*"All the above points should not be included in the same enquiry. A second or third enquiry may be sent to the Bombay manufacturer with one or two of the above points in each of the Enquiries, thus killing time by which time the agreement with the American Party might be finalised."*

On this note, the Financial Adviser and Chief Accounts Officer of the Corporation (Shri Biswas) recorded:

*"Our reply should include the above points.*

*Sd/-31.1"*

6. However, the Central Inland Water Transport Corporation purchased seven vacuators in spite of the fact that in all probability the chances of further import of foodgrains were remote. It is noteworthy that the Central Inland Water Transport Corporation has been incurring heavy losses which have amounted to Rs. 2143 lakhs so far.

The payment of the cost of vacuators amounting to Rs. 32 lakhs in dollars was made in U.S.A. No approval of the Reserve Bank of India was obtained therefor and it would appear to amount to violation of Foreign Exchange Regulation Act. The payment of customs duty has also been evaded as the value declared to the Customs was only \$ 2,000 which was not correct.



(vii)

7. Another curious aspect of this deal was that the agreement with MMP Lines Ltd. was entered into on 24-1-1976 in great haste while the main Agreement with the ship-owners was entered into afterwards by the Corporation on 4-2-1976.

MMP Lines received Rs. 39.53 lakhs for work on 'Kapetan Markos' and Rs. 54.13 lakhs on 'Jagleela' but they paid only Rs. 5.31 lakhs and Rs. 12.5 lakhs respectively to Madras Marine thereby netting about Rs. 75.85 lakhs in these operations. It is intriguing that Shri M. N. Pal of MMP Lines Ltd. was serving in the Shipping Corporation of India where Shri Chelliah, Chairman-cum-Managing Director of the Corporation was also employed. They knew each other and they joined hands in the matter of financial transactions to defraud the Corporation and the Government.

Shri Pal of MMP Lines Ltd. had unhindered access to Corporation papers, and was in fact drafting telex messages and other communications from the Corporation to the Ministry.

8. In the matter of manning the stevedoring department, the Chairman-cum-Managing Director Shri Chelliah appointed a hand-picked man as a part-time Stevedoring Adviser on a consolidated remuneration of Rs. 2000 p.m. The incumbent's father was running a parallel stevedoring business and he was very much working in that firm. This is curious.

9. The Committee considered and adopted the Report at their sitting held on the 13th April, 1978.

NEW DELHI;

April 18, 1978

Chaitra 28, 1900 (Saka)

JYOTIRMOY BOSU

Chairman,

Committee on Public Undertakings.

**A. Procurement of Vacuators under Mysterious Circumstances and Lightening Operations**

**(i) Procurement of Vacuators**

Shri Chelliah\*, the Chairman-cum-Managing Director, Central Inland Water Transport Corporation, decided to embark upon grain lightening operations in January, 1976. This entailed acquiring of machines called vacuators for off-loading grain from mother vessels in the high seas to daughter vessels for transporting the cargo to the various places.

2. In examining the vacuators business, the Committee felt while going through the evidence, both written and oral, that there was lot more than the eyes could meet and one got an impression that the business was indicated at the behest of Shri M. N. Pal of M.M.P. Lines Ltd., in whom Shri Chelliah, Chairman-cum-Managing Director of Central Inland Water Transport Corporation, it seems, had implicit faith and confidence for reasons best known to him. Both of them had earlier worked together in the Shipping Corporation of India.

3. The whole business was mooted and almost finalised in December, 1975 as the following extracts from a letter dated 15-12-1975 from Shri M. N. Pal to Shri Chelliah would reveal:—

“As discussed I am sending below the draft of the telex, which may kindly be sent to your Delhi Office about the recent foreign food grain ship fixed by the Government of India:

**‘Vahan, New Delhi.**

For.....

---

\*In all his official correspondence with the Committee, Shri Chelliah has been using the prefix ‘Commander’ to his name. The Ministry of Shipping and Transport was requested to intimate whether the Ministry of Defence had allowed Shri Chelliah to retain the rank of Commander along with his name after his retirement from the Navy and on his joining the Shipping Corporation of India or the Central Inland Water Transport Corporation. The Naval Headquarters have in written communication dated the 13th April, 1978, to the Lok Sabha Secretariat stated as under :—

“Shri K. Chelliah was granted a permanent commission in the Reserve Cadre of the Indian Navy in the rank of Lieutenant Commander on 1 June, 1963.

In December 1975, Reserve Officers were informed of the Government's intention to disband the cadre and were given the option to resign. Shri Chelliah submitted his resignation which was accepted with effect from 1 April, 1974. Since Shri K. Chelliah had resigned, he is not entitled to use his service rank.”

Understand m.t. "Universe Defender" has been fixed by Transchart, New Delhi to load 51,000 tons Wheat/Sorghum loading U.S. Gulf for India between 15th December to 25th December, '75. Shall appreciate your approaching Mr. S. N. Banerjee or Mr. Anchal in Transchart Department and obtain from them name of the party with whom Government signed the charter party including the name of the Indian broker through whom the deal was completed. Kindly ascertain whether Transchart has entered charter agreement directly with the owner of the ship or with the time charterer. Telex reply soonest.

—Cdr. K. Chelliah'

Hope to see you this evening in the marriage reception on the occasion of the wedding of Capt. Mohan's son.

With best regards and respects.

Yours sincerely,  
(M. N. Pal)"

It is strange that the telex was drafted by Shri M. N. Pal of M.M.P. Lines Ltd.

4. Shri Chelliah, Chairman-cum-Managing Director, Central Inland Water Transport Corporation, wrote to the Ministry of Shipping & Transport on 14-1-1976 seeking their sanction for release of foreign exchange. The Board of Directors of Central Inland Water Transport Corporation were "taken for a ride" in that the Chairman-cum-Managing Director sought their approval hurriedly through circulation of the agenda and the information that he provided was either very scanty or had very little relevance to facts.

5. In this connection, the Committee noted that both the Government Directors on the Board of Directors of the Corporation (S/Shri S. P. Mahna, Deputy Secretary, Ministry of Finance and S. S. Gill, Joint Secretary, Ministry of Shipping and Transport) and one non-official Director Shri P. N. Rao, did not endorse the proposal. Despite this, the Chairman-cum-Managing Director went ahead with this matter, which gives an impression to the Committee that he had support from an authority in the Ministry superior to Shri S. S. Gill, the Joint Secretary.

6. On 14-1-1976 the Chairman-cum-Managing Director sought the sanction of the Ministry (vide his D.O. letter dated 14-1-1976 to

Shri B. Natrajan, Under Secretary, Ministry of Shipping and Transport) for release of foreign exchange of US \$ 3.75 lakhs (about Rs. 32 lakhs) as cost of importing seven vacuators from U.S.A. to which the Ministry replied on 16-1-1976 saying that as advised by D.G.T.D., the vacuators were manufactured indigenously by M/s. S. L. M. Manak Lal Industries Ltd., Ahmedabad and that if this firm did not have vacuators of right type for immediate delivery, Chief Controller of Imports or Ministry of Finance would have to be approached for clearance for import and release of foreign exchange. No mention was, however, made that the Food Corporation of India, who were the importers of foodgrains from abroad, were in possession of about 200 vacuators. Neither the Food Corporation of India was approached nor any reference was made to the Ministry of Agriculture in this behalf.

7. The Chairman-cum-Managing Director, however, in his telex dated 16-1-1976 to the Secretary of the Ministry cancelled his previous request for release of foreign exchange and sought Ministry's approval for purchasing the vacuators by a different method.

8. The Ministry, despite the note of dissent and disagreement to the scheme by Government Directors, as mentioned earlier, approved the proposal on 19-1-1976 (*vide* their telex dated 19-1-1976) including the visit of Chairman-cum-Managing Director to U.S.A. This is to be deprecated.

9. Asked during evidence as to why no proper Board meeting was convened for seeking approval to the scheme, all the senior officers of the Corporation, who appeared before the Committee, stated that this whole matter was dealt with by Chairman-cum-Managing Director himself and they were not in the picture. This fact was also admitted by the Chairman-cum-Managing Director (Shri Chelliah).

10. Explaining the reason for not calling the meeting of the Board, the Chairman-cum-Managing Director stated that "THERE WAS NO TIME BECAUSE THE SHIP WAS COMING IN FEBRUARY". When pointed out that Central Inland Water Transport Corporation's Liaison Officer in Delhi had informed them on 19-12-1975 that the ship 'Kapetan Markos' was likely to arrive at Calcutta in early March and the matter could have been put before the Board meeting held on 22-12-1975, the Chairman-cum-Managing Director stated that:—

"This was not done deliberately as he wanted to get more information about the ship."

Evidently he wanted the project to appear to be a very urgent one and thus use this as a pretext to have his own way.

11. When asked why there was no indication in the Memorandum to the Board whether the cost of \$ 3.5 lakhs (about Rs. 32 lakhs) was ex-factory, f.o.b. or landed cost, he said "This was only a proposal to the Board." This shows that Chairman-cum-Managing Director wanted to take the Board for a ride. This casual attitude towards the Board is highly deprecated.

12. The Committee further enquired whether any detailed project report was drawn up giving the total cost involved; whether the Ministry of Agriculture and Food Corporation of India were consulted regarding the possibilities of future import of foodgrains and the use of vacuators; and whether it was ensured that the vacuators were not available indigenously. It was stated by the Chairman-cum-Managing Director (Shri Chelliah) that there was no scope for drawing up a project report. As regards consultation with the Ministry of Agriculture and the Food Corporation of India, he said "I did not consult them". He also admitted that there was no chance for future imports of foodgrains by India.

In the opinion of the Committee this amounted to a calculated decision to import vacuators at any cost.

13. Regarding the availability of vacuators from indigenous sources, the Financial Adviser and Chief Accounts Officer (Shri P. G. Biswas) stated:—

"We got some quotations.... They are not the type that we require."

14. The Committee, while examining the Corporation's files, came across a note which appeared to have been typed on letter-head of some outside party (letter-head portion was torn out—copy at Annexure I) making suggestions that Central Inland Water Transport Corporation should not go in for purchase of vacuators from indigenous manufacturers but purchase the vacuators from U.S.A. which appeared to have already been settled as is evident from the following extracts from the note:—

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

15. On this note, the Financial Adviser and Chief Accounts Officer of the Corporation (Shri Biswas) recorded:—

“OUR REPLY SHOULD INCLUDE THE ABOVE POINTS.

Sd/- 31/1.”

This only lends support to the view that a decision to import vacuators, had already been taken.

16. The Financial Adviser and Chief Accounts Officer conceding that the note bore his signature, added that:

“It was handed over to me by Mr. Chelliah.”

17. When asked during evidence to explain what they knew about the purchase of vacuators, the Chief Engineer-cum-Administrator (Shri Dikshit) of the Ministry of Shipping and Transport informed the Committee that:—

“As far as I remember some proposal came from Central Inland Water Transport Corporation which was put up to Joint Secretary (Mr. Gill) at that time. It was then put up to the Secretary and it was approved.”

18. Shri Gill, as Government Director on the Board of Directors of the Corporation, had opposed it. From this it is clearly established that approval was given by Shri M. Ramakrishnayya, the then Secretary, over-riding Shri Gill's objection.

19. Shri M. Ramakrishnayya, former Secretary of the Ministry (now Deputy Governor, Reserve Bank of India), who was also examined by the Committee, stated in this connection that:—

“The proposal was linked up with some Greek proposal, i.e. from ‘Kapetan Markos’. I then thought that it would be a good idea if Central Inland Water Transport Corporation could have experience in this. In doing this, I was attracted by the idea that after the operations, we will be left with the equipments, which will become the property of Central Inland Water Transport Corporation. With those vacuators we will be able to develop such operations.... You may call it a grand scheme.”

20. In this connection it may be mentioned that the then Secretary of the Ministry did not consider the fact that the Food Corporation of India had a big fleet of vacuators which was practically lying idle with them and that there was no possibility of further import of foodgrains into the country.

21. When asked to state whether the Corporation could not have earned substantial amount of foreign exchange had the vacuvators available with the Food Corporation been used, the then Secretary stated:—

“It is a matter which you might like to investigate further.”

22. Asked whether it would be in order for a public undertaking to get important matters approved by the Board through circulation, instead of by convening a Board meeting, the Director General, Bureau of Public Enterprises (Shri Baveja), stated during evidence that:—

“That will not be reasonable if they have done it.” He added that the Government representative should “put his foot down in such cases.”

In this instance, the Government directors were overruled without any rhyme or reason.

23. IN THE WRITTEN NOTE FURNISHED BY THE FOOD CORPORATION OF INDIA, THE COMMITTEE HAVE BEEN INFORMED THAT THE FOOD CORPORATION OF INDIA HAD IN 1974-75 ABOUT 200 VACUVATORS IN WORKING CONDITION. SOME OF THESE VACUVATORS WERE PURCHASED FROM M/S. DUNBAR KAPPLE OF USA @ \$ 23,200 EACH INCLUDING FREIGHT, CUSTOMS, ETC., THE C.I.F. IN INDIAN CURRENCY WAS ABOUT RS. 3.76 LAKHS PER MACHINE. BUT IT WAS ONLY IN NOVEMBER, 1976, AFTER CENTRAL INLAND WATER TRANSPORT CORPORATION HAD ACQUIRED THEIR FLEET OF VACUVATORS FROM THE FOREIGN SOURCE, THAT THEY APPROACHED FOOD CORPORATION OF INDIA FOR HIRING 10 VACUVATORS FOR 'JGLEELA' OPERATION AND THESE VACUVATORS WERE GIVEN TO THEM AT RS. 1100 PER DAY.

The method adopted gives rise to serious suspicion.

(ii) *Cost of Vacuvators and payments made in USA*

24. The Corporation had indicated to the Ministry that they would acquire the seven vacuvators at a total cost of \$ 2,000 (about Rs. 16,000) to be paid to the owners of the ship 'Kepetan Markos' in Indian currency. This was the amount also declared by the Corporation to Customs authorities. On the face of it, it is unbelievable because these vacuvators were earlier purchased by the Food Corporation of India at the rate of \$ 23,200 each from the same manufacturer.

25. The Committee are not convinced. The matter calls for thorough probe by the concerned authorities including the Customs Authorities for realisation of appropriate customs duty.

26. IN ACTUAL FACT, ACCORDING TO THE AGREEMENTS DATED 4-2-1976 (AT ANNEXURE II) ENTERED INTO BY THE CORPORATION WITH THE OWNERS OF THE SHIP (VENCE-DORE OCEANIC NIVERIA S.A. PANAMA). A SUM OF \$ 2.94 LAKHS WAS TO BE PAID BY THE SHIP OWNERS TO THE VACUVATORS MANUFACTURERS (DUNEAR KAPPLE OF ILLINOIS) IN USE ON CORPORATION'S ACCOUNT. FURTHER THE CORPORATION WAS TO PAY THE SHIP OWNERS ALL COSTS OF TRANSPORTATION AND LOADING OF VACUVA-TORS ON SHIP IN USA, FREIGHT CHARGES OF \$ 20,000 FOR TRANSPORTATION ON TO INDIA AND OTHER RELATED EXPENSES. All this amount was to be deducted from the earnings of the Corporation for lightering operations fixed at \$ 10.50 per tonne for the ship which was carrying 63,000 tonnes of foodgrains to India. It was also provided in the agreement that the vacuvators will be in the name of ship owners nominally until their sale to the Corporation, but with all responsibility for maintaining, repairing and operating resting with the Corporation. The ship owners will sell the vacu-vators to the Corporation in consideration of payment of a lump sum amount of \$ 2,000 in non-remittable Indian Rupees.

27. The Financial Advisor and Chief Accounts Officer of the Cor-poration informed the Committee during evidence that—

“in the agreement it was agreed that after unloading of grains the vacuvators will be sold to Central Inland Water Trans- port Corporation at a nominal price of 2,000 dollars. But actual cost according to them, is Rs. 32 lakhs.”

