

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

(SIXTH LOK SABHA)

TWENTY-SIXTH REPORT

Action Taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (Sixth Lok Sabha)

ON

**CENTRAL INLAND WATER TRANSPORT
CORPORATION—Reckless and Fraudulent Sale
of Numerous Vessels**

(Ministry of Shipping and Transport)



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1979/Phalguna, 1900 (Saka)

Price : Rs. 2.15

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

ANDHRA PRADESH

1. Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).

BIHAR

2. M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).

GUJARAT

3. Vijay Stores, Station Road, Anand.

MADHYA PRADESH

4. Modern Book House, Shiv Vilas Palace, Indore City.

MAHARASHTRA

5. M/s. Sunderdas Gianchand, 601, Girgaum Road, near Princess Street, Bombay-2.
6. The International Book House Pvt., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.
7. The International Book Service, Deccan Gymkhana, Poona-4.
8. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
9. M/s. Usha Book Depot, 585/A, Chitra Bazar Khan House, Girgaum Road, Bombay-2.

10. M & J Services, Publisher Representatives Accounts & Law Book Sellers, Bahri Road, Bombay-15.

11. Popular Book Depot, Dr. Bhadkamkar Road, Bombay-400001.

MYSORE

12. M/s. Peoples Book House, Opp, Jaganmohan Palace, Mysore-1.

UTTAR PRADESH

13. Law Book Company, Sardar Patel Marg, Allahabad-1.
14. Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad—U.P.

WEST BENGAL

15. Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24-Parganas.
16. W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.
17. Mrs. Manimala, Buys & Sells, 128, Bow Bazar Street, Calcutta-12.

DELHI

18. Jain Book Agency, Connaught Place, New Delhi.
19. M/s. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

Corrigenda
to
Twenty-Sixth Report of the Committee
on Public Undertakings(6th Lok Sabha)

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(vii)	2	2 from bottom	1978	1979
	2	last line	1978	1979
(v)	3	last line	Appendix III	Appendix II
1	1	4	Rickless	Reckless
	2(ii)	3	2.2(1)	2(2)(i)
	2(iv)	3	(8)	8
2	-	4	Normah	Norman
7	22	last line	origins	original
8	-	7	crap	scrap
8	-	6 from bottom	equipries	enquiries
14	(11)	6	ts	its
14	(11)	10	'P llora'	'Pallora'
15	(12)(iv)	4	form	from
	(12)(iv)	5	. Which	which
	(13)(i)	1	lil	like
33	-	8	1(i)	(2)(i)

CONTENTS

COMPOSITION OF THE COMMITTEE

COMPOSITION OF SUB-COMMITTEE ON ACTION TAKEN INTRODUCTION

- I. Report
- II. Recommendations that have been accepted by the Government.
- III. Recommendations which the Committee do not desire to pursue in view of the Government's replies.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations in respect of which final replies are still awaited.

APPENDICES

- I. Letter dated 14th/19th April, 1978 from M/s. Norman, Stewart & Co., Calcutta.
- II. Analysis of the action taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (Sixth Lok Sabha) on CIWFC.

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

CHAIRMAN

Shri Jyotirmoy Bosu

MEMBERS

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

SECRETARIAT

Shri H. G. Paranjpe—Joint Secretary

**Shri T. R. Krishnamachari—Chief Financial Committee
Officer**

Shri Lekh Raj—Senior Research Officer

*Elected w.e.f. 26-12-1978 vide Shri Deoras Patil, died.

SUB-COMMITTEE ON ACTION TAKEN

Shri Jyotirmoy Bosu—*Chairman*

Shri O. V. Alagesan—*Convener*

Shri Tridib Chaudhuri

Shri Hitendra Desai

Shri L. L. Kapoor

Shri K. Lakkappa

Shri Bhanu Kumar Shastri

Dr. Subramaniam Swamy

Shri K. N. Dhulap

Shri Era Sezhiyan

Shri Viren J. Shah.

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present this Twenty Sixth Report on Action Taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Central Inland Water Transport Corporation—Reckless and Fraudulent Sale of Numerous Vessels.

2. The Second Report of the Committee on Public Undertakings was presented to Lok Sabha on the 11th April, 1978. The replies of Government to all the recommendations contained in the Report were received on 7th October, 1978. Further information in respect of certain recommendations were also called for from the Ministry of Shipping & Transport on 11 January, 1979 and it was received on 18 January, 1979. The replies of Government were considered by the Sub-Committee on Action Taken of the Committee on Public Undertakings and this Report was adopted by them at their sitting held on 7th March, 1978. The Report was finally adopted by the Committee on Public Undertakings on the 12th March, 1978.

3. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix III.

4. This Report brings out a very unsatisfactory position in regard to the action taken by the Government. Although the Committee, as a result of their painstaking efforts, had unearthed what can only be described as a criminal conspiracy in the CIWTC in the matter of sale of vessels at a ridiculously low price, further investigations by the CBI, IT authorities etc., to take action including launching of prosecutions have proceeded at a shockingly slow pace. One could suspect that the officials of the Ministry who were directly connected with this undertaking were not free from involvement in these deals. Instructions should therefore be issued by Government at the highest level (Prime Minister) that whenever an investigation is suggested at the instance of a Parliamentary Committee it should be taken up by the agency concerned on a top priority basis and normally completed within a period of three months. Unless this is ensured by the Government any exercise done by a Parliamentary Committee will become infructuous and it will not be conducive to effective functioning of democracy.

NEW DELHI;

21 March, 1979

Phalguna 30, 1900 (S)

JYOTIRMOY BOSU,

Chairman

Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the Action taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (1977-78) on Central Inland Water Transport Corporation—Rickless and Fraudulent Sale of Numerous Vessels, which was presented to Lok Sabha on 11th April, 1978.

2. Action Taken notes have been received from Government in respect of all the 49 recommendations contained in the said Report. These have been categorised as follows:—

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

Serial Nos. 1, 2 (3) (i)-2 (13) (iv), 3 (1)-3 (6), 4—7.

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

Serial Nos. 2 (2) (1)-2 (2) (iii).

- (iii) *Recommendations/Observations in respect of which the replies of Government have not been accepted by the Committee.*

Nil

- (iv) *Recommendations/Observations in respect of which final replies of Government are still awaited.*

Serial Nos. 2 (1) and (8).

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

Delay in implementation of Recommendations

Recommendations (Sl. Nos. 1 to 7, Paras 140 to 154)

4. In Para 140 to 152, the Committee noted that a large number of vessels which were very much in serviceable and water-worthy condition had been sold by the Central Inland Water Transport Corporation as scrap at throw away prices and in utter disregard of rules or norms, thereby causing enormous loss to the Corporation. In

this connection the Committee noticed several intriguing features, including the following:—

- The entire survey valuation business was a facade—Surveyors M/s. Normah Stewart & Co. were hand-picked and they appeared to have lent their 'letter-head' which enabled the officers of the Corporation to misrepresent the facts before the Board and the Government.
- The sale of vessels did not receive the minimum necessary publicity. The members of the Tender Committee, which was a hand-picked body, started closed-door negotiations and re-negotiations with the tenderers and the approval of CMD was given in an indecent haste.
- The sales were effected without taking into consideration heavy costs incurred on repair of vessels.
- Vessel 'Pallora' was substituted for vessel 'Rajnagar' and sold to buyers in an irregular manner.
- The conditions of sales of vessels laid down by the Corporation and of the contract entered into in this behalf had been violated with impunity.
- The Committee's directive to withhold all further sale and delivery of vessels till presentation of Report to Parliament was by-passed and vessel 'Jamtara' was delivered to buyers in a planned manner.

It was clear that the sellers and the buyers entered into a criminal conspiracy to defraud the Corporation.

5. The Committee came to the conclusion that this could not have happened without a pre-planned criminal conspiracy and that the Corporation was seething with corruption, malpractices and mismanagement. The Committee called upon the Government to *inter-alia* take the following specific action:—

- (i) The sale of 17 vessels, delivery of which had been withheld at the instance of the Committee, should be cancelled forthwith.
- (ii) The feasibility of re-gaining vessels 'Jamtara' and 'Pallora' should be explored.

Government machinery i.e. CBI, Direct Taxes and other concerned authorities should enquire into all the cases with

the object of realising taxes and taking such action as might be necessary.

- (ii) The feasibility of filing criminal cases against the concerned buyers and officers of the Corporation should be explored.
- (iv) Government should notify all concerned undertakings and Government Departments that M/s. Norman Stewart's reports on valuation should not be taken seriously and should not form basis of any transactions.

6. In paras 153 to 155, the Committee made a specific mention of six officers of the Corporation (Shri K. Chelliah, Cap. M. D. Khatri, Shri P. G. Biswas, Shri M. Yusuf Khan, Shri N. K. Sarkar and Shri S. K. Roy) who were involved in the shady transactions relating to the sale of vessels and expressed doubts whether they were fit for any position of trust and responsibility in any Government organisation or public undertaking.

