COMMITTEE ON PUBLIC UNDERTAKINGS

(1991-92)

(Ninth Legislative Assembly)

NINTH REPORT

ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR ENDED 31st MARCH 1990 - No.3 OF 1991 (COMMERCIAL) ON THE ANDHRA PRADESH FOREST DEVELOPMENT CORPORATION LIMITED

(Presented to the Legislature on 18-3-93

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT
PUBLIC GARDENS, HYDERABAD - 500 486.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)

(Constituted on the 8th October, 1991)

CHAIRMAN:

1. Sri J.K. Reddy

MEMBERS:

2. Smt. Mary Ravindranath
3. Sri Ambati Rambabu
4. Sri B. Vedavyas
5. Dr. K. Madan Mohan Reddy
6. Sri Gurunath Reddy
7. Sri P. Kista Reddy
8. Sri K. Rambhupal Reddy (upto 11-1-1993)
9. Sri J. Sriranganayakulu
10. Sri A. Sudarshan
11. Dr. S. Venugopalachari
12. Sri K. Ramachandra Raju
13. Sri G. Appala Suryanarayana
14. Sri Ch. Vidyasagar Rao
15. Sri Mohd. Virasat Rasool Khan

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2.	Smt. M.V.S. Jayalakshmi	-	Joint Secretary
3.	Sri A. Venkata Rao	-	Assistant Secretary
4.	Sri J.S.R. Murthy	-	Section Officer

ACCOUNTANT GENERAL'S OFFICE

1.	Sri J.C. Jagannadham	-	Accountant-General (Audit II)
2.	Sri K. Ramachandran	-	Deputy Accountant-General
3.	Sri V. Balakrishna Murthy	-	Audit Officer
4.	Sri A.V.G.V. Prabhakara Rao	-	Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1991-92) having been authorised by the Committee present this Report on the Andhra Pradesh Forest Development Corporation Limited.

The Committee held two sittings to record the oral evidence.

The Committee met on 28-12-1992 considered and approved the Draft Report.

The Committee wishes to express their thanks to the Principal Secretary to Government, Energy, Forests, Environment, Science and Technology Department, the Managing Director and other Officials of the Andhra Pradesh Forest Development Corporation Limited for the cooperation they have extended.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant-General (Audit-II) Andhra Pradesh, the Deputy Accountant-General and other Officers and Staff of the Accountant-General's Office and also the Secretary, Legislature, Officers and Staff in the examination of the general working and Audit paras relating to Andhra Pradesh Forest Development Corporation Limited and in preparation of this Report.

Hyderabad,
Dt: 28-12-1992.

J.K. REDDY,
Chairman,
Public Undertakings Committee.

RECOMMENDATIONS OF COMMITTEE ON PUBLIC UNDERTAKINGS
(9TH LEGISLATIVE ASSEMBLY)

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA
FOR THE YEAR ENDED 31ST MARCH, 1990 - NO.3 OF 1991 (COMMERCIAL)

ANDHRA PRADESH FOREST DEVELOPMENT CORPORATION LIMITED

1. Introduction:

1.1 The Andhra Pradesh Forest Development Corporation Limited was incorporated in June 1975 under the Companies Act, 1956 as a wholly-owned Government Company, with the object to meet the raw material needs of wood-based industries. Since 1976, it is also engaged in raising horticulture plantations viz., cashew and coffee.

1.2 The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1982-83 (Commercial). The Committee on Public Undertakings examined the Review and made its recommendations and observations in its Sixth Report presented to the 8th Legislative Assembly in March, 1989. The Company/Government have furnished their action taken notes on the above recommendations only in July 1992, i.e., after more than three years.

1.3 While expressing its unhappiness regarding the abnormal delay on the part of the Company/Government in submission of the Action Taken Notes, the Committee directs the Company/and the Government to submit their Action Taken Notes on the recommendations made in this Report within a period of 3 months from the date of presentation of this Report to the State Legislature, for consideration and examination of the Committee.