28. IN THIS CONNECTION A SENIOR OFFICER OF THE CORPORATION WHO WAS RECENTLY DEPUTED BY THE PRESENT CHAIRMAN-CUM-MANAGING DIRECTOR (SHRI M. YUSUF KHAN), UNDER THE COMMITTEE'S DIRECTION, TO INVESTIGATE THE ACTUAL AMOUNT PAID TO USA, MANNER OF PAYMENT ETC. INFORMED THE COMMITTEE THAT THE TOTAL COST OF VACUVATORS WHICH WAS PAID IN DOLLAR IN USA WAS RS. 35 LAKHS. NO DOCUMENT IS AVAILABLE REGARDING PAYMENT, HOW THE FOREIGN EXCHANGE WAS TRANSFERRED, ETC. EVEN THE ENQUIRING OFFICER COULD NOT GET DETAILS FROM THE VACUVATOR MANUFAC-TURER'S OFFICE IN CALCUTTA (EASTERN EQUIPMENTS LTD. PARK STREET). THE INCHARGE OF THAT OFFICE HAD TOLD HIM THAT “THEY HAVE A FILE IN THE NAME OF MMP LINES ONLY (WHO ARE THE AGENTS OF SHIP OWNERS IN INDIA AND ALSO SUB-CONTRACTORS OF CENTRAL INLAND WATER TRANSPORT CORPORATION). ALL MATTERS WERE DIRECTLY TAKEN UP BY MR. PAL OF MMP LINES AND EX- CHAIRMAN (SHRI CHELLIAH), CENTRAL INLAND WATER TRANSPORT CORPORATION. HIS OFFICE HAS GOT NOTHING



ON FILE IN RESPECT OF IMPORT LICENCE AND THE RESERVE BANK FOREIGN EXCHANGE RELEASE.....HOW MUCH EXCHANGE WAS PAID AND FROM WHAT SOURCE WAS KEPT VERY SECRET. THEY WERE DIRECTLY REMITTED COMMISSION IN DOLLAR FROM MANUFACTURERS WHICH TOO WAS AN UNUSUAL EVENT FOR THEM. THE TOTAL VALUE DECLARED TO THE CUSTOMS WAS \$ 2,000 WHICH IS SOMETHING MYSTERIOUS."

29. ANOTHER SENIOR OFFICER OF THE CORPORATION WHO WAS ASKED WHAT HE KNEW ABOUT VACUVATORS STATED BEFORE THE COMMITTEE THAT "IT IS A RACKET."

30. IT WAS ALSO DEPOSED BEFORE THE COMMITTEE BY A SENIOR EX-EMPLOYEE OF THE CORPORATION THAT THE CHAIRMAN-CUM-MANAGING DIRECTOR (SHRI CHELLIAH) WAS PAID HUGE AMOUNT IN DOLLARS IN USA FOR THIS DEAL.

31. WHEN ENQUIRED ABOUT THE CONDITION AND PERFORMANCE OF THE VACUVATORS, THE CORPORATION STATED IN A WRITTEN NOTE THAT "IT WAS MADE SURE THAT THE MACHINES WERE NEW. THERE WAS A DESIGN DEFECT IN THE SHAFTS AND ALL MACHINES THEY (MANUFACTURERS) HAD SUPPLIED ALL OVER THE WORLD HAD THE SAME DEFECT."

32. IN THIS CONTEXT, IT WAS BROUGHT TO THE NOTICE OF THE COMMITTEE THAT SHAFTS OF SOME OF THE VACUVATORS BROKE DOWN DURING THEIR VERY FIRST USE IN 'KAPETON MARKOS'. FURTHER ON A RECENT ENQUIRY MADE BY THE CORPORATION THE SUPPLIERS QUOTED DIFFERENT ENGINE NUMBERS TO THOSE GIVEN ON THE VACUVATORS AND ON BEING INFORMED ABOUT THIS THEY REPLIED "SORRY FOR OUR ERROR....YOUR ENGINE SERIAL NUMBERS ARE CORRECT."

33. In his evidence before the Committee, the representative of Madras Marines\* stated that:—

"Vacuvators went out of order quite often. At any time we had at least two to three vacuvators out of order on both the ships. The vacuvators were the old ones."

34. The representative of MMP Lines Ltd. also confirmed in his evidence that there were 3 or 4 breakdowns and that the shafts were giving trouble.

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\*Central Inland Water Transport Corporation were contractors of ship owners of 'Kapeton Markos'; MMP Lines Ltd., were sub-contractors of Central Inland Water Transport Corporation and Madras Marine were further sub-contractors of MMP Lines for this work.

35. The Committee are inclined to think that the Vacuators were reconditioned ones.

(iii) *Lightering operations of 'Kapeton Markos' and agreement with MMP Lines Ltd.*

36. The first lightering operation undertaken by the Corporation was in March-April, 1976 for the ship 'Kapeton Markos' carrying 63,000 tonnes of foodgrains from USA to India. For this work, the Corporation entered into a two year agreement with MMP Lines Pvt. Ltd., Calcutta for Lightering Operations on 24-1-1976 i.e. even earlier than concluding agreements with the ship owners on 4-2-1976. This agreement *inter alia* stipulated that:

- (i) The Corporation shall provide suitable ocean going vessels (called Lighters) for going to mother ships and bringing back cargo to places in ports of India and sufficient number of vacuators with quantity of fuel, oil and lubricants required therefor.
- (ii) The contractors shall provide sufficient number of labour for working on the mother ships and the lighters and skilled engineers, supervisors, foreman and workman to work the vacuators.
- (iii) For duties and functions performed under this agreement the contractor shall be paid by the Corporation a remuneration of Rs. 40 per long ton.
- (iv) The Company may at any time terminate this agreement by giving one month's notice to the Contractor without assigning any reasons. The contractor also can terminate the agreement by giving two months' notice.
- (v) All matters of dispute shall be referred to the sole arbitration of the Chairman-cum-Managing Director of the Company whose decision shall be final.
- (vi) The contractor shall not assign or sub-let this agreement.

37. Asked about reasons for selecting MMP Lines Ltd. as sub-contractor and whether work was awarded after due approval of the Board, the Chairman-cum-Managing Director (Shri K. Chelliah) stated that—

"This M. N. Pal was one who has done the business before. There was one other party by the name J. M. Bakshi who were doing work for the foreigners. Nobody else had any expertise in Calcutta."

Regarding Board approval, he said that:—

"it was not done as he was competent to award it."

38. The business was not properly publicised before selecting MMP Lines Ltd. The latter had in fact themselves initiated their business months earlier in league with Shri Chelliah.

39. In this connection the following facts came to the notice of the Committee:

- (i) As against the rate of Rs. 40 per tonne at which Central Inland Water Transport Corporation gave contract to MMP Lines, the latter, further sub-contracted the work to M/s. Madras Marine, Calcutta at Rs. 6.50 per tonne.
- (ii) Madras Marine too did not have past experience of such work. They were primarily ship Chandliers and supplied bonded stores to ship. They were enrolled as a member of the Calcutta Master Ship Contractors' Association in 1972. After that they became defaulters and their name was struck off from the membership roll of the Association.
- (iii) The Senior Marine Officer of the Corporation (Shri Arvind Goswamy) who attended on Kapeton Markos in his report, dated 29-3-1976 *inter alia* stated that:—

“Except for a very few hands the remaining appears to be wholly inconversant with this kind of work. . . . Representatives of MMP Lines did not appear to have much control over the personnel of Madras Marine as apparently themselves did not seem to have sufficient knowledge of the operations.”

40. Strangely enough, according to Shri Chelliah, Shri M. N. Pal of MMP Lines Ltd. was indispensable and a specialist in handling this business which in fact is not true.

41. Asked whether M.M.P. Lines Ltd., had sub-contracted the work to M/s. Madras Marine and whether they knew this party, the Chairman-cum-Managing Director stated:—

“We are not aware of it.”

The Financial Adviser and Chief Accounts Officer (Shri Biswas) said:—

“Very recently I heard a rumour that they have appointed a sub-contractor”.

Khan) said:—

The present Chairman-cum-Managing Director (Shri Yusuf

“I have heard about them as shipping chandlers”.

The Committee are unable to accept any of the versions.

42. When asked whether under the terms of the contract, sub-contracting was permitted both the Chairman-cum-Managing Director and the Financial Adviser and Chief Accounts Officer stated:

“There is no such provision in the contract.”

43. The Committee are convinced that it was within the knowledge of everybody in the Central Inland Water Transport Corporation that M.M.P. Lines Ltd., had neither the expertise nor the manpower to handle the contract and that they had further sub-contracted it at 1/6th of the rate given to them.

44. The Manager of Calcutta Branch of Madras Marine informed the Committee that they were dealing in ship chandling, ship repairing and bonded stores. Grain lightering was not a regular business for them. They had done it twice under MMP Lines Ltd.,—one on “Kapeton Markos” and the other on “Jugleela”. For both these ships, they were paid at the rate of Rs. 6.50 per tonne total Rs. 5.31 lakhs for Kapeton Markos and Rs. 12.5 lakhs for Jugleela, including idle labour charges), whilst the MMP Lines Ltd., friends of Chairman-cum-Managing Director (Shri Chelliah), drew 93.67 lakhs from CIWTC.

45. It was stated by representative of Madras Marine that they engaged 200 workers for “Kapeton Markos” and 300 for “Jugleela” apart from 5 technical/managerial staff. The MMP Lines Ltd., had 4-5 persons on board the ship (2 skilled and 2 clerical) doing mainly clerical job. No pumping job or other work was done by MMP Lines Ltd. All the time 1 or 2 surveyors from M/s. Norman Stewart were there.

46. Shri M. N. Pal of MMP Lines Ltd., when asked about their past experience in lightering operations, stated that they had previously UNLOADED ONLY ONE SHIP “Hyperion” in 1975 (on FCI's account). When asked how was it that he was the agent of owners of “Kapeton Markos” on the one hand and sub-contractor of CIWTC on the other, he said, “It is a fact”.

47. In spite of this, Shri Chelliah, had gone on record saying that they (MMP Lines) were the only people who had experience.

48. In this connection the Committee enquired from the Food Corporation of India the details regarding unloading of vessel

“Hyperion” by MMP Lines. In reply the Food Corporation of India stated that MMP Lines did unloading work of mother vessel ‘Hyperion’ during the period from 23-1-75 to 9-3-75. The agents—MMP Lines Ltd., took 45 days to deliver 39,685 tonnes at the discharge port. The overall rate of transferring cargo from the mother-vessel to sub-vessels achieved by the Agents was less than even 1,000 tonnes per day which can hardly be termed as satisfactory.

49. The FCI also furnished copies of three letters dated 13-2-1975 written by the Master of the Ship to MMP Lines in regard to this operation. In one of the letters the Master of the Ship observed as follows:—

“As per information obtained by my Officers and crew, you have in possession several alcoholic beverages carried on board from Calcutta together with the provisions and food of the labours and that an extended use of them is carried out every night....I bring in your immediate and kind attention that drunkenness are strictly prohibited on board Greek vessels, as per our Maritime law, therefore please avoid such a similar actions in order to perform the discharging operations smoothly and quickly.”

50. In another letter he observed as under:—

“Your firm is undertaking for the first time this kind of lightening operations in the areas, contractors are facing difficulties, problems and suffering a lot of unnecessary expenses because of the inexperienced labours you have placed on board, therefore take back your ungracious remarks, try to give the appropriate meanings in the clauses of the Charter Parties and do not repeat that alcoholic beverages” are absolutely necessary for working on board the vessels.”

51. The Principal Officer, Mercantile Marine Department, Calcutta, in a written note furnished to the Committee with regard to the handling of lightening work on ships ‘Kapeton Markos’ and ‘Jag Leela’ by Madras Marine and MMP Lines, has *inter alia* stated as follows:—

- (i) Madras Marine applied in March 1976 for permission of Mercantile Marine Department for transport of 100 labourers and supervisors from Calcutta to Saugor Roads Sandheads for grain lightening work on the mother vessel

'Kapeton Markos'. Similarly in December, 1976 they applied for transport of 150 labourers from Caccutta to Sandheads for grain lightering work on mother vessel "Jag Leela". In both the cases the permission was granted.

- (ii) MMP Lines was registered in the Mercantile Marine Department as owner of Fishing vessel of 'Manji'. In 1973, MMP Lines informed that Department of the missing of a fishing trawler named 'Akashi maru 23'. They also helped in the searching operation of the missing trawler. Of late, they had completed some of the required formalities relating to registration of a vessel which they had named as 'MMP Wealth'. That Department was not aware of the part played by MMP Lines relating to lightering of wheat operations at sandheads."

(iv) *Lightering operation of ship Jag Leela*

52. The second lightering operation undertaken by the Corporation was in December, 1976 for the ship 'Jag Leela' which carried 109.685 long tonne of grains, at a rate of Rs. 132 per long tonne vide agreement dated 3-12-1976 entered into by the Corporation with shipowner (Great Eastern Shipping Co. Limited).

53. This work also sub-contracted by the Corporation to MMP Lines at a rate of Rs. 32 per tonne.

In this connection a senior officer of the Corporation informed the Committee during evidence that:—

- (i) Lower quotations were received for this work—one from Asian Marine Co., at Rs. 4.25 per tonne and the other from World Wide Chartering and Shipping Co., at Rs. 19 per tonne still the Corporation awarded the work to MMP Lines at a higher rate on the plea that the agreement with MMP Lines was for a two year period.
- (ii) MMP Lines further sub-contracted this work to Madras Marine at Rs. 6.50 per tonne.
- (iii) For hiring the daughter vessel 'Lok Sewak' for this operation from Mugal Lines Limited, the Corporation had to pay about Rs. 25000/- as compensation to one Shri Agarwal of Krishna Trading Company who had in an unfair manner already reserved this vessel.
- (iv) When CIWTC's own party headed by Capt. Khatri, Marine Superintendent, came back, they brought a number of

files connected with this operation which were soon destroyed.

54. ALTHOUGH THE CIWTC GOT OFFERS OF RS. 4.25 PER TON FROM ASIAN MARINE CO. YET THE BUSINESS WAS GIVEN TO MMP LINES LTD., AT RS. 32 PER TON. IT GIVES RISE TO SERIOUS SUSPICION OF MALPRACTICES AND CORRUPTION.

55. The Madras Marine were sub-contracted this work by MMP Lines Ltd., at Rs. 6.50 per tonne, was corroborated by their representative during evidence.

Regarding payment of compensation to Shri Agarwal of Krishna Trading Co., the Chairman-cum-Managing Director stated that "he chartered a vessel from the Moghul Lines and was not prepared to release it and we wanted the vessel for ourselves."

The Committee cannot but express suspicion about the bona fides of a deal like this.

(v) *Lightering Operations of Ship Aquagem in Bangladesh*

56. The third lightering operation was undertaken by the Corporation in June, 1977 in Bangladesh for the ship 'AQUAGEM' carrying 42,000 metric tonnes of foodgrains to that country. The agreement dated 26-5-1977 entered into by the Corporation with the ship owners [M/s Carras (Hellas) Ltd. Greece] *inter alia* provided that the owners of the ship will pay CIWTC a rate of US \$ 10.50 per tonne for the quantities lightered at Chittagong and \$ 9.00 for quantities discharged at Chalna. In this context the Committee were informed by a senior officer of the Corporation during evidence that subsequently, at the instance of MMP Lines, the Financial Adviser and Chief Accounts Officer (Shri Biswas) of the Corporation flew to Greece for reasons best known to them and got the following new clause added and replaced the original Agreement by a fresh agreement dated 20-6-1977 (copies of both Agreements at Annexures III and IV):

"The Shipowners reserve the right to remit upto 50 per cent of the above rate directly to Bangladesh for meeting expenses".

57. This clause, the Committee suspect, was provided for unlawful remittances of foreign exchange to benefit either some officials of the CIWTC or MMP Lines or both.

58. This work was also sub-contracted by the Corporation to MMP Lines *vide* Agreement dated 16-6-1977, at the rate of \$ 7.50 per tonne for cargo discharged at Chittagong and \$ 6.00 per tonne at Chalna. The Agreement *inter alia* stipulated that:—

- (i) MMP Lines may collect directly upto US Dollar 5.25 or equivalent per tonne from the owners for the cargo lightered at Chittagong and upto US Dollar 4.50 or equivalent per tonne for cargoes discharged at Chalna in stages.
- (ii) CIWTC will provide MMP Lines with 15 Vacuators. All costs for carrying and re-delivering Vacuators shall be that of MMP Lines.
- (iii) CIWTC will help to arrange charter, with the due approval of MMP Lines, a suitable lighter vessel for discharging grain at Chittagong and CIWTC will pay the charter hire to the owners of the vessel directly. The entire amount for such charter hire and other charter party expenses be adjusted from the amount received by CIWTC from the carriers and after retaining of US Dollar 3.00 per tonne and meeting aforesaid charter hire and expenses, the balance, if any, be paid to MMP Lines.