7. In their replies, the Government have *inter-alia* stated that:

- (i) As recommended by the Committee, the CBI and the Ministry of Finance (Department of Revenue and the Enforcement Directorate) have been asked to investigate the various irregularities and malpractices brought out in the Report, including the arbitrary appointment of Messrs Norman Stewart & Co. and the role played by them, sale of vessels without taking into consideration the amounts spent on repairs, inadequate publicity given in newspapers, closed-door negotiations with the buyers, non-observance of conditions of sale etc.
- (ii) The sale of the 17 vessels has been cancelled and efforts being made to use all the river worthy vessels.
- (iii) The buyers of vessels 'Pallora' and 'Jamtara' had stated that these had been scrapped and sold to scrap merchants. CBI has been asked to investigate whether the statements of the firms are correct.
- (iv) A show-cause notice was served on M/s. Norman Stewart & Co. The firm however, asked for certain documents and the matter is under consideration. Meanwhile CIWTC has decided not to give any contract to this firm.

8. As regards action against the concerned officers of the Corporation, Government have stated that Shri K. Chelliah has reverted to the Shipping Corporation of India. Shri N. K. Sarkar was no longer in the organisation. Shri M. D. Khatri has been dismissed and Shri Yusuf Khan has retired. Shri P. G. Biswas has been suspended w.e.f. 23-11-78 and Shri S. K. Roy continues to be in the Corporation.

9. The question of further action, including filing of criminal cases against the officers and other concerned parties would be considered after the reports of CBI and other investigating agencies have been received.

10. In response to further information called for by the Committee, the Ministry have stated (on 18-1-1979) that no reports (preliminary or final) have so far been received) from the various investigating agencies.* They had asked the Ministry of Finance, Department of Revenue and Enforcement Directorate to complete the investigations by 15-7-78 but no such target date was fixed for submission of reports by the CBI. All the agencies had, however, been reminded from time to time for early completion of the investigations.

11. Regarding initiating departmental action against the concerned officers, pending completion of investigations, the Ministry have drawn attention to instructions contained in the Vigilance Manual which envisage that once a case has been entrusted to the CBI, further departmental action could be taken only after completion of CBI's investigation.

12. The Committee are deeply distressed at the shockingly slow pace of the implementation of their recommendations which were the result of their pains taking efforts in unearthing what can only be described as wide-spread criminal conspiracy in the CIWTC. The startling disclosures of the Committee seem to have been lost on the Government for no tangible action has been taken even after a lapse of 9 months since the presentation of the Report. The Committee expected better performance in the matter of implementation by the Ministry of Shipping & Transport who have more or less remained content with merely handing over virtually the entire matter for investigation by the CBI and/or Income Tax Authorities

*Subsequently on 6-3-1979 and at the time of factual verification, the Ministry stated that CBI had intimated that inquiry in the case of irregularities in respect of delivery of vessel "jamtara" had been completed. The receipt of the inquiry report was awaited.

[Ministry of Shipping & Transport O.M. No. 28-IWT(18)/79-
P&W dated 13-3-1979]

and the Enforcement Directorate. Although the Ministry of Finance had been asked to complete the investigation by 15th July, 1978, the investigation has yet to be completed (Feb. 1979). As regards the investigation by the CBI neither a target date has been fixed nor has it been completed. All this shows an unhealthy disregard for the Committee's recommendations.

13. Whenever an investigation is suggested at the instance of a Parliamentary Committee it should be taken up by the agency concerned on a top priority basis and normally completed within a period of three months. Unless this is ensured by the Government Parliamentary Committees would be greatly handicapped in their work. Strict instructions in this regard should be issued forthwith at the highest level.

14. The Committee require that in this case the CBI should also look into the role played by the buyers who got the vessels through dubious means.

15. The Committee feel that, in the absence of any positive proof Government should make energetic efforts to regain possession of vessels 'Jamtara' and 'Pallora' unless it is clearly established that the vessels have been scrapped.

16. The Committee are unable to understand how, in the light of their recommendations, Shri K. Chelliah, ex-CMD of C.I.W.T.C., continues to be in the employ of Shipping Corporation of India, and undertaking of the same Ministry.

17. The investigating agencies have already taken inordinately long time, which only breeds further corruption. These agencies should speed up the process and launch criminal prosecutions without further loss of time. On the basis of the findings of the agencies, the CIWTC and the Ministry of Shipping and Transport should also simultaneously initiate departmental action not only to bring the erring officials to book but also to streamline the procedures and practices in order to eliminate corruption and malpractices. These should be done within a period of three months from now and a statement laid on the Table of the House setting forth the complete action taken on all the recommendations contained in the Report.

Survey Valuation—Representation by Messrs Norman Stewart & Co.

18. In para 150, the Committee *inter-alia* observed that:

"According to M/s. Norman Stewart although the vessels should not have been termed as scrap, and their valuation

should have been done on "as is" basis, still the Corporation insisted for giving the scrap value and got two sets of valuation (sometimes three) i.e. 'as is' value, the scrap value and the enforced sale with an ulterior motive.

As admitted by the Senior partner of M/s. Norman Stewart (Shri Choksi) their letter-head appears to have been used by the officers of the Corporation to dispose of vessels at throw-away prices. In fact the entire survey valuation business seems to be a facade introduced by the officers of the Corporation to defraud the Corporation and to benefit the buyers and themselves individually.

The Committee have serious doubts whether the surveyors were at all serious about their duties which should have *inter alia* included examination of hull, body, engine etc., of the vessel. They merely lent their "letterhead" for monetary consideration to be used for giving a valuation which enabled the officers of the Corporation to misrepresent the facts before the Board and the Government and give away the vessels at throw-away prices."

19. In regard to the above, Shri S. J. Choksi, Partner, Messrs Norman Stewart & Co. has, in his letter dated 14th/19th April, 1978 at Appendix 'A' to the Chairman of the Committee, represented follows:—

'Without meaning any dis-respect to such findings of the Committee, I feel it my duty to bring to your kind notice the fact that in my statement before the Committee I had never stated that we had "lent" our letterheads to CIWTC. Our files connected with our work with CIWTC since June 1970 had already been handed over to the Committee. All the Reports issued by us to CIWTC were made out in our office on our letterheads and signed, sealed and delivered from our office from time to time. No blank letterheads whatsoever of our firm were ever lent to CIWTC for any purpose. I respectfully pray that this fact may kindly be kept on record.

Not only in the case of CIWTC but also in many other cases, we have been giving 2 or 3 values depending upon the merits of each case. In the case of CIWTC we had given the prevailing "AS IS" value as well as "Scrap Value" based on our own observations and calculations. Such is

the normal practice in the case of old vessels. Other Surveyors would confirm this practice.

As already stated during my evidence, I can only express my sorrow if any loss to the exchequer occurred through the mis-use of our aforesaid Reports by the officers of the Corporation for any monetary gain or otherwise. But so far as our organisation is concerned, our Reports were as are normally issued by us to other clients as well."

20. The Committee have been informed by Government that "the CBI has been asked to look into the various irregularities committed in the sale of vessels including the role played by M/s. Norman Stewart."

21. The Committee have learnt that Shri S. J. Choksi, Partner, Messrs Norman Stewart & Co. went to Japan for inspection of a ship 'Pacific Wealth' purchased by M.M.P. Lines Ltd. and that he knew Shri M. N. Pal M.D. of this Company. In their 5th Report of C.I.W.T.C.—Lightering operation etc, the Committee *inter alia* came to the conclusion that MMP Lines Ltd. had been the main beneficiaries in the lightering operations undertaken by the C.I.W.T.C. and that top officers of the Corporation were 'hand-in-glove' with Shri M. N. Pal, Managing Director of M.M.P. Lines Ltd. to defraud the Corporation. It is seen from the replies of Government that the M.M.P. Lines Ltd. have now disowned claims of CIWTC to the extent of Rs. 8.77 lakhs. It appears not possible to recover it through normal process.

22. The findings of the Committee on the role played by Messrs Norman Stewart & Co. were based on an overall assessment of the evidence tendered by their representatives and others. The expression that the firm "merely lent their letterheads" should obviously be construed to mean that they allowed themselves to be used by certain officials of the Central Inland Water Transport Corporation for the latter's nefarious ends. It cannot be literally interpreted. The Committee had reasons to suspect that the firm while allowing themselves to be used, had their own axe to grind. In any case the matter is reported to be under investigation by the CBI. The Committee do not therefore consider it necessary to modify their original observations in any manner.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Para 149)

The Committee are painfully shocked to observe that a large number of vessels which were very much in serviceable and water-worthy condition have been sold by the Corporation as a crap at throw-away prices and in utter disregard of any rules or norms, thereby causing enormous loss to the Corporation. The extraordinary procedure adopted in the sale of vessels leads the Committee to the conclusion that this could not have happened without a pre-planned criminal conspiracy.

Reply of Government

As recommended by the Committee in Paragraph No. 151(2), the CBI and the Ministry of Finance (Deptt. of Revenue/Enforcement Directorate) have been requested to investigate the various irregularities and malpractices in the sale of vessels brought out in the Committee's Report. Their reports are awaited.

[Ministry of Shipping and Transport O.M. No. 28-IWT(34)/78-
P&W Dated the 7th October, 1978]

Recommendation (Serial No. 2, Para 150)

The Committee have noticed the following disconcerting features in the transactions relating to the sale of these vessels:

* * * *

(3) The survey valuation of the vessels has several intriguing features which are given below:

- (i) Though the surveyors M/s. Norman Stewart came in the records of CIWTC in 1970, it was from November, 1976 that they were given the valuation business. No tenders or rates were called for or enquiries made in this behalf from other similar firms nor any advertisement given in the press. What is worse is that there is no written document regarding their appointment and it would appear that they were arbitrarily appointed as surveyors.

*For Sub-Paras (1) and (2) please see Chapter III & V.

by the officers of the Corporation. They were given valuation work from time to time on telephone without any written communication therefor; even telephonic conversations were not followed by subsequent written confirmation, as is the normal practice. The Committee is positive that M/s. Norman Stewart were hand-picked for survey work to suit the financial interests of the buyers of the vessels as also the officers of the CIWTC. This is borne out by the note recorded by Chairman-cum-Managing Director that the figures by the surveyors "should be acceptable to both the parties". Undoubtedly M/s. Norman Stewart and Company were helping the officers of the Corporation and the purchasers.

- (ii) (a) According to M/s. Norman Stewart although the vessels should not have been termed as scrap, and their valuation should have been done on 'as is' value basis, still the Corporation insisted for giving the scrap value and got two sets of valuation (sometimes three), i.e. 'as is' value, the scrap value and the enforced sale value with an ulterior motive. The concerned officers in the Corporation kept the 'as is' value given by the surveyors to themselves and did not indicate it in the comparative chart put up for the consideration of the Committee of Technical Officers to enable them to decide about the fairness of the price offered by the bidders. Everybody including the Ministry and this Committee were kept in the dark about the 'as is' value of the vessels to be disposed of and the scrap value was given as the 'survey value' which in most cases varied between 35 to 60 per cent of 'as is' value given by the surveyors. The Committee could unearth this fact after lot of exercise and probing. Such scrap value was falsely posed to be the fair market price and the officers of the Corporation disposed of numerous water-worthy vessels at a mere fraction of their real market value. For instance, on 'Galiana' pre-sale repair cost amounted to Rs. 13.38 lakhs and it was sold for a mere Rs. 3.07 lakhs. Whereas it was found that the replacement value of the same was estimated at Rs. 80 lakhs. This gives a clear indication of the enormity of the loss caused to the Corporation by this dubious sales effected by a group of unscrupulous officers of the Corporation.

- (b) For the 43 vessels sold after November, 1976, the highest sale price they got was Rs. 3.07 lakhs and the lowest as low as Rs. 4,700.
- (c) As admitted by the senior partner of M/s. Norman Stewart (Shri Choksi), their letter-head appears to have been used by the officers of the Corporation to dispose of the vessels of the Corporation at throw-away prices. In fact the entire survey valuation business seems to be a facade introduced by the officers of the Corporation to defraud the Corporation and to benefit the buyers and themselves individually.
- (iii) The role played by M/s. Norman Stewart does not appear to be above criticism. They appear to have no business ethics and gave multiple valuations as might please their clients. The time spent by them to assess the condition of a vessel and its survey value was stated to be about half an hour to one hour and they examined it 'just like a doctor examines the pulse'. Their charges for this work were stated to be constant since 1970 at Rs. 72 per vessel. The Committee have serious doubts whether the surveyors were at all serious about their duties which should have *inter alia* included examination of hull, body engine etc. of the vessel. They merely lent their 'letter-head' for monetary consideration to be used for giving a valuation which enabled the officers of the Corporation to misrepresent the facts before the Board and the Government and give away the vessels at throw-away prices.
- (iv) (a) The role played by the head of the Department, namely the Marine Superintendent (Capt. Khatri) who has since been dismissed on charges of corruption after the Committee on Public Undertakings took up examination, and against whom prosecution had been recommended by the Committee, and his trusted accomplice River Transport Officer (Shri Roy) in the Marine Department in this matter is conspicuous. Even after the selection of M/s. Norman Stewart in November, 1976, the Marine Superintendent continued to survey the vessels and fix their survey value, which prior to that he did in all cases. Out of the 43 vessels sold after November, 1976, four vessels i.e. 'Mahsur', 'Stream', 'Jet' and 'Rajang' were surveyed by him and in the case of 3 of these vessels, the survey value given was even less than the book value

thereof. One can well imagine the monetary benefit that he must have derived out of these deals.

- (b) It is interesting to note that in this arrangement the Marine Superintendent has played the principal role. He has been surveying the vessels; he is a member of the Tender Committee to accept the bids; and he is the ultimate authority to give delivery of vessels. Although a C.B.I. enquiry was pending against him all this time, yet the then Chairman-cum- Managing Director (Shri Chelliah) had been shielding him.
- (4) Advertisements for sale of vessels were given only in 3 or 4 newspapers irrespective whether the number of vessels to be sold was 10 or 20. The newspapers selected for advertisement which were mainly Calcutta-based papers, included Calcutta Exchange Gazette and Assam Tribune, Gauhati which have very limited circulation. No advertisements were given in Madras papers or Urdu and other language papers. The advertisements were given only for one day and the expenditure incurred thereon had no relation whatsoever to the sale price expected to be realised. What is worse is that the advertisements were not given at prominent place but were inserted in an inconspicuous place in the papers so as not to catch the eyes of prospective buyers except a few. The result has been that the sales did not receive the minimum necessary publicity so that the vessels could fetch the maximum sale price. It is clear that the CIWTC authorities were more anxious to hide the sale decisions rather than publicising them.
- (5) (i) When the number of vessels advertised was 10, the time given for receipt of tenders from the date of advertisement was 24 days but when the vessels advertised were 20 the time given was only 15 days. Similarly when the number of vessels sold was 2, tender papers issued were 25 and tenders received were 11 but when the vessels sold were 16, tender papers received were 10 and the tenders received 7. What is most peculiar is that after the sealed tenders were opened, the tender Committee members started closed-door negotiations and renegotiations, which in many cases went on for 2 to 4½ months. This facility of negotiations was not made known at the time of issuing tenders.

- (ii) The then Chairman-cum-Managing Director (Shri Chelliah) was the final approving authority. He formed the Tender Committee consisting of the then Principal Adviser (Shri Yusuf Khan), the FA & CAO (Shri P. G. Biswas who was also responsible for receiving payment), the Marine Superintendent (Capt. Khatri—who was also responsible for delivery of vessels) and the Secretary (Shri Sarkar who was also responsible for advertisement, receipt of tenders and other coordination work)—a hand-picked body. Surprisingly enough the Tender Committee did not include any Engineer, e.g., the General Manager, Rajabagan Dockyard who was in the know of things and qualified to judge the conditions of vessels.
- (iii) The tenders appear to have been finally approved in an indecent haste without careful consideration. On the very day a tender was accepted by the Tender Committee, papers were rushed to the then Chairman-cum-Managing Director who approved the same immediately. Evidently, the then Chairman-cum-Managing Director was 'waiting in the wings' to accord final approval to the sale of vessels.
- (6) (i) The conditions of sale were not observed at all. Out of the 46 vessels sold after August, 1976, payment within 15 days of acceptance of offer was received only in one case as required under the general conditions of sale. In the case of other 45 vessels payment has been received after 4 to 5½ months' time in violation of the conditions of sale.
- (ii) In no case was the earnest money of the buyers with the Corporation forfeited for the default in payment. On the contrary the buyers were allowed to make payments even by instalments which was not at all provided for in the conditions of sale.
- (iii) Furthermore, while the conditions of sale stipulated payment to be made in cash or by bank draft, actual payments in all the cases were made by cheques in clear violation of the sale conditions or the contracts entered into with the buyers therefor.
- (7) (i) Out of the 29 vessels physically delivered after August, 1976 (excluding the 17 vessels, delivery of which has been withheld at the instance of the Committee), delivery within 7 days from the date of order/or 30 days from the date of payment was made in the case of 9 vessels as required under the general conditions of sale. In the case

of other 20 vessels, delivery in number of cases has been made after 2 to 5 months time, from the date of issue of delivery order.