59. The Agreement speaks for itself as to how close MMP Lines were with the CIWTC bosses.

The above agreement with MMP Lines also included the following clauses:—

“By the Lightering Contract, it is, *inter alia* provided that the owners of the Mother Ship ‘AQUAGEM’ will pay CIWTC a rate of US Dollar 10.50 per tonne for the quantities lightered by CIWTC at Chittagong through CIWTC’s lighter vessels and US Dollar 9.00 per ton for cargoes discharged at Chalna through consignees lighters where *inter alia* it is provided that the owners reserve the right to remit upto 50 per cent (fifty per cent) of the above rate directly to Bangladesh for meeting expenses on behalf of the owners.”

Thus it would appear that the provision for remittance upto 50 per cent of the rate by shipowners to Bangladesh for payment to MMP Lines was already envisaged in the agreement dated 16-6-1977 between Central Inland Water Transport Corporation and M.M.P. Lines Ltd. Subsequently this change seems to have been incorporated in the agreement of Central Inland Water Transport Corporation



with shipowners at the instance of M.M.P. Lines Ltd. as already stated.

In this connection a Senior Officer of the Corporation also informed the Committee during evidence (and in a written communication handed over by him to the Committee) that in the original agreement dated 26-5-1977 between the Corporation and shipowners there was no provision for such transfer of funds. It was also stated by him that the Financial Adviser and Chief Accounts Officer (Shri Biswas) stayed in Greece until transfer of funds of about Rs. 22 lakhs had been completed to different persons' accounts, by-passing the Reserve Bank of India rules. The ship-owners' agents in U.K., M/s. Lambart & Company were stated to have played a role in this behalf, although Shri Chelliah denied any knowledge about the very existence of this Company.

60. It was further stated by the witness that M.M.P. Lines Ltd. had estimated Rs. 3 lakhs disbursements in Bangladesh but remittance was more than 700 per cent in excess of their needs and was for other purposes. Until now the Financial Adviser and Chief Accounts Officer had kept undisclosed the names of the remitting bank, the receiving bank and the beneficiary party in Bangladesh as well as the dollars remitted and their disbursement account. The witness further stated that M.M.P. Lines had also not so far disclosed to the Corporation the quantities discharged at Chittagong and at Chalna nor had they rendered any accounts thereof. Asked how were negotiations for this deal initiated by the Corporation, the witness stated that from America the Greek ship-owner arrived in Bangladesh and asked Ancient Shipping Private Ltd., who were handling it there, to introduce somebody who was discharging grains. The proposal was conveyed by Ancient Shipping Private Ltd. to Mr. Pal who told Central Inland Water Transport Corporation that he knew those people.

61. Asked about the reasons for his going to Greece and inserting a new clause in the Agreement for remitting 50 per cent amount to Bangladesh, the Financial Adviser and Chief Accounts Officer (Shri Biswas) stated that all the formalities had been completed in India and that he went there "only for formal signature" under the Chairman's directive. This appeared to the Committee to be very strange indeed. Regarding insertion of new clause in the Agreement, he said:—

"It was at their (ship owners) instance.....It was done in Calcutta, not there."

When asked whether he set aside any money in Greece, he said "No Sir". Asked whether he knew Lombart and Company, U.K., he said:

"No Sir, I do not remember to have known."

This position is not acceptable to the Committee.

62. The Committee further enquired as to why the Corporation could not itself do the work since it had the vacuators as well as the experience and whether any tenders were invited, the Chairman-cum-Managing Director stated "we did not have the expertise". Regarding calling tenders, he said that they had a valid contract for two years with M.M.P. Lines. On being enquired whether the approval of the Board or the Government was sought before entering into Agreement with the shipowners or for taking vacuators outside the country, the Chairman-cum-Managing Director replied in the negative. On his attention being drawn to clause 43 of the Articles of Association of the Corporation requiring prior Government approval for executing any foreign collaboration agreement or contract, he said:—

"It is not a collaboration agreement."

The Committee were unable to accept this contention.

63. When enquired whether the Bangladesh Government had raised any objections to their sub-contracting work to M.M.P. Lines in this manner, it was stated that they did not know about that. It was, however, admitted that they "did become sub-contractors" of M.M.P. Lines in this case.

64. ASKED AS TO WHAT WAS THE TOTAL BILL, AMOUNT RECEIVED, AMOUNT STILL DUE TO CENTRAL INLAND WATER TRANSPORT CORPORATION AND REASONS THEREFOR, IT WAS STATED THAT THEY HAD SO FAR RECEIVED ABOUT RS. 15.13 LAKHS IN DOLLARS. A SUM OF RS. 8.58 LAKHS (IN DOLLARS) WAS STILL DUE FROM M.M.P. LINES SINCE AUGUST, 1977 ON ACCOUNT OF USE OF VACUATORS, DEMURRAGE CHARGES ETC. IT WAS ALSO STATED THAT THE LIGHTER VESSEL WAS INITIALLY CHARTERED BY THEM FROM MOGUL LINES FOR 15 DAYS BUT IT HAD TO BE KEPT FOR 45 DAYS.

65. Regarding payment on account of vacuators hired by the Corporation from the Food Corporation of India (at Rs. 1100 per machine per day) it was stated that the Corporation itself did not

make any payment. The Corporation was also stated to have sent two of their technicians to Bangladesh who were paid \$ 65 (about Rs. 520/-) per day.

66. Regarding the action taken to recover the dues from M.M.P. Lines Ltd., the officiating Chairman-cum-Managing Director (Shri Yusuf Khan) said that they would "file a suit for recovering the money".

67. The representative of M.M.P. Lines Ltd., Shri Pal, when asked what he knew about payment made by Central Inland Water Transport Corporation to Lombart & Company, U.K., said:—

"We do not know anything about it except what we saw in the contract that there was a provision for Commission".

68. When questioned what was the need for sending Financial Adviser and Chief Accounts Officer of the Corporation to Greece, he said:—

"I do not know the real motive behind."

69. On being pointed out that in his letter dated 16-6-1977 (as Annexure V) he had himself asked Financial Adviser and Chief Accounts Officer to go to Greece and also given the form of agreement prepared by M.M.P. Lines for signing in Greece, he admitted this and said:

"As agents we cannot say anything else."

70. The Committee are positive that the entire vacuveyor business was being managed by M.M.P. Lines in collusion with Shri Chelliah.

71. Asked how much did they owe to the Corporation and what were the reasons for holding it up, he stated:—

"They had been demanding about Rs. 8 lakhs for the last 2 months and we have told them that so far as our figure is concerned we do not owe anything. When we get the Report from Bangladesh Government surveyors, we will prepare the reconciliation."

72. When asked from where they were going to find the money, he said:—

"We shall certainly pay.....we are keeping up the commitment."

73. In a letter dated 8-2-1978 the Corporation has stated:

“The out-turn report in respect of Aguagem Operation is to be obtained by our Agents,

M.M.P. Lines Private Limited, from the owners or the con-  
signed i.e. the Bangladesh *Ministry* of Food, Dacca, which  
is still awaited. We have been given to understand by our  
Agents M/s. M.M.P. Lines Pvt. Ltd., that the out-turn re-  
port is expected soon and the accounts of the operation  
will be settled as soon as the out-turn report is received.”

74. The Committee take a serious note of this and require the Corporation to take effective measures to realize the money.

75. In regard to the dues outstanding from M.M.P. Lines it has been stated by the Corporation that:

“We have so far made the following payments to different parties on behalf of M/s. MMP Lines Pvt. Ltd. which are recoverable to them or to be adjusted from the Corporation's dues to them:

(1) Charter hire of lighter vessel	10,83,333.33
(2) Fuel & Expenses of lighter	1,05,811.78
(3) Insurance of lighter	30,000.00
(4) Landing of Vacuators	27,000.00
(5) Service charges of vacuators mechanic	5,000.00
Rs.	12,51,145.11”

76. This is a clear case of collusion otherwise there is no reason for this Corporation to advance money on behalf of the M.M.P. Lines Ltd.

(vi) **ROLE PLAYED BY SHRI M. N. PAL, MANAGING DIRECTOR OF MMP LINES LTD.**

77. It was brought to the notice of the Committee that Shri M. N. Pal, Managing Director MMP Lines Ltd. flew to U.S.A. with Chairman-cum-Managing Director (Shri Chelliah) on 27-1-1976 and played a prominent role in finalising the deal for purchase of vacuators.

78. During evidence the Chairman-cum-Managing Director (Shri Chelliah) while admitting this, stated that “he was (Shri M. N. Pal) not taken there to examine vacuators but to survey that they were

alright. He was taken for drawing up the contract on behalf of the owners. He was the owners' representative. He was appointed by the owners of the ship."

79. The Committee got the impression that this gentleman (Shri M. N. Pal) was not qualified to do any engineering survey and there was no necessity of his presence in U.S.A. Further if he was the agent of the ship owner's firm then the agreement could have been signed in India between the Agent and the Central Inland Water Transport Corporation, thereby obviating the need for Shri Chelliah flying to U.S.A.

80. It is also strange that Shri M. N. Pal of M.M.P. Lines on the one hand is agent of the owners of the 'Kapetan Markos' and on the other is contractor of the Central Inland Water Transport Corporation. It is a curious situation. It is more or less clear that the whole transaction was a shady.

When pointed out that it was strange that the "date of Reserve Bank of India foreign permit issued both the Chairman-*cum*-Managing Director and Shri Pal was the same, the Secretary of the Corporation (Shri Sarkar) stated that "may be that he has applied on the same day."

81. The Committee also observed that Shri M. N. Pal of MMP Lines has been drafting telex messages for Central Inland Water Transport Corporation as would be apparent from the following extracts from a letter dated 15-12-1975:

"DEAR CDR. CHELLIAH,

KINDLY ACCEPT MY HEARTIEST CONGRATULATIONS FOR BEING THE INDIVIDUAL HIGHEST SCORER IN "DUNCAN CUP."

AS DISCUSSED I AM SENDING BELOW THE DRAFT OF THE TELEX, WHICH MAY KINDLY BE SENT TO YOUR DELHI OFFICE ABOUT THE RECENT FOREIGN FOOD GRAINSHIP FIXED BY THE GOVERNMENT OF INDIA:

"VAHAN, NEW DELHI..... ..

UNDERSTAND M.T. "UNIVERSE DEFENDER" HAS BEEN FIXED BY TRANSCART NEW DELHI TO LOAD 51,000 TONS WHEAT/SORGHUM LOADING U.S. GULF FOR INDIA BETWEEN 15TH DECEMBER TO 25TH DECEMBER, 1975 SHALL APPRECIATE YOUR APPROACHING MR. S. N. BANERJEE OR MR. ANCHAL IN TRANSPORT DEPARTMENT AND OBTAIN FROM THEM NAME OF THE PARTY WITH WHOM GOVERNMENT SIGNED THE CHARTER PARTY INCLUDING THE NAME OF

THE INDIAN BROKER ASCERTAIN WHETHER TRANSCART HAS ENTERED CHARTER AGREEMENT DIRECTLY WITH THE OWNER OF THE SHIP OR WITH THE TIME CHARTER. TELEX REPLY SOONEST.

SHRI K. CHELLIAH.

HOPE TO SEE YOU THIS EVENING IN THE MARRIAGE RECEPTION ON THE OCCASION OF THE WEDDING OF CAPT. MOHAN'S SON.

WITH BEST REGARDS AND RESPECTS.

*Yours sincerely,*  
Sd/-  
(M. N. PAL)"

82. The above reveals that they were acting in close collusion otherwise an official telex from Corporation's Chairman addressed to the Government could not have been drafted by an outsider and that too a contractor.

83. Asked how could he have access to files of Central Inland Water Transport Corporation, the Chairman-cum-Managing Director stated "he was acting as our agent. We wanted to get some information from him." On being enquired whether he knew him socially also, he said: "No, Sir." When pointed out that he had entertained him on various occasions, the witness said "I have not entertained Pal except perhaps on one occasion and that too because he was acting as the ship owner's side."

84. He evaded the question that he (M. N. Pal) was acting also as a contractor of the Corporation and that he had drawn about Rs. 1 crore from the Corporation and was able to obtain a very high profitable business. This shows a clear collusion with the Chairman-cum-Managing Director and M. N. Pal of MMP Lines.

85. In this connection, it was stated by a senior officer of the Corporation during evidence that Chairman-cum-Managing Director was very close to Pal and that both had worked together in the Shipping Corporation of India-Chairman-cum-Managing Director (Shri Chelliah) as Senior Deputy Manager and Shri Pal as Assistant Manager. It was also stated that "Mr. Pal had cheated the Royal Nepal Shipping Corporation". He was looking after the Corporation's one ship. When asked how Shri Pal got into Central Inland Water Transport Corporation, it was stated that "he is the man who gave suggestions to Shri Chelliah....It is something where both wanted to make big fortunes from the very beginning." It was also stated that MMP Lines had bought a ship "Pacific Wealth" which was now known as 'MMP Wealth'.

86. When enquired about the above, the Chairman-cum-Managing Director (Shri Chelliah) stated that 'Mr. Pal was an Assistant

Manager in the Shipping Corporation of India when he was also there, and drawing about Rs. 1100 to 1200 per month. He left Shipping Corporation in 1970 and joined Nepal Shipping Corporation as Managing Director. Regarding acquisition of Ship by MMP Lines, he said, "do not know personally but I have seen it in the papers."

87. IN THIS CONNECTION, THE OFFICIATING CHAIRMAN-CUM-MANAGING DIRECTOR (SHRI YUSUF KHAN) SAID "I KNOW THAT HE (SHRI PAL) WAS PUSHED OUT OF THE NEPAL SHIPPING CORPORATION." ASKED HOW OFTEN SHRI PAL USED TO VISIT CENTRAL INLAND WATER TRANSPORT CORPORATION OFFICE, SECRETARY (SHRI SARKAR) STATED "GENERALLY HE USED TO COME TO MEET OUR CHAIRMAN AND FINANCIAL ADVISER AND CHIEF ACCOUNTS OFFICER." THE FINANCIAL ADVISER AND CHIEF ACCOUNTS OFFICER (SHRI BISWAS) SAID "ONCE A WEEK." THE THEN CHAIRMAN-CUM-MANAGING DIRECTOR (SHRI CHELLIAH) SAID "IT DEPENDED UPON THE BUSINESS. SOMETIMES WE USED TO SIT DOWN AND PLANNED EVERY DAY FOR 3 TO 4 HOURS."

88. ASKED HOW WAS IT THAT THEY WERE DRAFTING TELEX MESSAGES FOR CENTRAL INLAND WATER TRANSPORT CORPORATION, SHRI PAL IN HIS EVIDENCE BEFORE THE COMMITTEE STATED "I HAVE DRAFTED A NUMBER OF TELEXES. THE CHAIRMAN ASKED ME TO DRAFT THE TELEX". HE ALSO ADMITTED THAT HE WAS SHOWN THE DOCUMENTS OF CENTRAL INLAND WATER TRANSPORT CORPORATION. WHEN POINTED OUT THAT IT SHOWED THAT HE WAS EXTREMELY CLOSE TO CHAIRMAN-CUM-MANAGING DIRECTOR AND SOME OTHER EXECUTIVES OF CENTRAL INLAND WATER TRANSPORT CORPORATION, HE SAID "IN GRAIN LIGHTERING BUSINESS THEY CONSULTED US EVERYDAY AS TO WHAT DOCUMENTS THEY WILL SEND."

89. ASKED WHETHER CENTRAL INLAND WATER TRANSPORT CORPORATION WAS INCOMPETENT TO DRAFT THE TELEX TO THE MINISTRY, HE SAID, "I THINK SO..... EVEN TODAY IF THEY WANT TO DRAFT THE LETTER THEY ASK US WHETHER THEY SHOULD DRAFT THAT LETTER IN A PARTICULAR WAY AND SO ON." HE ADMITTED THAT HE VISITED CENTRAL INLAND WATER TRANSPORT CORPORATION OFFICE—2-3 TIMES DAILY DURING OPERATIONS.

THIS ALSO ESTABLISH CLEAR COLLUSION BETWEEN SHRI CHELLIAH AND MMP LINES.

90. Regarding visit to U.S.A., the Committee enquired how was it that the serial numbers of R.B.I. foreign exchange permits issued to him and Shri Chelliah were very close, he said "perhaps it was around the same time." As for his connections with Nepal Shipping Corporation he stated that "He was executive Director in that Corporation for two years and drawing on an average Rs. 3,000 to 3,500 per month." He left the Corporation in 1973 as it "never really took off the ground...the project fizzled out."

91. In regard to the background and assets of their company, Shri Pal stated that it was established in 1973, their paid-up capital was Rs. 14.20 lakhs and all the shares were held in the name of his family members and family members of Shri M. K. Mazumdar, another Director of the company, in the ratio, of 50:50. They had recently purchased a 5080 DWT ship from Japan at 383 million yen (Rs. 1.34 crores) and for this purpose they had borrowed 90 per cent of the finances from the Shipping Development Fund.

(vii) *Balance Sheet of Lightering Operations*

92. In a written statement furnished by the Corporation to the Committee, the estimated total earnings, expenditure and profit from the three grain lightering operations were stated to be as follows:—

(Rs. in lakh)

Ship	Total earning	Total Expenditure	Profits
(i) KAPETON MARKOS	80.99	70.52	10.47
(ii) JUGLEELA	147.43	131.37	16.06
(iii) ACQUAGEM	11.20	6.59	4.61

93. The total payments made by Central Inland Water Transport Corporation to M.M.P. Lines Ltd. were stated to be as under:—

(Rs. in lakhs)

Ship	Total payments made to M.M.P. Lines
(i) Kapeton Markos ( 63,000 tonnes at Calcutta March-April 1976)	39.53
(ii) Juggleela (1.10 lakhs tonnes at Calcutta December, 1976)	54.13
(iii) Acquagem ( 42,000 tonnes in Bangladesh, June 1977). In this case the Corporation paid an advance of Rs. 12.51 lakhs to different parties on behalf of M.M.P. Lines. This amount is stated to be recoverable or subject to adjustment. This is apart from the amount received by MMP Lines Ltd. from the ship owners direct.	



94. In this connection a Senior Officer of the Corporation during his evidence, informed the Committee that no detailed statement of accounts, showing the earnings from each ship, operation, disbursements made in foreign exchange were available with the Corporation. There were several advances for which MMP Lines Ltd., had yet to render accounts. If accounts were drawn up properly, substantial outstanding dues would be discovered.

95. Asked how many accounts were outstanding about the unloading business, the Financial Advisor and Chief Accounts Officer (Shri Biswas) informed that "except Rs. 8.58 lakhs from MMP Lines Ltd., on account of Bangladesh business no other account was outstanding".

96. In the Chairman-cum-Managing Director's note dated 8-1-1976 circulated to the Board of Directors the projections made were that even on a modest estimate the Central Inland Water Transport Corporation would be able to handle 5 lakh tonnes of grains in 6/7 months and earn a profit of Rs. 67.50 lakhs.

97. The Chairman-cum-Managing Director admitted during evidence that the actual tonnage handled by the Corporation in 2 years period had been 1.73 lakh tonnes i.e. of Kapeton Markos and Jugleela constituting only 35 per cent of the tonnage of 5 lakhs, projected before the Board of Directors\*. This clearly shows that he bluffed the Board.

## B. Stevedoring Operations

98. It has been stated by Central Inland Water Transport Corporation that since the Corporation was incurring losses year after year on Stevedoring Operations, a decision was taken in the year 1972-73 to discontinue stevedoring with immediate effect. Stevedoring Operations were however, restored in the year 1975-76.

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\*In his note circulated to the Board on 8-1-76, the Chairman-cum-Managing Director (Shri Chelliah) has *inter-alia* indicated the following :

"The net profit for this operation is estimated at Rs. 11,05,290 provided we have our own vacuators. In case we fail to procure the vacuators we shall have to pay hire charges at the rate of \$ 1.50 per tonne of grain necessitating a total expenditure of \$ 90,000 ( Rs. 8,10,000). As a result, our profit will go down to Rs. 3,87,000/-

Since the quantity expected to be handled within the next 6 months on the East Coast will be over one million tonnes and even on a modest estimate that Central Inland Water Transport Corporation by taking up the contract would be able to handle 5 lakh tonnes., Central Inland Water Transport Corporation will earn a profit of Rs. 67.50 lakhs within the next 6/7 months. "

99. The Corporation has intimated that due to reduced import of foodgrains the Company is not getting any business from Food Corporation of India since February 1977. In order to make good the shortfall, new source like Shipping Corporation of India, Ratnakar Shipping Co. etc. are being tapped.

(i) *Appointment of Stevedoring Adviser*

100. In the written note furnished the Corporation has informed that Shri S. K. Gorsia was appointed as part-time Stevedoring Adviser in Central Inland Water Transport Corporation with effect from the 1st November 1975 on a consolidated remuneration of Rs. 2000/- per month.

101. During the course of evidence of the representative of the Corporation, the Committee enquired whether Shri Gorsia was a whole timer or attended to any other business also. Shri Gorsia who was present at the sitting during evidence then stated:—

“Since I am an adviser, I attend office and attend to any work which I may be required to do in connection with stevedoring. I also give an overall look whether the work is being done satisfactorily.”

Shri Gorsia also admitted that he attended to his father's business in the same stevedoring line.

102. Asked whether the post of Stevedoring Adviser was advertised, the Chairman-cum-Managing Director (Shri Chelliah) informed that “we put in an advertisement in the Statesman and Amrit Bazar Patrika on 5-10-1975. There was no application received from any-body.”

103. When asked whether the prior approval of the Ministry was taken for appointing Shri Gorsia, the Corporation in a written note stated “the approval of the Ministry for such matters was not required since it was within the powers of delegation of Chairman-cum-Managing Director.”

104. The former Secretary of the Ministry of Shipping and Transport (Shri M. Ramakrishnayya), when asked about the appointment of Shri Gorsia, who was a rival to Central Inland Water Transport Corporation in the line as Stevedoring Adviser with access to all papers of Central Inland Water Transport Corporation, stated during evidence that:—

“The appointment of Gorsia came to my notice long after and I was not happy about the appointment.”

(ii) *Payment of Speed Money/Tea Money*

105. On the resumption of Stevedoring Operations from December, 1975 the Corporation started payment of 'Speed Money' which was also called 'Tea Money' to the stevedoring labourers at Rs. 0.35 paise per ton, with a view to quicker handling of vessels. From December, 1976 the company started handling general cargo vessels at Calcutta port apart from food vessels. As a result of proposal mooted by the Adviser, Stevedoring, the 'Speed Money' for general cargo vessels was fixed at Rs. 1.25 per ton from December, 1976 on the plea that private stevedore were paying such incentive at more than this rate. Only an *ex-post-facto* sanction of the Board to this was obtained on 22-11-1977.

106. In this connection, it was brought to the notice of the Committee, during the evidence of the Corporation that Central Inland Water Transport Corporation had shown in their account Rs. 13,51,800 as having been paid to Dock Labour Workers during the last 7 months to the financial year 1976-77 as an incentive. The amount was alleged to have been misappropriated by certain officials of the Corporation by operating false bills, showing ticket number only of dock workers and by putting the thumb impression of fictitious persons against groups of workers. The Central Bureau of Investigation was also stated to have seized all the relevant bills, vouchers etc, in this regard.

107. In a written note furnished by Central Bureau of Investigation it was stated:

**'the Calcutta Branch of the Central Bureau of Investigation has registered a case on the allegation of marking payments by Central Inland Water Transport Corporation officers to Dock Labour Board Workers on fictitious vouchers during 1976-77. During investigation 119 instances have been selected to find out whether disbursements were genuinely made to Dock Labour Board Workers under the head 'Output Incentive'. A number of documents have been taken charge which are under scrutiny. About 14 employees of Dock Labour Board whose names are in Disbursement List have been examined. They have admitted to have received such payments for a number of times, but could not say definitely that these LTIs (Left Thumb Impressions) are of them. But they informed that whenever they have received any**

payment, they have put their Left Thumb Impressions. Specimen Left Thumb Impressions of these persons have been taken and sent to Finger Print Expert along with questioned documents for opinion. Investigation in this case is in progress."

108. The Financial Advisor and Chief Accounts Officer (Shri Biswas) during his evidence admitted that the total amount involved on account of payment of incentive money was to the extent of Rs. 12 to 13 lakhs. He also informed the Committee that in some cases one group leader signed it on behalf of 8 or 9 persons. When asked whether he could allow the payment to one person on behalf of 8 or 9 persons, Shri Biswas stated, "No, Sir. It was made as a special case because the nature of business as such."

109. Asked under what authority this payment was made and whether Public sector Undertakings money could be given like that Chairman-cum-Managing Director (Shri Chellia) stated:—

"This is the practice followed in Stevedoring—I have taken the Board's sanction for this."

110. When repeatedly asked whether the approval of Board was taken, the Chairman-cum-Managing Director maintained that the money was given after taking approval of the Board and that he stood by that statement. When he was shown a photostat copy of his order in which he had recorded on 5-12-1975 that "the matter is being placed before the Board for approval. In the meantime, the above sum (i.e. at 0.35 paise per tonne) may be paid to Mr. Gorsia," he stated:—

"I have exercised the powers as the Chairman and Managing Director. But I have taken the *post-facto* sanction. xxxx The actual sanction of the Board was given on 22nd Nov., 1977. This is *post-facto* sanction."

111. This is one of the numerous instances when the then Chairman-cum-Managing Director, Shri Chelliah made misleading statements before the Committee.

112. When asked how did the Corporation ensure that this money reached the persons for whom it was intended, the Chairman-cum-Managing Director (Shri Chelliah) stated that there was circular issued by the Financial Adviser which reads as follows:

"In the 16th meeting of the Board the payment of money to the stevedoring at 35 paise per tonne; per ship without obtaining the receipt was ordered by the Chairman, Shri

Subhash Chakravarthy of Staff Section and the administration will make such disbursements as and when directed to the person named by stevedoring. They will, however, keep a detailed account of the disbursement made date-wise and person-wise."

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

114. In getting the scheme sanctioned the following disconcerting features were noticed:—

- (i) The note prepared for seeking the approval of the Board of Directors to this scheme gave a very exaggerated picture about the profitability of these operations. No detailed project report supported by facts and figures was appended to the note which could give the quantum of operations, the basis therefor, the total cost involved, the likely expenditure as also the overall financial implications etc.
- (ii) The quantity of grants which was expected to be handled by the Corporation within 6 to 7 months was estimated at 5 lakh tonnes and the profit therefor was estimated at Rs. 67.5 lakhs. In actual practice the total grains handled by the Corporation till August, 1977 from three ships amounted to only about 2.15 lakh tonnes.
- (iii) The scheme was sought to be sanctioned by the Board of Directors through circulation while a new venture of this type which involved a major decision, should have compulsorily been put on the agenda paper and discussed thoroughly at the Board's meeting.
- (iv) After the three Directors, of whom two were Government Directors, on the Board of the Corporation did not approve the scheme, the Chairman-cum-Managing Director. (Shri Chelliah) got the scheme approved by the Secretary of the Ministry directly who obviously did so without insisting on a detailed project report containing the financial projections and without fully satisfying himself about the merits of the proposal regarding the assumptions made in the note of the Chairman-cum-Managing Director. This is indicative of the powerful support Shri Chelliah had in the Ministry in getting his plans and schemes pushed

through. This matter needs a probe with a view to fixing responsibility for taking necessary action.

- (v) In the note, it was assumed that foodgrains would be imported in the country on a large scale. Neither the Department of Food nor the Food Corporation of India were consulted in regard to these projections while preparing the note. Even the Ministry of Shipping and Transport while according approval to this scheme, did not bother to check these assumptions with the Department of Food. This, the Committee seriously suspect, was a deliberate act.

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

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

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

- (i) Originally, the Chairman-cum-Managing Director (Shri Chelliah) approached the Ministry for the purchase of 7 vacuators costing about \$ 3,50,000 (about Rs. 32 lakhs). On being pointed out by the Ministry that the clearance of Chief Controller of Imports and Exports and the Ministry of Finance would be required for the import of vacuators and release of foreign exchange, the Chairman-cum-Managing Director of the Corporation cancelled the request and instead sought Ministry's approval to a different proposal. While doing so it was not made clear that the cost

of vacuators which amounted to over Rs. 32 lakhs in dollars would be paid to the ship owners in U.S.A. which apparently required approval of the Reserve Bank of India. The whole thing looks very suspicious and a thorough probe must be instituted in the matter. It should also be probed as to why Shri Chelliah did not want to make use of the Vacuators that were lying idle with the Food Corporation of India which is a sister public undertaking.

- (ii) Indigenous suppliers were bye-passed which is clear from the extracts from a note on which the Financial Adviser and Chief Accounts Officer (Shri Biswas) had also recorded his note:

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

A.O.(M)

Our reply should include the above points.

Sd/- P. G. BISWAS

31.1.”

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

- (iii) No approach was made to the Food Corporation of India for hiring of vacuators, although the Corporation had over 200 vacuators with them at that time. These included vacuators from the same American Manufacturers, namely, Dunbar Kapple of Illinois. The reasons are not difficult to understand.
- (iv) The vacuators which were stated to be new broke down frequently. The supplier quoted engine numbers which were different from those given on the vacuators. The whole thing gives rise to a serious suspicion that the

vacuators purchased were not new but only reconditioned ones. The matter requires to be thoroughly enquired into.

- (v) The payment of the cost of vacuators amounting to Rs. 32 lakhs in dollars was made in U.S.A. No approval of the Reserve Bank of India was obtained therefor and it would appear to amount to violation of Foreign Exchange Regulation Act. The payment of customs duty has also been evaded as the value declared to the customs was only \$ 2,900 which was not correct. Both the Enforcement as well as Customs authorities should examine the matter thoroughly.

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

118. Still another disconcerting aspect in the operation of this scheme has been the appointment of M.M.P. Lines Ltd., who were the agents of owners of the vessel 'Kapetan Markos', and sub-contractors to the Corporation too.

(i) M.M.P. Lines Ltd., who were appointed as sub-contractors, had little past experience of such work. An agreement was entered into with the sub-contractors (MMP Lines Ltd.) on 24-1-1976 in great haste while the main agreement with the ship owners was entered into afterwards by the Corporation on 4-2-1976.

(ii) Under the terms of agreement with M.M.P. Lines Ltd., vacuators with fuel oil and lubricants etc., were required to be supplied by the Corporation. MMP Lines Ltd., were to provide only labour for working on the mother ship and skilled engineers, supervisors, formemen and workmen to work on the vacuators. As these operations were ultimately done by Madras Marine, a sub-contractor of M.M.P. Lines Ltd., it would appear that M.M.P. Lines Ltd., were paid



a huge remuneration without doing much work or incurring much expenditure. In fact while MMP Lines Ltd., were paid at the rate of Rs. 40 per tonne for the ship "Kapetan Markos" and at the rate of Rs. 32 for "Jag Leela", they paid only at the rate of Rs. 6.50 per tonne to Madras Marine for doing practically the whole operation. MMP Lines Ltd., received Rs. 39.53 lakhs for work on "Kapetan Markos" and Rs. 54.13 lakhs for work on "Jagleela" but they paid only Rs. 5.31 lakhs and Rs. 12.5 lakhs respectively to Madras Marine thereby netting about Rs. 75.85 lakhs in these two operations only.

(iii) Shri Pal of MMP Lines Ltd., was earlier serving in the Shipping Corporation of India where Shri Chelliah, Chairman-cum-Managing Director of the Corporation was also employed. They knew each other and they joined hands in the matter of financial transactions to defraud the Corporation and the Government.

(iv) MMP Lines Ltd., according to their admission, were the agents of the ship owners of "Kapetan Markos" and "Aquagem". It is interesting to note that they became sub-contractors to the Corporation which was the main contractor for lightering operations for these ships.

(v) MMP Lines Ltd. had sub-contracted the work relating to the providing of labour etc., to Madras Marines Private Ltd., at the rate of Rs. 6.50 per tonne for the ships "Kapetan Markos" and "Jagleela" in utter violation of their terms of agreement which prohibited such sub-contracting.

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

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

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

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

122. The Committee are unable to unravel as to how the enormous profit was distributed amongst the beneficiaries. The Committee fail to understand why the Food Corporation of India who were the importers of the foodgrains from abroad and were in possession of surplus vacuators with them, were not consulted by the Corporation before allowing the lighterage work to be done in a secretive manner. If they were serious about economising the whole operation they should have made use of the public sector vessels and their vacuators, in these unloading operations. Had it been done in this manner, it would have resulted in considerable savings of Indian money in foreign exchange. The whole matter requires a thorough probing with the object of fixing responsibility for taking necessary action.