- (ii) The most striking feature is that no wharfage or crew charges whatsoever, which came to about Rs. 10,000 per vessel on an average, or over Rs. 50,000 for 5 months including interest thereon, were realised from buyers for failure to take delivery in time as stipulated under the sale conditions. If this is also taken into account, it would appear that the buyers in many cases got the vessels almost for nothing. The Committee therefore recommend that the Tax authorities should probe into the matter to detect tax evasions, if any.
- (8) The purchase of the vessels was monopolised by a group of big five or six firms (owned by Khanbhai Yusufbhai and others) who were undoubtedly very familiar and thick and thin with the officers of CIWTC.
- (9) (i) In many cases, vessels were repaired extensively at heavy costs. Expenditure incurred on their repair was not taken into account while assessing their sale value. The surveyors were also not intimated about prevaluation major repairs. The vessels after such costly repairs were used very little and were sold at ridiculously low prices. Furthermore, in a number of cases i.e., the vessels—'Mahsur', 'Steam', 'Sanga' and 'Polwheel'—were sold even at less than their book value which was the lowest token value.
- (ii) Another notable instance in this regard is that the vessel 'Suhail' was sold by the Corporation soon after its electrification. It was sold even at less than the scrap value.
- (iii) Still another instance is that Tug 'S.L. Yak' was placed in the scrap list on 6th July, 1977 despite spending Rs. 16,55,939 on its repair, during the period November, 1974 to March 1976 and this Tug is still lying in an immobilised condition.
- (10) The cost of running river services amounts to a fraction of other modes of surface transport but here in CIWTC, which has lost about Rs. 21 crores, the river service could not run profitably for the simple and only reason that the CIWTC has no will and is seething with corruption malpractice and mismanagement. A vessel (Galiana), which was repaired at Rs. 13 lakhs, was sold for Rs. 3.07 lakhs and one of the senior-most Engineers categorically said that the replacement value of this vessel was Rs. 80 lakhs.

- (11) (i) One of the glaring cases of criminal conspiracy, malpractice and fraud was the substitution of vessel 'Pallora' in place of 'Rajnagar'. The Corporation advertised for the sale of 'Rajnagar' (having book value of Rs. 26,667 and survey value of Rs. 2.20 lakhs) in December, 1975 and accepted quotation for its sale at Rs. 85,103 from Calcutta Metal Corporation. Later, vessel 'Pallora' (having book value as Rs. 99,121) was substituted and given illegally to the buyers in place of 'Rajnagar' at the same price, i.e., Rs. 85,103. The Sarang and Laskar of vessel 'Pallora' have stated that it was in good condition, whereas the Sarang and attendant of vessel 'Rajnagar' stated that it was in very bad condition.
- (ii) No survey of vessel 'Pallora' was conducted nor was prior approval of the Board sought for its sale. It was in September, 1976 that matter was brought before the Board and the Board considered the sale of vessel 'Pallora' as 'irregular'. On an enquiry report submitted by the then Chairman-cum-Managing Director (Shri Chelliah), the Board in November, 1976 gave its *ex post facto* sanction to the sale of 'Pallora' but no action was taken against anybody for this serious fraud. Quite likely the then Chairman-cum-Managing Director (Shri Chelliah) was a party to the deal.
- (iii) Apparently it seems that vessel 'Pallora' which was in excellent condition and worth several lakhs of rupees, was given to the buyers in lieu of vessel 'Rajnagar' which was in a very bad shape.
- (iv) The Committee would recommend that if this vessel is traceable, the feasibility of regaining its possession should be explored by Government. Besides, the Ministry should order a fresh enquiry into the circumstances which led to the substitution of 'Pallora' in place of 'Rajnagar' with a view to fixing responsibility and punishing the guilty persons.
- (12) (i) What has particularly irked the Committee is the fact that their recommendation made on 1st September and on 13th September, 1977 to withhold all further sale and delivery of sold vessels till the presentation of Committee's Report to Parliament was bypassed in a planned manner obviously for monetary considerations.

- (ii) The then Chairman-cum-Managing Director (Shri Cheliah), present Chairman-cum-Managing Director (Shri Yusuf Khan), FA & CAO (Shri Biswas), Marine Superintendent (Shri Khatri) and R.T.O. (Shri S.K. Roy) in particular and other officers concerned with sale of vessels were out to help the buyers.
 - (iii) The conduct of Marine Superintendent (Capt. Khatri) is most reprehensible not only in the case of 'Jamtara' but in the matter of sale of other vessels also with which he was concerned.
 - (iv) The representatives of buyers (M/s. Hammer Industries) stated in his statement before the Chief Vigilance Officer on 28-9-1977 that "that flat 'Jamtara' will be scrapped at Allahabad" after transport of boiler of 300m/tonnes from Haldia to Allahabad. Which was "so heavy" that it could not be transported by any other mode of transport but could "only be done with the help of this flat (Jamtara) by river transport". According to the evidence before the Committee, this vessel has not been scrapped but is sailing under a different name 'Balaji'.
- (13) (i) The Committee understand that to build a new vessel like 'Jamtara' today, it will cost Rs. 50 lakhs which was sold for Rs. 1,01,111. As admitted by the Ministry the circumstances in which vessel 'Jamtara' was delivered are not free from suspicion and they have now referred the case to CBI for investigation.
- (ii) It is surprising that the Ministry did not ensure compliance with the decision of the Committee with the result that vessel 'Jamtara' was physically delivered to the buyers, although they came to know about Committee's written instructions much earlier.
 - (iii) What is more intriguing is that the letter of the then Chairman-cum-Managing Director of 6th October, 1977, which involved violation of the decision of the Committee was disposed of at the level of the Chief Engineer-cum-Administrator (Shri Dikshit) in the Ministry and was not brought to the notice of the Secretary.
 - (iv) It is evident that the conditions of the sale of vessels laid down by the Corporation and of the contract entered into in this behalf have been violated with impunity which

should make these sales null and void. It is clear that the sellers and the buyers entered into a criminal conspiracy, to defraud the Corporation.

Reply of Government

* * * * *

(3) (i) As recommended by the Committee in para No. 151(2), the CBI has been asked to investigate the malpractices and irregularities committed by CIWTC in the sale of vessels, including arbitrary appointment of M/s. Norman Stewart & Co. in an irregular way. The report of the CBI is awaited.

(i) (a) Messrs, Norman Stewart gave both 'as is' value and "scrap value" in respect of 16 vessels of which sale of 12 vessels was withheld. The "Enforced Sale value" was given in respect of a few vessels which were, however, not ultimately sold. The Corporation has been asked to fix responsibility for not indicating the "as is" value in the comparative chart put up for the consideration of the Committee of technical officers in respect of the 16 vessels for which "as is" value had been indicated by the surveyor and for not intimating this value in respect of these vessels while asking for the approval of the Government to the sale of these vessels. The Corporation has been asked to ensure that in future whenever sanction for the sale of vessels is applied for, all the various sets of valuation recommended by the valuers, in case more than one set of valuation has been recommended, should be indicated along with reasons as to why a particular valuation out of these has been treated as the reserve price.

In regard to vessel Galiana CIWTC have reported that the four-yearly docking survey and repair in respect of "Galiana" was carried out in 1972 at a cost of Rs. 13,39,000. As against this amount the value of material actually used was about Rs. 2.77 lakhs (excluding stores overhead) and the balance amount constituted cost of labour with dockyard overheads, docking charges and other expenses. The vessels became due again for four yearly survey repairs on 1976 when it was estimated that such survey repairs would involve an expenditure of about Rs. 30 lakhs. Further, Rajabagar Dockyard of the Corporation which alone has got the facility of docking such vessel, being occupied with repairs of other vessels could not offer dry-docking

*For replies to Sub. Para (1) and (2) please see Chapters III and V.

space for "Galiana" at that time. The condition of the vessel warranted immediate docking as "Galiana" awaiting docking in the river moorings broke her back during the bore tides in the Hooghly. Thus it was considered unsafe to keep the vessels afloat on the river for an indefinite period. Also the estimated cost of repairs was considered very high and uneconomic. Hence it was decided to dispose of the vessel to avoid total loss.

As mentioned in reply to sub-para 9 of this recommendation, the CBI has been asked to investigate various irregularities and malpractices, including sale of vessels on ridiculously low price without taking into consideration the amounts spent on repairs.

[Ministry of Shipping and Transport O. M. No. 28-IWT(34)/78-P&W dated 7-10-1978]

Further information called for by the Committee

Serial No. 2(3)(ii)(a)

The action taken by the CIWTC in fixing responsibility for not indicating the "as is" value in the comparative chart and not intimating the same while asking for the approval of the Government for the sale of vessels may be indicated.

[LSS O.M. No. 42/1(4)-PU/77 dated 11-1-1979]

Further reply of Government

The matter was taken up with the Chairman-cum-Managing Director, CIWTC who has stated that as the matter is under investigation by the CBI, their report may be awaited for taking action in regard to fixing the responsibility in the matter. The CBI has been reminded to expedite their report.

[Ministry of Shipping & Transport O.M. No. 28-IWT(34)/78-P&W. Vol. II dated 18-1-1979]

Reply of Government

- (3) (b)&(c) As mentioned in the reply against para 9 of this recommendation, the various irregularities and malpractices, including sale of vessels at throwaway prices, has been referred to CBI for enquiry.
- (iii) As recommended by the Committee in para 151(2) the CBI has been asked to look into the various irregularities committed in the sale of vessels including the role played by M/s. Norman Stewart.