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

mittee are not at all happy with the performance of the CBI's Calcutta Office with regard to conducting of their enquiries in so far as Central Inland Water Transport Corporation is concerned.

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

- (i) The original agreement with the ship-owners was subsequently amended to provide for remittance upto 50 per cent of the remuneration to Bangladesh for being directly paid to MMP Lines Ltd., by adding a clause in this regard.
- (ii) In the sub-contract entered into by the Corporation with MMP Lines Ltd., a provision was made for MMP Lines Ltd. to collect directly major portion of the remuneration from the ship-owners in foreign exchange without any check on verification by statutory authority.
- (iii) This provision regarding payment upto 50 per cent in Bangladesh to MMP Lines Ltd. was already made by them in their own agreement with the Corporation on 16-6-1977, though such a provision was included thereafter on 20-6-77 in the agreement of the Corporation with the ship-owners by sending the F.A. & C.A.O. to Athens (Greece) indicating clearly how the interests of MMP Lines Ltd., were served by the Corporation.

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

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

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

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

126. Considering all aspects of the operation of the scheme of lightering from its inception, the Committee cannot help concluding that in these operations, the main beneficiaries have been MMP Lines Ltd., and a few individual officers of CIWTC. This could not have happened without the collusion of the top officers of the Corporation who were hand in glove with Shri Pal of MMP Lines Ltd. The Committee recommend that the whole matter regarding this scheme and its operations as also the role played by the top officials of the Corporation and Ministry, Contractors and sub-contractors should be thoroughly investigated by the C.B.I., the Income Tax Authorities, Enforcement Directorate of the Ministry of Finance as also the Food Corporation of India expeditiously. The Committee would like to be informed of the action taken in this regard within three months of the presentation of the report.

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

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

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

130. The Committee have serious doubts whether the speed money reported to be hurriedly sanctioned by the Chairman-cum-Managing Director (Shri Cheliah) on the recommendation of Shri Gorsia and placed at his exclusive disposal was actually paid to the Dock Labour Board Workers engaged in lighterage operation. The Committee recommend that the Government should direct C.B.I. Delhi Office to complete early investigation with regard to the payments made to Dock Labour Board Workers on allegedly fictitious vouchers and other related issues and take action to penalise the defaulting officers and recover the money from them.

NEW DELHI;

April 18, 1978.

Chaitra 28, 1900 (Saka)

JYOTIRMOY BOSU,

Chairman,

Committee on Public Undertakings

## ANNEXURE 1

(Vide para 14)

1. According to their letter only one demonstration was given by the manufacturer at Bombay port, the power supply being electrical. Our requirement is at high seas with diesel units as the power supply source. The manufacturers have not, according to their own letter, carried out any such operation with this indigenously manufactured plant either at high seas or with diesel power.

2. No credential from F.C.I. was attached along with the manufacturer's letter establishing their claim of performance for their machine.

3. Delivery of the required number of units are not guaranteed within our stipulated time, that is by end February.

4. The imported Vacuators' landed cost at Calcutta will be unexceeding Rs. 4 lakhs each including packing, forwarding, insurance, etc. whereas the cost of the Bombay manufactured machine is Rs. 6.50 lakhs each, packing, forwarding, insurance, excise duty, sales tax, etc. all these being extra.

5. No guarantee or manufacturers' engineer will be present at the time of the operation from the Bombay manufacturer, whereas the American manufacturer is giving us one year's guarantee with one factory trained engineer being present at all times of operation during the guarantee period, also training our personnel to operate the same machinery.

6. No mention of spare parts has been mentioned by the Bombay manufacturers whereas same is being given by the American manufacturers.

7. The piping, coupling, nozzles which form an integral part of such an operation are not mentioned by the Bombay manufacturers whereas the American company is giving all these with established performance guarantee.

It is advisable in the first instance to make queries to the Bombay parties on the above points.

All the above points should not be included in the same enquiry. A second or third enquiry may be sent to the Bombay manufacturer with one or two of the above points in each of the enquiries, thus killing time by which time the agreement with the American party might be formalised.

## ANNEXURE II

(Vide para 26)

*Discharging Agreement (hereinafter called "Contract") Dated February 4th, 1976.*

For steam vessel "KAPETAN MARKOS N. L." carrying grain for Calcutta (hereinafter called the 'Mothership') by means of dry cargo vessels (hereinafter called the 'Lighter(s)') pursuant to Class 33 of the attached Charter Party dated December 10, 1975, between Vencedora Oceanic Naviera S. A. of Panama, Owners, and the Food Corporation of India, New Delhi.

### *Charterers*

It has today been mutually agreed between Central Inland Water Transport Corporation Calcutta as Lightering contractors (hereinafter referred to as 'contractors') and Owners of the 'Mothership' Vencedora Oceanic Naviera S. A. of Panama (hereinafter called the 'Carriers').

1. The contractors agreed, at their own risk and expense, including all costs on the Lighter(s) to perform the lightering obligations of the carriers under the relevant clauses of the Charter Party, dated December 10, 1975, between Vencedora Oceanic Naviera S. A. of Panama Owners, and Food Corporation of India Charterers, true copies of which are attached hereto, and shall indemnify Carriers and hold them harmless from and against liabilities incurred by reason of lightering and grain transfer operation including loading and stowing under the relevant clauses of the said Charter Party, except for any loss and/or damage that is covered by a first class shipowners protection and indemnity society. Contractors shall have the benefit of 'Carriers' right under said Charter Party and the Bill(s) of Lading and shall be bound by all 'Carriers' obligations only so far as such mutual rights and obligations pertain to the lightering and grain transfer operation referred to above.

2. Contractors will lighter at Sandshead or Saugor Roads where Motherships customarily discharge grain into Lighter(s) as directed by Contractors, about 62,500 long tons wheat in bulk from the Mothership, as of now projected to arrive off Calcutta about March 1—5th 1976. Contractors to nominate Lighter(s) to perform under this contract, prior to Mothership's arrival, with full right of substitution and full right of employing additional Lighter(s) without nominating them first.

3. Laytime for Mothership shall commence to count twenty-four (24) hours after dropping anchor at first anchorage nominated by Contractors' Agents provided arrival between 0700—1700. If arriving after 1700, time to count from 0700 the second morning, unless sooner commenced. Time not to commence if bad weather, including weather preventing lightering operations, prevails. In case of such bad weather, laytime to count from the time the first Lighter(s) come alongside, or latest two (2) hours after the bad weather clears, as the case may be. Time for shifting between anchorages not to count as laytime, but time to recommence immediately on dropping anchor next anchorage. Two hours time to be allowed as free time in connection with each change of Lighter(s) alongside Mothership. In case the Mothership on arrival, because of excessive draft, cannot reach the anchorage nominated by Contractors' Agents, Contractors undertake to effect part lighterage at Saugor Roads, India to achieve the required draft. The Mothership's draft shall be calculated on the basis of an even keel.

4. (A) Contractors shall arrange, supply and pay for vacuator operators, in sufficient numbers to discharge minimum 2,500 long tons working day of 24 consecutive hours, Sundays and Holidays included, but on Holidays when labourers do not work even on double wages, laytime will not count.

(B) Contractors will determine and provide sufficient Stevedore Labour on Mothership and Lighter(s). Stevedores are to be in sufficient numbers to perform Stevedoring duty twenty-four (24) hours a day consecutively. Food and transportation to and from the Mothership for Stevedore labour to be supplied by the Contractors. Stevedores to report to work on the Mothership immediately on arrival or not later than arrival of first Lighter(s). Stevedores work to include full vacuating of Mothership's cargo compartments from grain including stripping and sweeping of same, but excluding cleaning.

5. Contractors undertake to provide sufficient Lighter(s) to receive a minimum of 2,500 long tons grain per weather working day of 24 consecutive hours. Laytime allowed for lightering to be 2,500 long tons per weather working day of 24 consecutive hours, Sundays and Holidays included, but on Holidays when labourers do not work even on double wages, laytime will not count. Laytime to be suspended and not to count during any period when bad weather, including weather preventing lightering operations prevails.



6. The Master of either the Lighter(s) or the Mothership to have the right to order his vessel away, respectively refuse to go alongside, if in his opinion, conditions are such that it is not safe for the vessel to lie alongside each other. However in case of dispute, the decision of the Master of the Mother vessel shall prevail—only as concerns laytime. In the event of any lockout, Civil commotion or Disturbances, Riot, Labour Disturbances or Stoppage, Embargo, Quarantine, Restraint of Princes or Peoples, War, Warlike or Hostile Act, Hostilities, Blockade or any happening not within Contractors' control, laytime shall be suspended and shall not count for the duration thereof.

7. If the time used exceeds the laytime allowed, Contractors whose failure to perform their duties, as provided herein, have caused delay, shall pay demurrage to the Carriers at the rate of U.S. Dollars 2,500 per day, or prorata for any part of a day for all time lost through such non-performance. If the time used is less than the laytime allowed, the Carriers shall pay dispatch to the Contractors in the amount of dollars 1,500 per day, or pro rata for any part of a day for all laytime saved.

8. Neither the Carrier nor the Contractor to be liable to each other for damages to a vessel during lightering operations, except when such damage is due to the negligence of the personnel of the Mothership or the Lighter(s) as the case may be. Any claim for damages must be presented in writing to the Master of the offending vessel [Mothership or Lighter(s) as the case may be] within twenty-four (24) hours after the time the alleged damages occurred, and if claim is not made as above it is deemed waived. Settlement of claims to be effected directly between the offending and the claiming party.

9. Upon the completion of transfer of cargo on each voyage from Mothership to a Lighter(s), the approximate quantity so transferred shall be agreed upon between the Masters of the Mothership and the Lighter(s) concerned. The Master of the Lighter(s) shall thereupon deliver to the Master of the Mothership a non-negotiable mates receipt, reflecting the quantity and the apparent condition of the cargo so received. On completion of a discharge, the quantity (ies) of all mates receipts to equal quantity shown on the original Bill(s) of Lading issued by the Mothership.

10. Lightered cargo to be discharged free of risk and expense to Contractors at Calcutta per condition of covering Charter Party attached. Any extra charges introduced by Authorities after the date of the contract to be negotiated between Contractors and Car-

rier, such negotiations not to include vacuators, Stevedoring, Lighter or bunker costs.

11. The Owners will pay to Contractors and/or their nominees:
  - A. \$ 230,000 on completion of discharge of 50 per cent of mother vessels' cargo.
  - B. \$ 230,000 on completion of discharge of Mother vessels' cargo.
  - C. Balance on settlement of demurrage/dispatch on daughter vessels and Mothership.

12. Neither of the contract parties to be responsible for Force Majeure (other than adverse weather conditions, etcetera, as provided in Clauses 3, 4, 5 and 6 herein).

13. In case of undue hardship on any of the contract parties, or in case of difficulties in the interpretation of this Contract, both parties agree to make all reasonable endeavours to reach an amicable agreement.

14. The carriers will provide their vessel with:

700 Drums of 46 Gallons each No. 1 or 2 (Mobil or Esso) also known as Gasoil.

15 Drums of 46 Gallons each Lube Oil Mobil Deluac 100 or Esso Sea 30.

100 Pounds of Grease of following manufacturer: Texaco Molytex No. 2 or Bobilux No. 2 or Beacon No. 2.

for contractors machines, free of charge, gasoil for vacuators is to be provided, free of charge, by Carriers in all instances.

15. Carriers to keep Contractor fully advised of vessel's position and to cable Contractors every three days giving ETA off Calcutta.

16. The Carriers will instruct the Master of the Mothership to co-operate fully with Contractors' representatives, and if necessary, to ballast the vessel down sufficiently to enable Contractors' Lighter(s) to remove Contractors' machines from the Mothership.

17. In case of damage to the cargo in the Mothership causing any delay in the removal or discharging of damaged cargo from the Mothership other than the fault of the Contractors, the Carriers will be responsible to pay the Contractors the Charter hire of the Lighter (s) and the cost of bunkers consumed (plus the waiting charges of the machines and labour not exceeding U.S. Dollars 1,000 per day or pro-rata for any part thereof) as liquidated damages, such cost of Lighters to Carriers not to exceed U.S. Dollars 2,000 per day per

lighter; moreover, all time lost will not count as laytime. All extra expenses at cost incurred by Contractors for separating, storing, destruction and dumping of such cargo will be paid by Carriers. Contractors or their agent not to be held responsible for damaged cargo found in Mother vessel.

18. Irrespective of anything contrary contained in this contract and/or in the Charter Party the Liability of the Contractors will in no case exceed the responsibility under the Hague Rules and it is understood that the U.S. Clause Paramount, the Both-to-Blame collision Clause and the New Jason Clause are deemed to be fully incorporated in this Contract.

19. It is mutually agreed that should any dispute arise between Carriers and the Contractors the matter in dispute shall be referred to three persons at London for arbitration, one to be appointed by each of the parties hereto, and the third by the two so chosen. Their decision or that of any two of them shall be final and for the purpose of enforcing any award this Contract may be made a rule of the court. The arbitrators shall be commercial men, experienced in shipping matters. The arbitrators shall give reasons for their award.

20. All questions arising under the Contract are to be governed by the laws of the United Kingdom.

21. Contractors General Agents are:

M.M.P. Lines Private Ltd., Great Eastern Hotel Building 1, 2 & 3 Old Court House Street, Calcutta—700001, Telex No. 021-2704 A/B EMSHIPS, Telephone No. 232311 EXT. MMP, Lines.

22. Carrier to supply suitable fender for Daughter vessel for Lightening Operation.

23. Carrier to supply fresh water up to 250 tons for Stevedores and to allow them to build fires on deck for cooking purposes.

24. A commission of 20 cents (U.S. Currency) per long ton of cargo loaded by Mother vessel is payable by Contractor to International Navigation Corporation. Payment to be made by Carrier for Contractors account as brokerage. Such payment to be deducted from amount due Contractor by Carrier as specified in Clause 11 of this agreement.

for CLAIRHILL SHIPPING CO. LTD.

for CENTRAL INLAND  
WATER TRANSPORT  
CORPN.

Sd/- 4/2  
to Agents for

Sd/- (Cdr. K. Chelliah)  
Chairman-cum-Managing Director.

VENCEDORA OCEANIC NAVIERA S.A.

### ANNEXURE III

(Vide para 56)

*Formal Discharging Agreement (hereinafter called "Contract")*

*Dated 26-5-1977.*

For motor vessel "AQUAGEM" Liberian Flag, built 1968, of 16144 Net Registered Tonnage, classified A1 in American Bureau of Shipping, carrying grain for Bangladesh, (hereinafter called the "moteh ship") by means of dry cargo vessels [hereinafter called the Lighter(s)], pursuant to Clauses that are relevant, of the attached Bangladesh Grain Charter party BD Form No. 003 13th April, 1977 PA-BC-7028 dated 13th April, 1977 between Gem. Transworld Shipping Ltd., Owners, and Government of the Peoples Republic of Bangladesh, on behalf of Bangladesh Ministry of Food, Dacca, Charterers. It has today been mutually agreed between Central Inland Water Transport Corporation Ltd. (A Government of India Undertaking), 4, Pairlie Place, Calcutta-700001, as lightening Contractors (hereinafter referred to as Contractors) and Carras (Hellas) Ltd., Maritime Building, Customhouse Square, Piraeous, Greece, as Agents of Cam Transworld Shipping Ltd. (hereinafter called the "Carriers").

1. The Contractors agree, at their own risk and expenses, including all costs on the Lighter(s) to perform the lightening obligations of the Carriers under the relevant clauses of the Charterparty dated 13th April, 1977 between Carras (Hellas) Ltd. of Piraeous as Agents of Gem. Transworld Shipping Ltd., Owners and Government of the Peoples Republic of Bangladesh on behalf of Bangladesh Ministry of Food, true copies of which are attached hereto, and shall indemnify Carriers and hold them harmless from and against liabilities incurred by reason of lightening and grain transfer operation including Loading and stowing under the relevant clauses of the said Charter party concept for any loss and/or damage that is covered by a First class shipowners, protection and indemnity society. Contractors shall have the benefit of 'Carriers' right under the said Charterparty and the bills of lading and shall be bound by Carriers' obligations only as far as the mutual rights and obligations pertain to the lightening and grain transfer operation referred to above.

2. Contractors will lighter about 42000 metric tons wheat in bulk from the mother ship as of now projected to arrive Chittagong about 20th June, 1977 and/or Chalna where mother ships customarily dis-

charge grain, where mothership and lighters can always be safely afloat without risk to crew, cargo and/or hull and where vessels of this size customarily discharge grain into lighters to be directed by Contractors. Lighters to be fully Classed Lloyis 100A1 and/or equivalent and gears are in full and safe working conditions as per certificates issued by the classification society regarding the vessel. Lighters to obtain inspection certificate from local surveyors as evidence that the holds of the lighters are clean and fit to load wheat as required by the consignees. Carriers will be obliged to intimate Contractors the exact quantity to be discharged at Chittagong and the quantity to be discharged at Chalna as soon as mother ship arrives off Colombo. Contractors to nominate lighters to perform under this contract prior to mothership's arrival, with full right of substitution and full right of employment of additional lighters without nominating them first. In case Charterers nominate the mother ship to proceed to Chalna, all the expenses of shifting the mother carrier including the expenses and/or any other expenses pertaining to the mother carrier will be on account of the Owners.

3. Laytime for mother ship shall commence to count 24 hours (twenty four hours) after dropping anchor at first anchorage nominated by Contractors or their Agents provided arrival between 0700 and 1700 hours. If the arrival is after 1700 hours, time to count from 0700 hours the second morning. Time not to commence if bad weather including weather preventing lightering operation prevails. In case of such bad weather laytime to count from the time the first lighter comes alongside or latest three (3) hours after the bad weather clears as the case may be. Time of shifting between anchorages and between Chittagong and Chalna not to count as laytime, but time to recommence 2 (two) hours after dropping anchor at the lighterage point. Three hours time to be allowed as free time with each casting off of lighter vessels and or cargoes from alongside mother ship both at Chittagong and at Chalna respectively. The draft of the mother ship shall always be calculated on the basis of an even keel.

4. (A) Contractors shall arrange, supply and pay for vacuator operators in sufficient numbers to discharge minimum 3000 metric tons working day of 24 consecutive hours, Sundays and Holidays included, but holidays when labourers do not work even on double wages, laytime will not count.

(B) Contractors will determine and provide sufficient stevedor labour, their food and transportation on mother ship and lighters, Stevedors are to be in sufficient numbers to perform stevedor duty 24 hours a day. Stevedors to report to work on the mother ship immediately on arrival or not later than arrival of first lighters.

Stevedors work will include full vacuvating of the mother ship's cargo compartments from grain including stripping and sweepings but excluding cleaning.

5. Contractors undertake to provide sufficient lighter (s) to receive a minimum of 3000 metric tons grain per weather working day of 24 consecutive hours at Chittagong. Laytime allowed for lightering to be 300 metric tons per weather working day of 24 consecutive hours. Sundays and Holidays included, but on Holidays when labourers do not work, laytime will not count. Laytime to be suspended and not to count during any period of time when bad weather including weather preventing lightering operations prevails.

6. The Master of either the lighter or the mothership to have the right to order his vessel away, respectively refuse to go alongside, if in his opinion conditions are such that it is not safe for the vessel to lie alongside each other or not safe to continue lightering. However in case of dispute the decision of the Master of mother vessel shall prevail only as concern laytime. In the event of any lockout, civil commotion or disturbances, riot or riot like situation, labour disturbances or stoppage, Embarge, Quarantine, Restraint of Princes or Peoples, war, warlike or hostile act, hostilities, Blockade or any happening not within Contractors' control, laytime shall be suspended and shall not count for the duration thereof. If the time used exceeds the laytime allowed, Contractors whose failure to perform their duties, as provided herein, have caused delay in Chittagong, shall pay demurrage to the Carriers at the rate of U.S. \$ 3000 per day or pro-rata for any part of a day for all time lost through such non-performance. If the time used is less than the time allowed the Carriers shall pay despatch to the Contractors for the time saved in the amount of Dollars 1500 per day or pro-rata for any part of a day for all laytime saved. However, at Chalna Contractors to discharge 3000 metric tons per day provided Charterers place sufficient lighters and/or barges duly passed by surveyors as fit to load bulk grain and should the Charterers fail to provide lighters for which Contractors could not perform their duty of discharging effectively and efficiently from the mother ship to attain 3000 metric tons per day, the Carriers shall pay to the Contractors in the amount of U.S. Dollars 1500 per day or pro-rata for any part of a day for all time lost.

7. Neither the Carrier nor the Contractor to be liable to each other for damages to a vessel during lightering operations, except when such damage is due to the negligence of the mothership or the Lighter(s) as the case may be. Any claim for damages must be presented in writing to the Master of the offending vessel (Mother-ship or the lighter(s) as the case may be) within twenty four (24)

hours after the time the alleged damages occurred, and if claim is not made as above, it is deemed waived. Settlement of claims to be effected directly between the offending and the claiming party.

8. Lighter cargo to be discharged free of risk and expense to Contractors at Chittagong and Chalna as per condition covering Charter party attached. Any extra charges introduced by the authorities after the date of contract to be negotiated between Contractors and the Carrier. Such negotiations not to include vacuvator, stevedoring and lighter costs and bunker costs.

9. The Owners will pay to the Contractors and/or their nominee:

(a) A Rate of U.S. Dollars 10.50 (Ten Dollars & Fifty cents) per metric ton at Chittagong or Chalna for the quantities lightered by Contractors either at Chittagong or Chalna through Contractors' lighter vessels. In case the charterers nominate the mother carrier to discharge a portion of the cargo at Chalna through Consignees' lighters a rate of U.S. Dollars 9 (Dollars Nine) per metric ton for the quantities discharged at Chalna will be paid by the Carriers to the Contractors. The Owners reserve the right to remit up to 50 per cent of the above rate directly to Bangladesh for meeting expenses on behalf of the owners so that the mothership is not unduly detained at Bangladesh and owners interest is not prejudiced. In case the Charterers nominate the mother carrier to proceed to Chalna for discharge of part of the cargo as per clause 10 of the attached Charterparty, the carrier shall proceed to Chalna for discharge into Consignees' lighters, for which purpose Contractors shall arrange for vacuvators mechanics, labourers and other requirements as customarily provided for discharge of cargoes at Chalna directly from mother vessel into Consignees' lighters.

(b) Owners will pay to Contractors and/or their nominee 10 per cent of the total dues on signing of the proforma Contract at Calcutta dated 26th May, 1977. 20 per cent on arrival at nominated anchorage at Bangladesh, further 20 per cent on discharge of 25 per cent cargo, further 20 per cent on discharge of 50 per cent cargo, and 20 per cent on discharge of 75 per cent of cargo, further 10 per cent on completion of discharge of 100 per cent cargo from the mother vessel but prior to sailing of the mother vessel from Bangladesh.

10. Neither of the contract parties to be responsible for Force Majeure (other than adverse weather conditions, etcetra, as provided in Clauses 3, 4, 5 and 6 herein).

11. In case of undue hardship on any of the contract parties, or in case of difficulties in the interpretation of this Contract, both parties agree to make all reasonable endeavours to reach an amicable agreement.

12. Carriers will provide free of charge to the Contractors on deck of mother ship 474 drums of 46 gallons each No. 1 or 2 (Mobil or Esso) also known as Gasoil. 11 drums of 46 gallons each Lub Oil Bobil Daluas 1100 or Esso or Sea 30. 100 lbs. of Grease of following manufacturers: Texaco Molytex No. 2 or Bobilux No. 2 or Beacon No. 2., to be used for Contractors' machines free of charge.

Gasoil for vacuators is always to be provided by Carriers at their time, free of charge to the Contractors in all instances.

13. Carriers to keep Contractors fully advised of vessel's position and to keep Contractors informed by Cable every 3 days giving ETA off Chittagong.

14. In case damage to the cargo in the Mothership causing any delay in the removal of ex-discharging of damaged cargo from the mothership other than the fault of the Contractors, the Carriers will be responsible to pay the Contractors the charterhire of the lighters and the cost of bunkers consumed (plus the waiting charges of the machineries and labour not exceeding U.S. Dollars 2700 per day or pro-rata for any part thereof) as liquidated damages. Such cost of lighters to Carriers not to exceed U.S. Dollars 2000 per day per lighter. Moreover, all time lost will not count as laytime. All extra expenses at cost incurred by Contractors for separating, storing, destruction and dumping of such cargo will be said by Carriers. Contractors or their agent is not to be held responsible for damaged cargoes found in mother vessel.

15. The Carriers will instruct the Master of the mothership to cooperate fully with Contractors' representatives, and if necessary, to ballast the vessel down sufficiently to enable Contractors' lighter(s) to remove Contractors' machines from the mothership.

16. Irrespective of anything contrary contained in this contract and/or in the Charterparty the liability of the Contractors will in no case exceed the responsibility under the Hague Rules and it is understood that the U. S. Clause Paramount, the Both-to-Blame



collision Clause and the New Jeson Clause are deemed to be fully incorporated in this Contract.

17. It is mutually agreed that should any dispute arise between Carriers and the Contractors the matter of dispute shall be referred to three persons at London for arbitration, one to be appointed by each of the parties herein, and the third by the two so chosen. The arbitrators shall be commercial men experienced in shipping matters. Their decision or that of any two of them shall be final and for the purpose of enforcing any award this Contract may be made a rule of the Court. The arbitrators shall give reasons for their award.

18. All questions arising under the Contract are to be governed by the laws of the United Kingdom.

19. Contractors' General Agent are:

M. M. P. Lines Private Limited, Great Eastern Hotel Buildings, 1, 2, & 3, Old Court House Street; Calcutta-700001

Telex No. 021-2704; A/B DISHIPS

Telephone No. 23-2311 Ext. MMP Lines.

20. Carrier to supply suitable fonder for Daughter vessel for lightening operation, to be approved both by the Contractor and the Master of daughter vessel.

21. Carrier to supply fresh water upto 250 tons for stovedors and to allow them to build fires on deck for cooking purposes.

22. Upon the completion of transfer of cargo on each voyage from Mothership to a Lighter, the approximate quantity so transferred shall be agreed upon between the Master of the Mothership and the Lighter(s) concerned. The Master of the Lighter(s) shall thereupon deliver to the Master of the Mothership a non-negotiable mates receipt, reflecting the quantity and the apparent condition of the cargo so received. On completion of a discharge the quantity(ies) of all mates receipts to equal quantity shown on the original Bill(s) of lading issued by the Mothership. In case of Chalna discharge Carriers shall ensure through their agents that Charterers and/or consignees issue non-negotiable mates receipts directly to the Master of the Mothership after cargos have been discharged into Consignees' and/or Charters' Lighters and/or barges.

23. A commission of 15 Cents (U. S. Currency) per metric ton of cargo loaded by mother vessel is payable by the Owners directly

to Lonbert Brother Shipping Co. Ltd., London as brokerage and will be credited directly to City Bank, 336 Strani, London WC1, beneficiary being London Brother Shipping Co. Ltd. Payment to be made by Carriers as brokerage for this, and this will in no way be adjusted/recovered from the Contractors' bills.

24. Demurrage Despatch settlement to be made within one week of completion of discharge of mother vessel on an estimated basis and final settlement within three weeks of discharging of mother vessel on basis of discharging port statement of facts. The Contractors will be responsible for any shortlandings of cargoes discharged through Contractors' lighters either at Chittagong and/or Chalna, but shall in no way be responsible for damage and/or shortlandings for any cargoes discharged into Charterers' and/or Consignees' lighters.

25. Carriers shall pay directly for all dues on account of Mothership both at Chittagong and Chalna including tug line through their agents in Bangladesh M/s. Specialised Shipping and Trading Co.

26. In case Mothership is nominated to Chalna, Mothership shall proceed to the nominated berth at Calcutta after completion of discharge at Chalna for discharging Contractors' vacuators and equipments from and Contractor shall pay for deviation expenses from Chalna to Calcutta also port expenses plus bunkers.

27. As per clause 10 of the enclosed Charterparty, Carriers are to ensure that Charterers do not alter the discharging port quantity allocations once the same had been declared and nominated.

For CARRAS (HELLAS) LTD.

Piraeous

As Agents of Gem Transworld Shipping Ltd.

Owners of the Mothership "AQUAGEM"

Liberian Flag, Built 1968

N.R.T. 16144 Tons Nett Registered.

For CENTRAL  
INLAND WATER  
PORATION LIMITED

Sd.- N. K. SARKAR,

Secretary.

## ANNEXURE IV

(Vide para 56)

### FORMAL DISCHARGING AGREEMENT (HEREINAFTER CALLED "CONTRACT") DATED JUNE 20TH, 1977

For motor vessel "AQUAGEM" Liberian Flag, built 1968, of 16144 Nett Registered Tonnage, classified A1 in American Bureau of Shipping, carrying grain for Bangladesh, (hereinafter called the "mother ship") by means of dry cargo vessels (hereinafter called the "Lighter(s)") pursuant to Clauses that are relevant, of the attached Bangladesh Grain Charterparty BD Form No. 003 13th April 1977 PA-BG-7028 dated 13th April, 1977 between Gem Transworld Shipping Ltd., Owners, and Government of the Peoples Republic of Bangladesh on behalf of Bangladesh Ministry of Food, Dacca, Charterers.

It has today been mutually agreed between Central Inland Water Transport Corporation Ltd. (a Govt. of India Undertaking), 4 Fairlie Place, Calcutta-700 001, as Lightering Contractors hereinafter referred to as Contractors) and Carras (Hellas) Ltd. of Piraeus as Agents of Gem Transworld Shipping Ltd. (hereinafter called the "Carriers").

1. The Contractors agree, at their own risk and expenses, including all costs on the Lighter(s) to perform the lightering obligations of the Carriers under the relevant clauses of the Charterparty dated 13th April, 1977 between Carras (Hellas) Ltd. of Piraeus as Agents of Gem Transworld Shipping Ltd., Owners and Govt. of the Peoples Republic of Bangladesh on behalf of Bangladesh Ministry of Food, true copies of which are attached hereto, and shall indemnify Carriers and hold them harmless from and against liabilities incurred by reason of lightering and grain transfer operation including loading and stowing under the relevant clauses of the said Charterparty except for any loss &/or damage that is covered by a first class shipowners protection and indemnity society. Contractors shall have the benefit of "Carriers" right under the said Charterparty and the bills of lading and shall be bound by Carriers' obligations only so far as the mutual rights and obligations pertain to the lightering and grain transfer operation referred to above.

2. Contractors will lighter about 42000 metric tons wheat in bulk, from the mothership as of now projected to arrive Chittagong about 20th June, 1977 and/or Chalna where mother ships customarily discharges grain, where mothership and lighters can always be

safely afloat without risk to crew, cargo &/or hull and where vessels of this size customarily discharge grain into lighters to be directed by the Contractors. Lighters to be fully classed Llyods 100AI &/or equivalent and gears are in full and safe working conditions as per certificates issued by the classification society regarding the vessel. Lighters to obtain inspection certificate from local surveyors as evidence that the holds of the lighters are clean and fit to load wheat as required by the consignees. Carriers will be obliged to intimate Contractors the exact quantity to be discharged at Chittagong and the quantity to be discharged at Chalna as soon as mother ship arrives off Columbo. Contractors to nominate lighters to perform under this contract prior to mothership's arrival, with full right of substitution and full right of employment of additional lighters without nominating them first. In case Charterers nominate the mother ship to proceed to Chalna, all the expenses of shifting the mother carrier including tug expenses &/or any other expenses pertaining to the mother carrier will be on account of the Owners.

3. Laytime for mother ship shall commence to count 24 hours (twenty four hours) after dropping anchor at first anchorage nominated by Contractors or their Agents provided arrival between 0700 hours and 1700 hours. If the arrival is after 1700 hours, time to count from 0700 hours the Second morning. Time not to commence if bad weather including weather preventing lightering operation prevails. In case of such bad weather laytime to count from the time the first lighter comes alongside or latest three (3) hours after the had weather clears as the case may be. Time of shifting between anchorages and between Chittagong and Chalna not to count as laytime, but time to recommence 2 (two) hours after dropping anchor at the lighterags point. Three hours time to be allowed as free time with each casting off of lighter vessels and or barges from alongside mother ship both at Chittagnong and at Chalna respectively. The draft of the mother ship shall always be calculated on the basis of an even keel.

4. (A) Contractors shall arrange, supply and pay for vacuvator operators in sufficient numbers to discharge minimum 3000 metric tons working day of 24 hours, Consecutives Sundays and Holidays included, but holidays when labourers do not work even on double wages, laytime will not count.