As recommended by the Committee in para 151(5) the question of notifying the concerned undertakings and Government departments that their reports on valuation should not be taken seriously and need not form the basis of any transaction, is also under consideration. The firm were asked to show cause as to why such an action should not be taken against them. The firm have asked for supply of some documents for which advice of Lok Sabha Secretariat has been sought.

- (iv) (a) Out of the two officers by the Committee Shri Khatri has already been dismissed from service. The other officer Shri Roy is still in the organisation. As recommended by the Committee in Para No. 151(2) the CBI has been asked to look into the various irregularities and malpractices committed in the sale of vessels, but the report of CBI is awaited. The question of taking further action against S/Shri Khatri and Roy can be considered only after the receipt of CBI's report. If investigation by CBI disclose commission of an offence on the part of any of the officers, the feasibility of launching criminal prosecution against him will obviously be considered by the CBI.
- (b) As already stated in (a) above further action on Shri Khatri can only be taken on receipt of CBI's report. Similarly action against Shri Chelliah in this case can also be taken only after CBI's report has been received.
- (4) As recommended by the Committee in paragraph 151(2), the CBI has been asked to investigate the mal-practices and irregularity committed in the sale of vessel including inadequate publicity given in newspapers to fetch maximum sale price. The report of the CBI is awaited.
- (5) (i) CIWTC have intimated that their usual practice is to allow a minimum of 15 days time to the intending tenderers from the date of the advertisement.

The priced tender papers are issued to the intending tenderers as and when they approach the Corporation for the same after the publication of the advertisement. The number of tender papers issued depended on such requests of intending tenderers.

As recommended by the Committee in Para No. 151(2), the various irregularities committed by CIWTC in sale of vessels including the closed door negotiations carried out

subsequently which facility was not made known at the time of issuing of tenders have been referred to CBI and their report is awaited.

- (ii) The Tender Committee comprised a number of senior officers of the Corporation. It is not possible to ascertain at present the reason as to why the Committee did not include any engineer, e.g. the General Manager of Rajabagan Dockyard. This, however, does not involve violation of any specific instructions for which the then Chairman-cum-Managing Director who constituted the Committee might be held responsible.
- (iii) As already mentioned, the various irregularities committed in the sale of vessels have been referred to CBI. Action against the then Chairman-cum-Managing Director will have to be considered in the light of the CBI's report. Obviously, no action can be taken against him only on the ground that approval was accorded by him promptly on the very day a tender was accepted by the Tender Committee.

(6) (i) (ii) (ii) CIWTC has intimated as under:—

“In several cases payment terms were fixed in course of negotiations/re-negotiations that took place for raising the sale price. Experience shows that acceptance of payments by instalments in relaxation of the conditions of sale instead of insisting on lump payment at a time fetched higher sale price.

In the circumstances explained above, the condition of forfeiture of earnest money was not rightly observed. However, in one case, i.e. in respect of sale of “Rejang” the earnest money amounting to Rs. 10,000 was forfeited as the successful tenderer, Messrs Tirupati Shipping Company failed to pay the sale price.

Though payments by cheques were accepted, delivery order invariably issued after encashment of the cheques.”

As recommended by the Committee in Para No. 151(2), the CBI has been asked to investigate the various irregularities and mal-practices committed by CIWTC in sale of vessels including non-observations of conditions of sale and their report is awaited.

(7) (i) and (i) The CIWTC has intimated as under:—

“The delivery order was issued by the Secretariat Department at Head Office to the Marine Superintendent at T.T. Sheds, who in turn, arranged for removing the chairs, anchors, search lights, deck equipments, stores, etc., before giving physical delivery of the vessels to the buyers. It took some time for the Marine Department to arrange for such removal of moveables from the vessels before actual handing over of the vessel to the purchaser.

It is true that no wharfage or crew charges were realised from the buyers as a result of delay in delivery of vessels.” The Corporation has also reported that the delay in delivery is mainly due to the storage of their marine stores in the vessels which could not be removed and stored at safe places. They have also expressed the view that it is doubtful whether purchaser can be penalised for delay in taking delivery at this stage since delay in removal of the Corporation's stores from the vessels is also a contributory factor.

As recommended by the Committee in Para No. 151(2) the CBI, Ministry of Finance (Deptt. of Revenue) and Enforcement Directorate have been requested to look into the various irregularities, including delay in taking delivery of vessels by the purchasers and non-deduction of wharfage or crew charges by the Corporation for such delays. Their reports are awaited.

(8) As recommended by the Committee in Para No. 151(2) the various irregularities and malpractices committed by the CIWTC in sale of vessels have been referred to the CBI whose report is awaited.

(9) (i) (ii) (i) The CIWTC has intimated as under:—

“According to the usual Commercial practice the cost of repairs except major ones does not appreciate the value of the assets and also expenses incurred on four-yearly docking surveys and repairs are considered as deferred revenue expenditure to be absorbed within the next four years. The vessels sold were all due for docking survey or repairs and all expenses incurred on previous docking surveys were already absorbed.

Hence these expenses were not taken into account while the sale was being processed through.

The vessels 'Sanga' and 'Polwheel' were embodied and lying in a partly-submerged condition at the time of sale. The sale of vessels 'Mahseer' and 'Stream' was withheld as per direction of the Committee on Public Undertakings. The latter two vessels are still lying in half-submerged condition at Amingaon in Assam. All these 4 vessels were advertised for sale for more than once to secure better offer.

The vessel 'Suhail' was being utilised as Office-cum-accommodation flat at Jogighopa Port in Assam for commercial officers posted there. This Port which was a transshipment point was closed for lack of traffic. It was then decided to sell the vessel 'Suhail' rendered surplus on account of closure of Port activity. The electrification was done when the officer resided there and the expenses incurred were nominal.

S.L. Yak has not been sold. Only after a decision was taken to dispose of the vessels surplus to requirement, it was tentatively decided to include this vessel in the 'surplus' list."

As recommended by the Committee in Para No. 151(2) the CBI has been asked to investigate various irregularities and malpractices including sale of vessels on ridiculously low prices without taking into consideration the amount spent on repairs. The report of the CBI is awaited.

- (10) There have been various factors, apart from mis-management and corruption, which have been responsible for the losses suffered by the Corporation. However, Govt. agree that there is urgent need for improving the management of the Corporation and ridding it of corruption. A new Chairman-cum-Managing Director has been appointed and necessary steps, as are feasible under the law, are being taken to get rid of the corrupt and inefficient officers and improve the efficiency of the Corporation's management.

So far as disposal of vessel Galiana is concerned, the position has been mentioned in the reply against sub-para 3(ii)(a) of this recommendation. However, if any mal-practice in the sale of the vessel is established as a result of CBI's investigations, suitable action against the officer responsible for the same will be taken.

Further information called for by the Committee

Serial No. 2(10)

What precisely are the steps taken or being taken by Government to get rid of the corrupt and inefficient officers and improve the efficiency of the Corporation's management.

[L.S.S. O.M. No. 42/1(4)-PU/77 dated 11-1-1979]

Further reply of the Government

As already mentioned earlier, a new Chairman-cum-Managing Director had been appointed and necessary steps are being taken by the Corporation to strengthen the top management and recruit suitable persons for those posts. The CIWTC has intimated that CBI has registered 5 cases in the recent past for investigation. The present FA&CAO (Shri P.G. Biswas) has been charge sheeted for gross misconduct on 4-10-78. During a search of his house conducted by CBI, one office file relating to grain lightening operating was seized from his residence which he could not explain satisfactorily. In view of his involvement in 4 out of 5 regular cases, mentioned above, Shri P. G. Biswas, FA&CAO has been suspended w.e.f. 23-11-78.

[Ministry of Shipping and Transport O.M No. 28-IWT(34)/ 78-P&W-Vol. II dated 18-1-1979]

Reply of Government

- (11) (i) (ii) (iii) (iv) As recommended by the Committee in para No. 151(2) (ii) the Ministry of Shipping & Transport have requested the CBI to investigate the various irregularities committed in the sale of vessels including substitution of the vessel "Pallora" for the vessel "Rajnagar". The report of CBI is awaited.

As recommended by the Committee efforts were made to trace the vessel "Pallora". M/s Calcutta Metal Corporation 135/35C, Girish Ghosh Road, Howrah have intimated vide their letter dated 3-6-78 addressed to the Principal Officer, Mercantile Marine Department Calcutta that the Flat named "Pallora" purchased from CIWTC had been scrapped as per their agreements with the Corporation. The CBI has been asked to investigate whether the Statement of the firm is correct. The report of the CBI is awaited.

- (12) (i) After the issue of instructions by the Committee on first September and 13th September, 1977 to withhold further sale and delivery of vessels, one vessel namely "Jamtara" was delivered by CIWTC. The CBI has been

requested to investigate as to how the Lok Sabha letter dated 13-9-77 reached the Corporation on 19-9-77 whereas it was received in this Ministry on 14-9-77 and in the meantime the vessel was beached for the purpose of delivery on 15-9-77 and formalities of physical delivery completed by CIWTC on 16/17-9-77. The report of the CBI is awaited.

- (ii) Out of the five officers mentioned by the Committee, Shri Chelliah is no longer in the Corporation, Shri M. Yusuf Khan has since retired, Shri Khatri has been dismissed from service. The remaining two officers namely S/Shri Biswas and Roy, however, continue as FA & CAO and R.T.O. respectively. As recommended by the Committee in Para No. 151(2) the various irregularities and mal-practices committed by the Officers of the CIWTC have been referred to the CBI and Ministry of Finance (Deptt. of Revenue) and Enforcement Directorate for investigation whose reports are awaited. The question of taking action against these officers can be considered only after the reports of investigations have been received.
- (iii) As mentioned in (ii) above further action against Shri Khatri can only be taken after the report of CBI has been received.
- (iv) In the light of the recommendation made by the Committee in Para No. 151(2) the matter was taken up with the various authorities. The Calcutta Port Trust have intimated that one Flat was placed for survey by M/s Koco Engineering Enterprise for carrying a boiler from Calcutta to Allahabad. The owner of the Flat Shri K.V.S. Sandilya stated in his affidavit that, he had purchased the scrap Flat of M/s CIWTC Ltd. The Flat was reconstructed, reinforced for carrying the heavy load of boiler 265 Ton. The Flat was surveyed and the measurements were taken for the registration. The measurements appear to be same as Flat JAMTARA which was reported to have been scrapped by the M/s CIWTC Ltd. The reconstructed Flat was registered as Flat "Balaji". The owner of the Flat Shri K. V.S. Sandilaya has confirmed by his letter dated 24-6-78 that the said Flat Balaji has been scrapped at Banaras and has been sold to scrap merchants.

The CBI has been requested to investigate whether the statement of the firm is correct. The report of the CBI is awaited.

- (13) (i)&(iv) As recommended by the Committee in Para 151(2) the CBI has already been asked to investigate the various irregularities and mal-practices committed in the sale of vessels and their report is awaited. The question of declaring these sales null and void can only be considered after the report of the CBI has been received.
- (ii) The Lok Sabha Secretariat letters dated 1-9-77 and 13-9-77 conveying the instructions of the Committee were endorsed by the Lok Sabha Secretariat directly to the CIWTC. The Corporation was expected to comply with the instructions received from the Lok Sabha Sectt. As already mentioned in reply against Para 12(1) of this recommendation, the case of delivery of vessel JAMTARA has already been referred to the CBI for investigation.
- (iii) When the letter dated 6-10-77 from the Chairman-cum-Managing Director, CIWTC was submitted to the then Chief Engineer-cum-Administrator, IWT, the latter directed that full details of the 18 vessels, as asked for by the Committee *vide* letter dated 13-9-77 from the Lok Sabha Secretariat, may be asked for from CIWTC. He obviously did not realise that delivery of vessel JAMTARA amounted to violation of the Committee's instructions and, therefore, did not bring it to the notice of the Secretary. The officer has since reverted to his parent State.

[Ministry of Shipping and Transport O.M. No. 28-IWT(34)/78-P&W dated the 7th October, 1978]

Recommendation (Serial No. 3, Para 151)

The Committee require that:—

- (1) The sale of the 17 vessels, delivery of which has been withheld at the instance of the Committee, should be cancelled forthwith.
- (2) The feasibility of acquiring the vessel 'Jamtara' which is in operation by the buyers at Allahabad under a new name (perhaps 'Balaji') may be considered by Government. The Government machinery, i.e., the CBI, the Direct Taxes and other concerned authorities should enquire into all these cases with the object of realising the taxes and for taking such action as may be deemed necessary under advice to the Committee.

- (3) Vessels which can be used as they are or can be made water worthy after modification should not be sold because the Committee have decided to strongly recommend for creating a net work of river services which is the cheapest mode of transport.
- (4) The feasibility of filing criminal cases against those who had bought the vessels through dubious means and against those who had sold them for illegal gains should be explored.
- (5) The firm of Surveyors M/s. Norman Stewart and Co., have acted in a manner, as they did, was obviously for monetary gains and for furthering their business interests, which is unbecoming of a recognised firm of approved valuers and surveyors. The Ministry should, therefore, notify all concerned undertakings and Government Departments that their reports on valuation etc., should not be taken seriously and should not form the basis of any transactions.
- (6) The Committee are concerned to observe that all the Chief spokesmen of CIWTC, who appeared before the Committee the then Chairman-cum-Managing Director (Shri Chelliah), present Chairman-cum-Managing Director (Shri Yusuf Khan), FA & CAO (Shri Biswas), Secretary (Shri Sarkar) made false statements before the Committee despite repeated warnings not to conceal facts. To cite an instance, Capt. Khatri, when asked how many vessels did he survey after November, 1976, first he said it was one, then he said it was two and later on he said that for three of them he had given value. It was only after examination in depth that the Committee found that he had valued more than 30 vessels.

Reply of Government

The above recommendation has been examined and the position is as shown below *seriatim*—

- (1) The sale of 17 vessels has been cancelled by C.I.W.T.C. as desired by the Committee. However, these vessels have been personally inspected by the new Chairman-cum-Managing Director. Seven out of these 17 vessels are considered by him to be totally beyond economical repair.

- (2) Various agencies were approached to trace the vessel 'Balaji'. The Calcutta Port Trust (Boat Registration Office) has intimated as follows:—

"One Flat was placed for survey by M/s. Koco Engineering Enterprise for carrying a boiler from Calcutta to Allahabad."

The owner of the Flat Shri K. V. S. Sandilya stated in his affidavit that he had purchased the scrap Flat of M/s. C.I.W.T.C. Ltd. The Flat was reconstructed, reinforced for carrying the heavy load of boiler 265 Ton. The Flat was surveyed and the measurements were taken for the registration. The measurements appear to be the same as Flat JAMTARA which was reported to have been scrapped by M/s. C.I.W.T.C. Ltd. The reconstructed Flat was registered as Flat "BALAJI".

The owner of the Flat Shri K.V.S. Sandilya has confirmed by his letter dated 24-6-78 that the said Flat "Balaji" been scrapped at Benaras and has been sold to scrap merchants.

The C.B.I. has been requested to investigate whether the above statement of the firm that Flat Balaji had been scrapped and sold to scrap merchants is correct. If the statement is found to be correct, the question of regaining possession of the vessel will obviously not arise.

The C.B.I. and the Ministry of Finance (Deptt. of Revenue) and the Enforcement Directorate have been requested to investigate the irregularities committed in the sale of vessels.

- (3) The new Chairman-cum-Managing Director has personally inspected all the vessels. Vessels which can be used as they are, have been pressed into service. Action has also been initiated by CIWTC to draw up a plan for capital repairs to vessels which can be made water-worthy with a view to using them for operation of river services.
- (4) Necessary action on this recommendation will be taken after findings of the C.B.I. which are currently investigating into the sale of vessels, become available.

- (5) As recommended by the Committee, a show-cause notice was served on M/s Norman Stewart & Co. as to why it should not be notified to all concerned Undertakings and the Departments of the Central Government that their report of valuation, etc. should not be taken seriously and should not form the basis of any transaction. Before furnishing their final reply, the firm have asked for certain documents and the matter is under consideration in consultation with the Lok Sabha Secretariat. In the meantime CIWTC have decided not to give any further contract to this firm.
- (6) The Lok Sabha Secretariat was requested *vide* Ministry of Shipping and Transport O.M. No. 9-IWT(122)/78-C&E dated 26-9-1978 that the details of the wrong evidence given by the officers of the C.I.W.T.C. before the COPU may be furnished so that the matter could be examined further. The matter is now being processed in the light of the advice conveyed in the O.M. No. 42/2(1)-PU/77 dated 3-10-1978.

[Ministry of Shipping and Transport O.M. No. 28-IWT-(34)/78-P&W dated 7th October, 1978]

Further information called for by the Committee

Serial No. 3(6)

The progress made in the matter may be intimated.

[LSS O.M. No. 42/(4)-PU/77 dated 11-1-79]

Further reply of Government

The Chairman-cum-Managing Director, CIWTC had been advised to call for explanations of the concerned officers who are still in service of CIWTC for giving false and misleading statements before the Committee on Public Undertakings. The Chairman-cum-Managing Director has intimated that all the Chief Spokesmen as mentioned in COPU's report are no longer in service excepting Shri P. G. Biswas, PA & CAO, who is under suspension. The Corporation has also stated that they are not aware of any false statements that have been delivered by the Chief spokesmen of CIWTC excepting the one in regard to survey of vessels made by Capt. M. D. Khatri. Most of the findings of COPU are being investigated by various

agencies including the CBI and that it would appear more appropriate to wait for the final reports of the CBI before considering next course of action.