(b) Contractors will determine and provide sufficient stevedore labour, their food and transportation on mother ship and lighters.

Stevedors are to be in sufficient numbers to perform stevedor duty 24 hours a day. Stevedors to report to work on the mother ship immediately on arrival or not later than arrival of first lighters. Stevedors work will include full vacuating of the mother ship's cargo compartments from grain including stripping and sweepings but excluding cleaning.

5. Contractors undertake to provide sufficient lighter(s) to receive a minimum of 3000 metric tons grain per weather working day of 24 consecutive hours at Chittagong. Laytime allowed for lightering to be 3000 metric tons per weather working day of 24 consecutive hours. Sundays and Holidays included, but on Holidays when labourers do not work, laytime will not count. Laytime to be suspended and not to count during any period of time when bad weather including weather preventing lightering operations, prevails.

6. The Master of either the lighter or the mothership to have the right to order his vessel away, respectively refuse to go alongside. If in his opinion conditions are such that it is not safe for the vessel to lie alongside each other or not safe to continue lightering. However in case of dispute the decision of the Master of mother vessel shall prevail only as concern laytime. In the event of any lockout, civil commotion or disturbances riot or riot like situation, labour disturbances or stoppage, Embargo, Quarantine, Restraint of Princes or peoples, war, warlike or hostile act, hostilities, Blockage or any happening not within Contractors' control, laytime shall be suspended and shall not count for the duration thereof. If the time used exceeds the laytime allowed, Contractors whose failure to perform their duties, as provided herein, have caused delay in Chittagong, shall pay demurrage to the Carriers at the rate of U.S. \$ 3000 per day or *pro-rata* for any part of a day for all time lost through such non-performance. If the time used is less than the time allowed, the Carriers shall pay despatch to the Contractors for the time saved in the amount of Dollars 1500 per day or *pro-rata* for any part of a day for all laytime saved. However, at Chalna Contractors to discharge 3000 metric tons per day provided Charterers place sufficient lighters &/or barges duly passed by surveyors as fit to load bulk grain and should the Charterers fail to provide lighters for which Contractors could not perform their duty of discharging effectively and efficiently from the mothership to attain 3000 metric tons per day, the Carriers shall pay to the Contractors in the amount of U.S. Dollars 1500 per day or *pro-rata* for any part of a day for all time lost.

7. Neither the Carrier nor the Contractor to be liable to each other for damages to a vessel during lightering operations, except when such damage is due to the negligence of the mothership or the lighter's as the case may be. Any claim for damages must be presented in writing to the Master of the offending vessel [Mothership or the lighter (s) as the case may be] within twentyfour (24) hours after the time the alleged damages occurred, and if claim is not made as above, it is deemed waived. Settlement of claims to be effected directly between the offending and the claiming party.

8. Lighter cargo to be discharged free of risk and expense to Contractors at Chittagong and Chalna as per condition covering Charterparty attached. Any extra charges introduced by the authorities after the date of contract to be negotiated between Contractors and the Carrier. Such negotiations not to include vacuator, stevedoring and lighter costs and bunker costs.

9. The Owners will pay to the Contractors &/or their nominees:—

(a) A rate of U.S. Dollars 10.50 (Ten Dollars & Fifty Cents) per metric ton at Chittagong or Chalna for the quantities lightered by Contractors either at Chittagong or Chalna through Contractors' lighter vessels. In case the charterers nominate the mother carrier to discharge a portion of the cargo at Chalna through Consignees' lighters a rate of U.S. Dollars 9 (Dollars Nine) per metric ton for the quantities discharged at Chalna will be paid by the Carriers to the Contractors. The Owners reserve the right to remit up to 50 per cent of the above rate directly to Bangladesh for meeting expenses on behalf of the Owners so that the mothership is not unduly detained at Bangladesh and Owners' interest is not prejudiced. In case the Charters nominate the mother carrier to proceed to Chalna for discharge of part of the cargo as per clause 10 of the attached Charterparty, the carrier shall proceed to Chalna for discharge into Consignees' lighters, for which purpose Contractor shall arrange for vacuators mechanics, labourers and other requirements as customarily provided for discharge of cargoes at Chalna directly from mother vessel into Consignees' lighters.

(b) Owners will pay to Contractors &/or their nominee 10 per cent of the total dues on signing of the Proforma Contract at Calcutta dated 26th May, 1977, 20 per cent on arrival at nominated anchorage at Bangladesh, further

20 per cent on discharge of 25 per cent cargo, further 20 per cent on discharge of 50 per cent cargo, and 20 per cent on discharge of 75 per cent of cargo, further 10 per cent on completion of discharge of 100 per cent cargo from the mother vessel but prior to sailing of the mother vessel from Bangladesh.

10. Neither of the contract parties to be responsible for Force Majeure (other than adverse weather conditions, etcetera, as provided in Clauses 3, 4, 5 and 6 herein).

11. In case of undue hardship on any of the contract parties, or in case of difficulties in the interpretation of this Contract, both parties agree to make all reasonable endeavours to reach an amicable agreement.

12. Carriers will provide free of charge to the Contractors on deck of mother ship 474 drums of 46 gallons each No. 1 or 2 (Mobil or Esso) also known as Gasoil, 11 drums of 46 gallons each Lub Oil Mobil Delvac 1100 or Esso Sea 30. 100 lbs of Grease of following manufacturers: Texaco Molytex No. 2 or Mobilux No. 2 or Beacon No. 2, to be used for Contractors' machines free of charge.

Gasoil for vacuators is always to be provided by Carriers at their time, free of charge to the Contractors in all instances.

13. Carriers to keep Contractors fully advised of vessel's position and to keep Contractors informed by cable every 3 days giving ETA off Chittagong.

14. In case damage to the cargo in the Mothership causing any delay in the removal of or discharging of damaged cargo from the mothership other than the fault of the Contractors, the Carriers will be responsible to pay the Contractors the charterhire of the lighters and the cost of bunkers consumed (plus the waiting charges of the machineries and labour not exceeding U.S. Dollars 1000 per day or *pro-rata* for any part thereof) as liquidated damages. Such cost of lighters to Carriers not to exceed U.S. Dollars 2000 per day per lighter. Moreover, all time lost will not count as laytime. All extra expenses at cost incurred by Contractor for separating, storing, destruction and dumping of such cargo will be paid by Carriers. Contractors or their agent is not to be held responsible for damaged cargoes found in mother vessel.

15. The Carriers will instruct the Master of the mothership to co-operate fully with Contractors' representatives, and if necessary,

to ballast the vessel down sufficiently to enable Contractors' lighter(s) to remove Contractors machines from the mothership.

16. Irrespective of anything contrary contained in this contract &/or in the Charterparty the liability of the Contractors will in no case exceed the responsibility under the Hague Rules and it is understood that the U.S. Clause Paramount, the Both-to-Blame collision Clause and the New Jason Clause are deemed to be fully incorporated in this Contract.

17. It is mutually agreed that should any dispute arise between Carriers and the Contractors the matter of dispute shall be referred to three persons at London for arbitration, one to be appointed by each of the parties hereto, and the third by the two so chosen. The arbitrators shall be commercial men experienced in shipping matters. Their decision or that of any two of them shall be final and for the purpose of enforcing any award this contract may be made a rule of the Court. The arbitrators shall give reasons for their award.

18. All questions arising under the Contract are to be governed by the laws of the United Kingdom.

19. Contractors' General Agents are:—

M.M.P. Lines Private Limited,  
Great Eastern Hotel Building,  
1, 2 & 3. Old Court House Street,  
Calcutta 700001,  
Telex No. 021-2704 A/B EMSHIPS  
Telephone No. 23-2311 EXT. MMP Lines

20. Carrier to supply suitable fender for Daughter vessel for lightening operation, to be approved both by the Contractor and the Master of daughter vessel.

21. Carrier to supply fresh water up to 250 tons for Stevedores and to allow them to build fires on deck for cooking purposes.

22. Upon the completion of transfer of cargo on each voyage from Mothership to a Lighter, the approximate quantity so transferred shall be agreed upon between the Masters of the Mothership and the Lighter(s) concerned. The Master of the Lighter(s) shall thereupon deliver to the Masters of the Mothership a non-negotiable mates receipt, reflecting the quantity and the apparent condition of the cargo so received. On completion of a discharge the quan-



tity(ies) of all mates receipts to an equal quantity shown on the original Bill(s) of Lading issued by the Mothership. In case of Chalna discharge Carriers shall ensure through their agents that Charterers &/or Consignees issue non-negotiable mates receipts directly to the Master of the Mothership after cargoes have been discharged into Consignees' &/or Charterers' lighters &/or barges.

23. A commission of 15 Cents (U.S. Currency) per metric ton of cargo loaded by mother vessel is payable by the Owners directly to Lambert Brothers Shipping Co. Ltd., London as brokerage and will be credited directly to City Bank, 336 Strand, London WC1, beneficiary being Lambert Brothers Shipping Co. Ltd. Payment to be made by Carriers as brokerage for this, and this will in no way be adjusted/recovered from the Contractors' bills.

24. Demurrage Despatch settlement to be made within one week of completion of discharge of mother vessel on an estimated basis and final settlement within three weeks of discharging of mother vessel on basis of discharging port statement of facts. The Contractors will be responsible for any shortlandings of cargoes discharged through Contractors' lighters either at Chittagong &/or Chalna, but shall in no way be responsible for damage &/or shortlandings for any cargoes discharged into Charterers' &/or Consignees' lighters.

25. Carriers shall pay directly for all dues on account of Mothership both at Chittagong and Chalna including tug hire through their agents in Bangladesh M/s Specialised Shipping and Trading Co.

26. In case Mothership is nominated to Chalna, Mothership shall proceed to the nominated safe berth at Calcutta after completion of discharge at Chalna for discharging Contractors' vacuators and equipments and contractor shall pay for deviation expenses from Chalna to Calcutta also Port expenses plus bunkers.

For CARRAS (HELLAS) LTD.  
Piraeus, Greece

As Agents of Gem Transworld Shipping Ltd.  
Owners of the Mother Ship "AQUAGEM"  
Liberian Flag, Built 1968  
N.R.T.16144 Tons Nett Registered.

Sd/-

For CENTRAL INLAND WATER  
TRANSPORT CORPORATION LTD.

Sd/-

(P.G. BISWAS)  
F.A. & C.A.O.,  
C.I.W.T.C. Ltd.,  
4, Fairlie Place, Calcutta-1.

(COPY)

## PROFORMA LETTER OF EXCHANGE

In pursuance to the Formal Agreement of Discharge for m.v. "AQUAGEM" signed at Piræus (Greece) between Central Inland Water Transport Corporation Ltd. (a Govt. of India Undertaking), 4, Fairlie Place, Calcutta-700001—mentioned hereinbelow as "Contractors" and Carras (Hellas) Ltd., Piræus, Greece—mentioned hereinbelow as "Owners" as Agents of Gem Transworld Shipping Ltd., Owners of mothership "AQUAGEM", Liberian Flag, built 1968, N.R.T. 16144 Tons Nett Registered, arriving Chittagong on or about 24th June, 1977, on 20th June, 1977, it is mutually agreed that m.v. "AQUAGEM" will supply free of charge following during discharge at Chittagong and Chalna at Bangladesh:—

- (a) Cabin accommodation to ten persons on board for supervisory personnel of the Agents of the Contractors.
- (b) Messing for ten supervisory personnel of the Contractors.
- (c) Suitable accommodation to ten more persons on board not necessarily in individual cabins and free messing of them.
- (d) Fresh water connection on deck.
- (e) Steam connections as and when required by the Contractors.
- (f) Compressed Air connections as and when required by the Contractors.
- (g) Ropes as available on board for proper securing of daughter vessels at Chittagong and lighter &/or barges at Chalna.
- (h) Sufficient cluster lights to work in all hatches.
- (i) As required a galley is to be provided to Contractors for cooking of their supervisory personnel. However, the cook will be provided by the Contractors.

However, it is understood that should sufficient cabin accommodation is not available on board, Master of m.v. "AQUAGEM" will be instructed by Owners prior to arrival at Chittagong to do his best to provide as many accommodations and messing as possible to Contractors' personnel, but so far as items (d), (e), (f), (g) and (h) are concerned, as mentioned hereinbefore the Master of "AQUAGEM" will be instructed by the Owners to provide all of them.

(COPY)

For CARRAS (HELLAS) LTD.  
Piraeus, Greece  
As Agents of Gem Transworld  
Shipping Ltd.

Sd/-

For CENTRAL INLAND WATER  
TRANSPORT CORPORATION LTD.,  
Calcutta.

(A Govt. of India Undertaking)

Sd/-

(P. G. BISWAS)

F.A. &amp; C.A.O.,

C.I.W.T.C. Ltd.,

4, Fairlie Place Calcutta-1.

In pursuance of payment clause 9(b) of the Agreement executed by and between Carras (Hellas) Ltd., As Agents to owners of Mother Vessel "AQUAGEM" (Carriers) and Central Inland Water Transport Corporation Ltd., Calcutta (Contractors), be it mutually agreed that actual remittances of Stage payments should be regulated as follows:

- |   |   |
|---|---|
| (i) 1st 10% on signing of the Contract . . . . .                            | To be spent in full by owner or their Agents in Bangladesh                        |
| (ii) 2nd 20% on arrival of the vessel at nominated anchorage in Bangladesh. | 10% to C.I.W.T.C. Ltd. in Calcutta,<br>10% to owner or their Agent in Bangladesh. |
| (iii) 3rd 20% on discharge of 25% cargo . . . . .                           | 15% to C.I.W.T.C. Ltd. in Calcutta<br>5% to owners or their Agents in Bangladesh. |
| (iv) 4th 20% on discharge of 50% cargo — — .                                | 10% to C.I.W.T.C. Ltd.<br>10% to owners or their Agents in Bangladesh.            |
| (v) 5th 20% on discharge of 75% cargo . . . . .                             | 10% to C.I.W.T.C. Ltd.<br>10% to owners or their Agents in Bangladesh.            |
| (v) Last 10% on completion of 100% discharge of cargo                       | 5% to C.I.W.T.C. Ltd.<br>5% to owners or their agents in Bangladesh.              |

For CARRAS (HELLAS) LTD.,  
Piraeus,  
As Agents of Gem Transworld  
Shipping Ltd.  
Owners of the Mother Ship  
"AQUAGEM" Liberian Flag, Built 1968  
N.R.T. 144 tons Nett Registered.

Sd/-

For CENTRAL INLAND WATER  
TRANSPORT CORPORATION LTD.

Sd/-

(P. G. BISWAS)

F.A. &amp; C.A.O.,

C.I.W.T.C. Ltd.,

4, Fairlie Place, Calcutta-1.

ANNEXURE V

**M M P LINES PRIVATE LIMITED**

Regt. Office: Great Eastern  
Hotel Building, 1, 2 & 3, Old  
Court House Street,  
Calcutta—700 069  
Cable Address: EMEMSHIPS  
Dated 16th June 1977

To

The F.A. & C.A.O.,  
Central Inland Water Transport Corpn. Ltd.,  
4, Fairlie Place,  
Calcutta—700 001.

Dear Sir,

Re: m.v. 'AQUAGEM'—formal Agreement

Please find enclosed 1 original. . . . . of the forma Agreement prepared by us based on the proforma Agreement signed between our Principals M/s. Carras (Hellas) Ltd., Piraeus, Greece and yourselves on 27th May, 1977.

We shall thank you to sign this Agreement at Athens and shall be grateful if you can kindly also ensure exchange of letters based on the proforma enclosed herewith ensuring supply of certain equipments, which are customarily provided by the mother carrier and accommodation on board m.v. Aquagem as mentioned in the proforma letter. Kindly further ensure that M/s. Carras (Hellas) instructs the Master as well from Greece during your stay, about the supply of equipments as provided in the proforma letter.

We shall thank you to send us 4 copies of the Agreement after signature of the same at Athens. We shall also appreciate your sending us a telex on Monday the 24th June, 1977 after your signing the Agreement.

Please also find enclosed a copy of the Charterparty entered to between Government of Bangladesh and Gem. Transworld Shipping Ltd. dated 13th April, 1977. Kindly ensure that all the copies of the Agreement have the aforementioned C/Party as enclosures.

Wishing you a pleasant journey and thanking you.

Yours faithfully,

Encl: as above stated.