[Ministry of Shipping and Transport O.M. No. 28-IWT(34)/78-P&W-Vol. II dated 18-1-1979]

Recommendation (Serial No. 4, Para 152)

The Committee have no other alternative but to reach to the inescapable conclusion that a handful of top-most officials of CIWTC conspired with the buyers and allowed the vessels to be sold for a fraction of their value, causing colossal losses to the Corporation. Obviously, this was done for private monetary gains on the part of such officials. The Committee have no doubt that because of these sorts of shady transactions, the finances of the Corporation are in a very bad shape today. There is an accumulated loss of over Rs. 21 crores. Through dishonest means, they have succeeded in totally crippling the river services of the Corporation, which is the cheapest mode of transportation and has thus helped in escalating the cost of transportation of essential commodities in the country. Moreover, inaccessible areas like Cachar, Mizoram and Tripura have been left without any easy and cheap mode of transportation for the essential consumer goods as well as items of produce. The Committee have no doubt that had the management shown the basic minimum honesty and integrity in the matter of dealing with the financial and business affairs of the Corporation, this undertaking would undoubtedly have been able to run the river services effectively and at the same time produce a much better profit-and loss account before the country.

Reply of Government

As recommended by the Committee in para 151(2) the CBI has been asked to investigate the various irregularities and malpractices committed by the officials of Central Inland Water Transport Corporation in sale of vessels and its report is awaited.

The river services to Karimganj for Tripura and Cachar area of Assam as well as for Dhubri in Assam have since been resumed. Efforts are being made to utilise all the river worthy vessels of the Corporation for operation of the river services.

[Ministry of Shipping and Transport O.M. No. 28-IWT(34)/78-P&W dated the 7th October, 1978]

Recommendation (Serial No. 5, Para 153)

The Committee are distressed to note that it was almost impossible to get the truth out of the officials who had appeared before them. The Committee have no doubt that the following officers of the Corporation were involved in the shady transactions relating to the sale of vessels:

1. Shri K. Chelliah, the then Chairman-cum-Managing Director.
2. Captain M. D. Khatri, the then Marine Superintendent.
3. Shri P. G. Biswas, FA & CAO.
4. Shri M. Yusuf Khan, the present Chairman-cum-Managing Director.
5. Shri N. K. Sarkar, the then Secretary.
6. Shri S. K. Roy, River Transport Officer.

Reply of Government

Out of the six officers mentioned above, two officers namely S/Shri Chelliah & N. K. Sarkar are no longer in the Organisation, Shri Khatri has been dismissed and Shri M. Yusuf Khan has retired S/Shri P. G. Biswas and S. K. Roy continue to be in the Corporation as FA & CAO and R.T.O. respectively. Shri Biswas has since proceeded on 4 months leave.

As recommended by the Committee in Paragraph No. 151(2) the C.B.I. and Ministry of Finance (Deptt. of Revenue) and Enforcement Directorate have been requested to investigate various irregularities and malpractices in the sale of vessels. Copies of Committee report have also been sent to them for necessary action. Their reports are awaited. The question of taking action against the above officers will be considered after the reports of the above agencies have been received.

[Ministry of Shipping and Transport O.M. No. 28-IWT(34)/78-P&W dated the 7th October, 1978]

Recommendation (Serial No. 6, Para 154)

The Committee are of the opinion that the then Chairman-cum-Managing Director (Shri Chelliah) and the then Marine Superintendent (Capt. Khatri) played a leading role in the dubious sales of vessels. Shri Biswas was one of the closest abettors of the above officers. These officers brought the Corporation to the brink of disaster.

Reply of Government

Out of the three officers mentioned above, Shri Chelliah is no longer in CIWTC. Shri Khatri has since been dismissed, Shri Biswas, however, continue to be as FA & CAO. He has since proceeded on 4 months leave.

As recommended by the Committee in para 151(2) the CBI and the Ministry of Finance (Deptt. of Revenue) and Enforcement Directorate have been asked to investigate the various irregularities and malpractices committed by the officials of the Corporation and their reports are awaited. The question of taking action against these officers will be considered after the reports of the investigating agencies are received.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(34)/78-P&W dated the 7th October, 1978]

Recommendations (Serial No. 7, Para 155)

The Committee have serious doubts whether the officers mentioned in Para 153 above are fit for any position of trust and responsibility in any Government or public sector undertaking.

Reply of Government

As already stated in reply to Recommendation No. 5 (Para 153), out of the six officers mentioned therein, S|Shri Chelliah and N. K. Sarkar are no longer in the Corporation. Shri Khatri has been dismissed and Shri M. Yusuf Khan has retired. S|Shri P. G. Biswas and S. K. Roy continue to be in the Corporation as FA&CAO and R.T.O. respectively. Shri Biswas has since proceeded on 4 months leave. Shri Chelliah has reverted to the Shipping Corporation of India. The question of taking action against these officers will be considered after the reports of the CBI and other investigating agencies have been received.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(34)/78-P&W, dated the 7th October, 1978]

GENERAL

Further information called for by the Committee

Please state whether the Ministry have received atleast the preliminary report from the three investigating agencies, viz., C.B.I., Ministry of Finance (Department of Revenue) and the Enforcement Directorate and if so, action taken or proposed to be taken on the basis thereof. Also please state:

- (a) whether any specific time limit had been fixed for reports of the investigating agencies;
- (b) why, pending such investigations, no departmental action could be initiated against the concerned officers of the Corporation.

[LSS O.M. No. 42|1(4)-PU|77, dated 11-1-1979]

Further reply of Government

No reports (preliminary or final) have so far been received from the various investigating agencies.

(a) Earlier this Ministry had requested the Ministry of Finance, Department of Revenue|Enforcement Directorate, Reserve Bank of India, Customs authorities and Income Tax authorities to complete their investigations by 15-7-78. They have been reminded regularly to complete their investigations and to furnish their reports without further delay.

As regards the investigations being made by CBI, no date was fixed for submission of the reports of CBI on the irregularities committed by CIWTC in the sale of vessels. However, the CBI have been requested from time to time to complete their investigation and submit their reports as early as possible.

(b) Attention in this regard is invited to instructions contained in paragraph No. 1.7 of Chapter III of Vigilance Manual Volume I Third Edition which prescribes as follows:—

“Once a case has been entrusted to the CBI for investigation further enquiries should be left to them and departmental enquiry, whether fact-finding or formal under the Discipline and Appeal Rules, if any, commenced already

should be held in abeyance until such time as the investigation by the CBI has been completed. Parallel investigation of any kind should be avoided. Further action by the administrative authority should be taken on the completion of the investigation by the CBI on the basis of their report."

It will thus be observed from the above that the question of taking departmental action against the officers concerned can be considered only after the reports of the CBI's investigations have been received.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(34)/78-P&W-Vol. II dated 18-1-1979]

Comments of the Committee

(Please see paras 12—17 of Chapter I of the Report)

CHAPTER III

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

Recommendation (Serial No. 2, Para 150)

The Committee have noticed the following disconcerting features in the transactions relating to the sale of these vessels:

* * * *

- (1) () While seeking approval of the Board of Directors to the disposal of vessels "as surplus to requirements" full particulars of the vessels including their survey value on 'as is' basis, what to say of market value, were neither placed before the Board nor did the Board bother to know about these details before according approval. A case in point is about the sale of vessel 'Galiana'. In fact the Board left the procedure for declaring vessels for purpose of scrapping and their sale to be laid down by the Chairman-cum-Managing Director which has produced disastrous results and has opened floodgate of corruption and malpractices.
- (ii) What is more astonishing and beyond comprehension is the casual manner in which the Government Directors (representing the President) who are supposed to be the custodians of the Government of India interests, acquiesced in this decision of the Board. They seem to have been mere pliant tools and Government should consider whether they are fit to be given any assignment of responsibility.
- (iii) As admitted by one of the Government Directors (Shri Dikshit) during the evidence—"he had no experience of being on the Board and had merely become a party to decisions taken by the Board." This is a sad reflection on the manner of selection of Government Directors appointed on the Boards of Public Undertakings and the role

expected to them and calls for drastic change in the method of selection of Government Directors on Public Undertakings Boards.

Reply of Government

- (2) (i). In the meeting held by the Minister for Shipping and Transport on 21-8-76 it was decided that CMD of CIWTC would carry out a detailed exercise to find out the extent of traffic which was likely to move by the inland water transport on the various routes keeping in view the freight structures and other features of the different modes, the freight structure of CIWTC being so adjusted as to meet the actual cost of operation including the overhead cost. It was also decided that the number of vessels required for this traffic, after allowing some margin for likely increase by adopting aggressive salesmanship and for traffic during peak periods, should be worked out. In pursuance of this decision, a proposal for sale of 46 vessels plus 1 store boat, which were considered by Management as surplus to requirements on this basis, were placed before the Board of Directors at its 63rd meeting held on 24-9-76 for according approval to their disposal. Since the Board's approval was being sought only to the disposal of these vessels and not to the acceptance of any particular tender for their purchase, it was not necessary to indicate their survey values in the Agenda nor was it necessary for the Board to ascertain these survey values. These vessels were in fact advertised only after the Board had approved their disposal in its meeting held on 24-9-76.

The position in regard to sale of vessel "Galiana" has been mentioned against para 3(ii) (a) of this recommendation.

In its 63rd meeting the Board of Directors had also desired the Chairman to lay down a procedure for declaring vessels for purposes of scrapping and for the sale of such vessels. Unfortunately this procedure was according to the report received from present C.M.D., CIWTC not subsequently laid down by the then Chairman. The explanation of Shri Chelliah, the then Chairman-cum-Managing Director for this lapse has been called. The

Corporation has been asked to lay down the detailed procedure in this regard now.

- (ii) One of the Directors representing the Central Government at that time has retired from service and the other has returned to his parent State Government. The question of giving them any assignment of responsibility thus does not arise. The question as to whether any action is required to be taken against them will be examined on receipt of the enquiry by CBI mentioned against Recommendation No. 1.
- (ii) According to the Government decision, the officers of the level of Director or Joint Secretary dealing with the subject in the administrative Ministry have to be appointed as Directors on the Public Sector Undertakings. Shri Dikshit was an officer of the Director's rank and his appointment, therefore, was in accordance with this decision. It is not always possible to ensure that an officer who is appointed as Director must have previous experience of working as Director of a company and at some stage an officer has to be appointed for the first time as a Director of a Government company. While this may sometimes lead to certain mistakes being committed for lack of experience in functioning as Director of a company, such experience can obviously be attained only after functioning as a Director.

[Ministry of Shipping and Transport, O.M. No. 28-IWT(34)/78-P&W dated 7-10-1978]

Further information called for by the Committee

Serial No. 2 (2) (i)

The explanation tendered by Shri Chelliah, the then Chairman-cum-Managing Director of the Corporation may please be indicated. A copy of the detailed procedure laid down by the Corporation for declaring vessels for purposes of scrapping and for sale may also be furnished.

[LSS O.M. No. 42/1(4)-PU/77 dated 11-1-1979]

Further reply of Government

Shri Chelliah stated on the basis of recollection from his memory that it was not correct to say that the procedure for declaring for the purpose of scrapping and for sale of such vessels, was not laid

down. When his attention was invited to certain documents, which showed that no detailed procedure had been laid down, he asked for supply of all the relevant files to enable him to give a proper reply. Chairman-cum-Managing Director, CIWTC, has been asked to intimate whether the relevant files are available with him and if so, whether they can be supplied to Shri Chelliah.

The present Chairman-cum-Managing Director, CIWTC, had formed a Committee of Officers to formulate a procedure for declaring vessels for purposes of scrapping and for their sale. He has been asked to send a copy of the procedure, if since approved.

[Ministry of Shipping & Transport O.M. No. 28-IWT(34)/78-
P&W-Vol. II dated 18-1-1979]

CHAPTER IV

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

—Nil—

CHAPTER V

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

Recommendation (Serial No. 2, Para 150)

The Committee have noticed the following disconcerting features in the transactions relating to the sale of these vessels:—

- (1) The large scale sale of vessels started in August, 1976. No prior Government sanction was obtained by the Corporation for the sale of these vessels, though the vessels were mortgaged to the President of India.

Reply of Government

CIWTC have intimated that according to the advice of their Solicitor, the vessels sold were under the floating charge with the President of India and SBI. As per Solicitors' opinion, the Company is competent in dealing with the property covered under floating security or charge by way of sale or disposal of any surplus stock or any goods which are deemed as scrap or unfit for use and for any such dealing the permission of the holder of the floating charge or security is not necessary.

Advice of the Ministry of Law is being obtained in the matter.

[Ministry of Shipping & Transport O.M. No. 28-IWT(34)/78-P&W
dated the 7th October, 1978]

Further information called for by the Committee

Please state the reply, if any, since received from the Ministry of Law and the action taken/or proposed to be taken on the basis thereof.

[LSS O.M. No. 42/1(4)-PU/77 dated 11-1-1979]

Further reply of Government

The matter was taken up with the Law Ministry. That Ministry desired to see copies of the mortgage documents and opinion of the

Company's Solicitor before tendering their advice. Chairman-cum-Managing Director, CIWTC has since supplied copies of the mortgage deeds. Copy of the opinion of Company's Solicitors is, however, still awaited. The matter is being pursued with him.

[Ministry of Shipping & Transport O.M. No. 28-IWT(34)/78-P&W-Vol. II dated 18-1-1979]

Recommendation (Serial No. 8, Para 156)

The Committee recommend that an Enquiry Committee headed by a sitting or retired Supreme Court Judge should go into the whole matter in depth so that the responsibility could be fixed and appropriate action taken against those found guilty.

Reply of Government

As recommended by the Committee in Paragraph No. 151(2), the CBI and the Ministry of Finance (Deptt. of Revenue), Enforcement Directorate have already been requested to investigate various irregularities committed in the sale of vessels. The question of instituting Enquiry Committee by a sitting or retired Supreme Court Judge can only be considered after the report of the investigations have been received.

[Ministry of Shipping & Transport O.M. No. 28-IWT(34)/78-P&W dated the 7th October, 1978]

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

JYOTIRMOY BOSU
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide Para 19 of Report)

NORMAN, STEWART & CO.

Marine Surveyors & Consultants

Non Exclusive Surveyors

Phone: 22-0546 (2 lines)

To

Cables: "BUREAU"

American Bureau

14, Netaji Subhas Road,

Bureau Veritas

P.O. Box No. 2232

Det Norske Veritas

Calcutta-1

Germanischer Lloyd

Japanese Marine Corp.

14th/19th April, 1978.

Registro Italiano Navale

To

The Chairman,

Committee on Public Undertakings

BY REGISTERED A.D.

Lok Sabha Secretariat,

Parliament House Annexe,

New Delhi-110001.

Kind Attention Sri Jyotirmoy Basu.

Respected Sir,

Re: *Inquiry on Central Inland Water Transport Corp. Ltd.*

I find from the publications in the Newspapers that the Committee is alleged to have given a finding, *inter alia*, that:

"A senior partner of the Surveyors in his evidence confessed in clear language that they had "lent" their letterheads for monetary consideration to be used for giving valuations which enabled the officers of the Corporation to misrepresent the facts before the Board and the Government and give away the vessels at throwaway prices."

Without meaning any dis-respect to such findings of the Committee, I feel it my duty to bring to your kind notice the fact that

in my statement before the Committee I had never stated that we had "lent" our letterheads to C.I.W.T.C. Our files connected with our work with CIWTC since June 1970 had already been handed over to the Committee. All the Reports issued by us to CIWTC were made out in our office on our letterheads and signed, sealed and delivered from our office from time to time. No blank letterheads whatsoever of our Firm were ever lent to CIWTC for any purpose. I respectfully pray that this fact may kindly be kept on record.

Not only in the case of C.I.W.T.C. but also in many other cases, we have been giving 2 or 3 values depending upon the merits of each case. In the case of C.I.W.T.C. we had given the prevailing "AS IS" value as well as "Scrap Value" based on our own observations and calculations. Such is the normal practice in the case of old vessels. Other Surveyors would confirm this practice.

As already stated during my evidence, I can only express my sorrow if any loss to the exchequer occurred through the mis-use of our aforesaid Reports by the Officers of the Corporation for any monetary gain or otherwise. But so far as our Organisation is concerned, our Reports were as are normally issued by us to other clients as well.

If any other clarification or information is required from us, we are always at the disposal of the Committee.

Yours faithfully,

Sd/-

(S. J. CHOKSY)

Partner

Norman Stewart & Co.

APPENDIX II

(Vide para... of Introduction)

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

I. Total number of recommendations made	49
II. Recommendations that have been accepted by Government [<i>vide</i> recommendations at Serial Nos. 1, 2(3)(i)-2(3)(iv) a & b, 2(4), 2(5) (i)-(iii), 2(6) (i)-(iii), 2(7)(i) & (ii), 2(8), 2(9)(i)-(iii), 2(10), 2(11) (i)-(iv), 2(12) (i)-(iv), 2(13) (i)-(iv), 3(1)-(6), 4, 5, 6 and 7]	44
Percentage to total	89.8%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply [<i>vide</i> recommendations at Sl. Nos. 2(2)(i)-2(2)(iii)]	3
Percentage to total	6.1%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.	Nil
Percentage to total	Nil
V. Recommendations in respect of which final replies of Government are still awaited [<i>vide</i> Serial Nos. 2(1) and (8)]2	
Percentage to total	4.1%