For M.M.P. LINES PVT. LIMITED

Sd/- (Illegible)

As Agents

c.c.: Chairman-cum-Managing Director.

C.I.W.T.C. Ltd.,

4, Fairlie Place, Calcutta-700 001.

c.c.: Shipping & Development Manager,

C.I.W.T.C. Ltd.

THIS AGREEMENT made this 16th day of June One thousand Nine Hundred and Seventyseven BETWEEN CENTRAL INLAND WATER TRANSPORT CORPORATION LIMITED (A Government of India Undertaking) having its Registered Office at No. 4, Fairlie Place, Calcutta—700 001 (hereinafter called “CIWTC” and/or Contractor) of the One Part AND M.M.P. LINES PRIVATE LIMITED, a Company Registered under the Companies Act, 1956 having the registered office at Great Eastern Building, 1, 2 & 3 Old Court House Street, Calcutta—700 001 (hereinafter called “MMPL”) of the other Part.

**WHEREAS:**

(1) A Bangladesh Grain Charter Party was made on 13th April, 1977 between Carras (Hellas) Limited of Piraeus as Agent for Gem Trans-world Shipping Limited, owners of the Motor Ship “AQUA-GEM” as carriers and the Government of the Republic of Bangladesh on behalf of Bangladesh Ministry of Food as Charterer for carrying grain (wheat) to Bangladesh as per Charter Party agreement on the terms and conditions mentioned therein. A copy of the said Charter Party is hereto annexed and marked with the letter “A”.

(2) By a Contract dated 20th May, 1977 (hereinafter called “the Lightening Contract”) entered into between CIWTC and the Carriers whereby CIWTC agreed to perform the lighterage job of the Carriers under the Charter Party on the terms and conditions mentioned therein. A copy of the said Lightening Contract is hereto annexed marked with the letter “B”.

(3) By the Lightening Contract, it is, *inter alia*, provided that the owners of the Motor Ship “AQUAGEM” will pay CIWTC a rate of U.S. Dollar 10.50 per ton for the quantities lightered by CIWTC at

Chittagong through CIWTC's lighter vessel and U.S. Dollar 9.00 per ton for cargoes discharged at Chalna through consignees lighters where *inter alia* it is provided that the owners reserve the right to remit upto 50 per cent of the above rate directly to Bangladesh for meeting expenses on behalf of the owners so that the mothership is not unduly detained at Bangladesh and owners interest is not prejudiced.

(4) It has been mutually agreed between CIWTC and MMP Lines that the entire lightering job under the Lightering Contract will be carried out by MMP Lines for a sum of U.S. Dollar 7.50 per ton for the Cargoes lightered at Chittagong and U.S. Dollar 6.00 per ton for Cargoes discharged at Chaina and absolve CIWTC of all risks and expenses whatsoever connected in this lighterage operation.

NOW IT IS HEREBY AGREED AND DECLARED as follows:

1. MMPL hereby agrees to perform on behalf of CIWTC the entire lightering job under the Lightering Contract at the places specified and in strict accordance with the terms and conditions provided in the Lightering Contract.

2. In consideration of the performance of the lightering job by MMPL, CIWTC agrees that MMPL may collect directly upto U.S. Dollar 5.25 or equivalent per ton from the owners for the cargoes lightered at Chittagong and upto U.S. Dollar 4.50 or equivalent per ton for cargoes discharged at Chalna in stages as per Charter Party.

3. To enable MMPL to perform the lightering job CIWTC will only provide MMPL with 15 vacuators in good and efficient working condition and on completion of the job all the vacuators should be returned to CIWTC in the same good working order as they were, when provided, less normal wear and tear. All costs for carrying and re-delivering vacuators shall be at the cost and expenses of MMPL who should also pay for oil and operators for running the said vacuators and comply with the formalities required.

4. MMPL shall also during the period of the job maintain and keep fully insured in the name of CIWTC all the vacuators to the full extent of their value against such risks as may be required by CIWTC and such insurance cover will be taken with a Nationalised Indian Insurance Company, and MMPL shall directly pay for all premium in respect thereof and deposit the relevant Insurance Policy or Policies with CIWTC and produce to it all receipts for premia as and when paid.

5. CIWTC will help to arrange charter with due approval of MMPL a suitable lighter vessel for discharging grain at Chittagong and CIWTC will pay the charter hire to the owner|owners of the vessel directly. The charter hire is recoverable from MMPL in full including costs of all insurances and any other Charter Party expenses in connection with chartering of the vessel. The entire amount for such charter hire and expenses as above be adjusted from the amount received by CIWTC from the Carriers and after retaining U.S. Dollar 3.00 per tonne and meeting aforesaid charter hire and expenses, the balance, if any, be paid to MMPL.

6. It is distinctly understood that during performance of the lightering job by MMPL as per Charter Party, CIWTC will not be held liable for any encumbrances or loss, damage or compensation either by the owners or any other persons, which shall be borne and paid by MMPL as if the lightering job had been entrusted to MMPL as under the Lightering Contract.

7. MMPL hereby agrees to indemnify and keep idemnified CIWTC its successors or assigns against all actions, losses, damages, costs, charges and expenses which may be made, suffered or incurred by CIWTC by reason of any act, omission, default or negligence on the part of MMPL in the performance of the lightering job in accordance with the terms and conditions of the Lightering Contract of the Charter Party or by reason of transferring the job to MMPL for any reasons whatsoever.

IN WITNESS WHEREOF the parties hereto have not and subscribed their respective hand and seal the day month and year first above written.

Sd|-

Illegible for 16-6-77

M.M.P. LINES PRIVATE LTD.

Sd|-

N. K. SARKAR 16-6-77

CENTRAL INLAND WATER  
TRANSPORT CORPORATION LTD.

## ANNEXURE VI

### *Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in this Report.*

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S.No.	Reference to Para No. in the Report	Summary of Conclusions/ Recommendations
(1)	(2)	(3)
1.	113	The Committee regret to note that the whole scheme of foodgrain lightening operations undertaken by the Corporation in January, 1976 is replete with glaring irregularities and dubious deals which to say the least are most perturbing.
2.	114	<p>In getting the scheme sanctioned the following disconcerting features were noticed:</p> <p>(i) The note prepared for seeking the approval of the Board of Directors to this scheme gave a very exaggerated pictures about the profitability of these operations. No detailed project report supported by facts and figures was appended to the note which could give the quantum of operations, the basis therefor the total cost involved the likely expenditure as also the overall financial implications etc.</p> <p>(ii) The quantity of grains which was expected to be handled by the Corporation within 6 to 7 months was estimated at 5 lakh tonnes and the profit therefor was estimated at Rs. 67.5 lakhs. In actual practice the total grains handled by the Corporation till August, 1977 from three</p>

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ships amounted to only about 2.15 lakh tonnes.

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

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

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

4. 116

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

- (i) Originally, the Chairman-cum-Managing Director (Shri Chelliah) approached the Ministry for the purchase of 7 vacuators costing about \$ 3,50,000 (about Rs. 32 lakhs). On being pointed out by the Ministry that the clearance of Chief

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Controller of Imports and Exports and the Ministry of Finance would be required for the import of vacuators and release of foreign exchange, the Chairman-cum-Managing Director of the Corporation cancelled the request and instead sought Ministry's approval to a different proposal. While doing so it was not made clear that the cost of the Vacuators that were lying idle with Rs. 32 lakhs in dollars would be paid to the ship owners in U.S.A. which apparently required approval of the Reserve Bank of India. The whole thing looks very suspicious and a thorough probe must be instituted in the matter. It should also be probed as to why Shri Chelliah did not want to make use of the Vacuators that were lying idle with Food Corporation of India which is a sister public undertaking.

- (ii) Indigenous suppliers were bye-passed which is clear from the extracts from a note on which the Financial Adviser and Chief Accounts Officer (Shri Biswas) had also recorded his note:

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

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Our reply should include the above points.

Sd./- P. G. BISWAS  
31.1."

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

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

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5. 117 The Committee cannot help feeling that the whole transaction pertaining to the purchase of vacuators, which was indecently hustled through by the Chairman-cum-Managing Director, was motivated. They should have acquired vacuators from Food Corporation of India either on hire or by purchase failing which indigenous sources should have been tapped. This was not done. The delaying tactics adopted by the Corporation in regard to purchase of vacuators from indigenous sources by "killing time" is a clear proof of ill motivation behind this deal. The role of the Chairman-cum-Managing Director (Shri Chelliah) and Financial Adviser and Chief Accounts Officer (Shri Biswas) in this respect has to be condemned in the strongest possible terms and they should be dealt with firmly in accordance with the provisions of law.

6. 118 Still another disconcerting aspect in the operation of this scheme has been the appointment of M.M.P. Lines Ltd., who were the agents of owners of the vessel 'Kapetan Markos', and sub-contractors to the Corporation too.

(i) M.M.P Lines Ltd., who were appointed as sub-contractors, had little past experience of such work. An agreement was entered into with the sub-contractors (M.M.P. Lines Ltd.) on 24th January, 1976, in great haste while the main agreement with the ship owners was entered into afterwards by the Corporation on 4th February, 1976.

(ii) Under the terms of agreement with M.M.P. Lines Ltd., vacuators with fuel oil and lubricants etc., were required to be supplied by the Corporation. M.M.P. Lines Ltd., were to provide only labour for working on the mother ship and

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skilled engineers, supervisors, foremen and workmen to work on the vacuators. As these operations were ultimately done by Madras Marine, a sub-contractor of M.M.P. Lines Ltd., it would appear that M.M.P. Lines Ltd., were paid a huge remuneration without doing much work or incurring much expenditure. In fact while M.M.P. Lines Ltd., were paid at the rate of Rs. 40 per tonne for the ship "Kapetan Markos" and at the rate of Rs. 32 for "Jagleela", they paid only at the rate of Rs. 6.50 per tonne to Madras Marine for doing practically the whole operation. M.M.P. Lines Ltd., received Rs. 39.53 lakhs for work on "Kapetan Markos" and Rs. 54.13 lakhs for work on "Jagleela" but they paid only Rs. 5.31 lakhs and Rs. 12.5 lakhs respectively to Madras Marine thereby netting about Rs 75.85 lakhs in these two operations only.

- (iii) Shri Pal of M.M.P. Lines Ltd., was earlier serving in the Shipping Corporation of India where Shri Chelliah, Chairman-cum-Managing Director of the Corporation was also employed. They knew each other and they joined hands in the matter of financial transactions to defraud the Corporation and the Government.
- (iv) M.M.P. Lines Ltd., according to their admission, were the agents of the ship owners of "Kepetan Markos" and "Aquagem". It is interesting to note that they became sub-contractors to the Corporation which was the main contractor for lightering operations for these ships.

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(v) M.M.P. Lines Ltd., had sub-contracted the work relating to the providing of labour etc., to Madras Marines Private Ltd., at the rate of Rs. 6.50 per tonne for the ships "Kapeton Markos" and "Jagleela" in utter violation of their terms of agreement which prohibited such sub-contracting.

7. 119

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

8. 120

The Committee consider that the appointment of M.M.P. Lines as sub-contractors of the Corporation was a pre-arranged plan between the Chairman-cum-Managing Director (Shri Chelliah) and Shri M. N. Pal of M.M.P. Lines Ltd. The whole scheme of lightering operations in this manner was engineered by Shri M. N. Pal and the Chairman-cum-Managing Director to reap huge profits from these operations. Evidently, no proper tenders were invited for the sub-contract work which was given to M.M.P. Lines Ltd., on very unduly favourable terms and conditions even though they had little experience of this work.

9. 121

Shri Pal of M.M.P. Lines Ltd., had unhindered access to Central Inland Water Transport Corporation papers which is against the interest of the Corporation and also violates the Official Secrets Act. The Chairman-cum-Managing

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Director (Shri Chelliah) to whom the Committee considered totally unsuitable and unworthy of his position went to the extent of allowing Shri Pal to draft telex and other communications that were exchanged between the Corporation, the Government and other organisations. This is a most deplorable thing. It is most unfortunate that Shri Chelliah, and following his footsteps some of the senior officials became pliant tools in the hands of the Managing Director of M.M.P. Lines, Shri M. N. Pal.

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122

The Committee are unable to unravel as to how the enormous profit was distributed amongst the beneficiaries. The Committee fail to understand why the Food Corporation of India who were the importers of the foodgrains from abroad and were in possession of surplus vacuators with them, were not consulted by the Corporation before allowing the lighterage work to be done in a secretive manner. If they were serious about economising the whole operation they should have made use of the public sector vessels and their vacuators, in these unloading operations. Had it been done in this manner, it would have resulted in considerable savings of Indian money in foreign exchange. The whole matter requires a thorough probing with the object of fixing responsibility for taking necessary action.

11.

123

The Committee note that for lightering operations on the ship "Jagleela", the Corporation was offered the rate of Rs. 4.25 per tonne by Asia Marine Co. and the rate of Rs. 19 per tonne by World-wide Charter Shipping Co. Still the Corporation entered into an agreement with M.M.P. Lines Ltd. for Lightering operations at the rate of Rs. 32 per tonne. The agreement with M.M.P. Lines Ltd. could have been termi-



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

12.

124

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

- (i) The original agreement with the ship-owners was subsequently amended to provide for remittance up to 50 per cent of the remuneration to Bangladesh for being directly paid to M.M.P Lines Ltd., by adding a clause in this regard.
- (ii) In the sub-contract entered into by the Corporation with M.M.P. Lines Ltd., a

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provision was made for M.M.P. Lines Ltd., to collect directly major portion of the remuneration from the ship owners in foreign exchange without any check on verification by statutory authority.

- (iii) This provision regarding payment up to 50 per cent in Bangladesh to M.M.P. Lines Ltd., was already made by them in their own agreement with the Corporation on 16-6-1977, though such a provision was included thereafter on 20-6-1977, in the agreement of the Corporation with the ship-owners by sending the F.A. & C.A.O. to Athens (Greece) indicating clearly how the interests of M.M.P. Lines Ltd., were served by the Corporation.

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

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

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

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

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Considering all aspects of the operation of the scheme of lightering from its inception, the Committee cannot help concluding that in these operations, the main beneficiaries have been M.M.P Lines Ltd., and a few individual officers of CIWTC. This could not have happened without the collusion of the top officers of the Corporation who were hand in glove with Shri Pal of M.M.P. Lines Ltd. The Committee recommend that the whole matter regarding this scheme and its operations as also the role played by the top officials of the Corporation and Ministry, Contractors and sub-contractors should be thoroughly investigated by the C.B.I., the Income Tax Authorities, Enforcement Directorate of the Ministry of Finance as also the Food Corporation of India expeditiously. The Committee would like to be informed of the action taken in this

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- regard within three months of the presentation of the report.
15. 127 The Committee deplore the appointment of Shri Gorsia as Stevedoring Adviser whose father owns a private stevedoring firm, where he still works, a rival of Central Inland Water Transport Corporation in the business of stevedoring. The Corporation have failed to explain how Shri Gorsia was selected by the then Chairman-cum-Managing Director (Shri Chelliah) when there was no application received in response to the advertisement made by Central Inland Water Transport Corporation. Apparently Shri Chelliah had already made up his mind to have Shri Gorsia and therefore advertisement was given only in two Calcutta papers and not in the papers of other port cities. Further, when no application was received, the post was not advertised again. Shri Chelliah is answerable squarely for this serious irregularity.
16. 128 While deprecating this action, the Committee recommend that the Ministry should enquire into the extraneous circumstances that seem to have led to the appointment of Shri Gorsia as Stevedoring Adviser and also to find out as to whether he joined Central Inland Water Transport Corporation to seek unauthorised favours and divert Central Water Transport Corporation's clients to the firm of his father who is also running a stevedoring business and take further appropriate action as may be called for.
17. 129 The Committee also require that the Government should consider the imperative need of issuing suitable instructions to all the public undertakings to invariably consult their Administrative Ministries before making any such appointments.
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18.	130	<p>The Committee have serious doubts whether the speed money reported to be hurriedly sanctioned by the Chairman-cum-Managing Director (Shri Chelliah) on the recommendation of Shri Gorsia and placed at his exclusive disposal was actually paid to the Dock Labour Board Workers engaged in lighterage operation. The Committee recommend that the Government should direct C.B.I. Delhi Office to complete early investigation with regard to the payments made to Dock Labour Board Workers on allegedly fictitious vouchers and other related issues and take action to penalise the defaulting officers and recover the money from them.</p>

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