2. Organisational Set-up:

2.1 The management of the Company is vested in a Board of not more than 12 Directors nominated by State Government. The Vice Chairman and Managing Director (VC & MD) is the Chief Executive and looks after the day-to-day management. During the period from December, 1984 to October, 1990, the post of VC & MD was held by 9 incumbents and the individual tenure in the case of 7 of these incumbents was less than one year.

(Paragraph 2C.4)

2.2 The Government has not however offered its remarks duly explaining the reasons/circumstances under which the Government had to change the Managing Directors so frequently. While

deposing before the Committee, the Principal Secretary to Government, E.F.E.S. & T. Department promised to bring this to the notice of the Government.

2.3 The Committee feels that frequent changes in the executive head leads to inconsistency in policies, delay in taking decisions and finally leads to inefficient management. The Committee therefore recommends that the Government should, to the extent possible, see that the Managing Director of a Public Sector Undertaking is not disturbed for a period of atleast three years in order to maintain the continuity in implementation of its policies and decisions and to provide proper leadership. The Committee also suggests that the Public Enterprises Management Board may examine this issue in respect of all the Public Sector Undertakings and make suitable suggestions to the Government, wherever necessary.

3. Working Results:

3.1 As an agent of the State Government, the Company has undertaken harvesting of natural forest. Between 1978-79 and 1987-88 it had realised a revenue of Rs. 3919.96 lakhs and incurred an expenditure of Rs. 1032.01 lakhs. An amount of Rs. 518.68 lakhs only was remitted into Government account and balance amount of Rs. 2369.27 lakhs was retained by the Company without specific approval of the Government. The Committee recommended to Government to adjust Rs. 1030.98 lakhs towards share capital (Rs. 958.17 lakhs) and subsidy for plantations (Rs. 72.81 lakhs) against the balance of Rs. 2369.27 lakhs mentioned above. The Committee also recommended levy of interest on the surplus funds retained by the Company. The surplus funds were apparently utilised by the Company to meet its expenditure.

3.2 The Committee directs that the Government takes a decision on the recommendations of the Committee of officials early, if not already done, and submit a report as early as possible.

4. Execution of Schemes:

4.1 Since its inception, the Company took up eight projects of different plantations for implementation. Five of these schemes had been implemented, while the remaining three are under implementation. The Company has not however, taken any

action for preparation of the project completion reports of the completed schemes. (Paragraph 2C.8)

4.2 In its explanatory notes, the Company explained that no project is completely over since during first 7 years period raising the plants and their maintenance will be in progress, during next 7 years, 1st felling, maintenance of Coppice Plantations will be in progress and during next 7 years, 2nd felling and maintenance will be in progress and finally during the next 7 years, 3rd felling and maintenance will be in progress. During the entire project period cash outflow and inflow will be based on the project report. In the 29th year basing on the actuals profitability of plantations would be calculated based on the completion report. In the intermitent period only project-wise revenue and expenditure is being calculated and reflected in annual accounts.

4.3 The Committee disagrees with the reply and is of the view that the Company should prepare the completion report immediately after the initial seven years period, during which the plantation is done. The VC & MD has promised to take action to see that completion reports are so prepared.

5. Andhra Pradesh Eucalyptus Plantation Project:

5.1 The Company took up the project for raising Eucalyptus Plantations in Adilabad, Warangal, Khammam, East Godavari and West Godavari Districts in 1984-85 over an area of 11,188 hectares (ha.) at an estimated cost of Rs. 1074.82 lakhs financed by NABARD and scheduled for completion by 1988-89. The scheme provided for destumping, uprooting and ploughing of the plantation areas. In Warangal and Rajahmundry regions, covered in test check by Audit, it was noticed that out of an area of 5197.23 ha. taken up for plantation during 1986-87 to 1988-89 uprooting of stumps was not done in 1852.62 ha. and ploughing was not done in 1700.79 ha. out of 1988.43 ha.

5.2 No norm was fixed for mortality rate of plantations. However, in terms of Forest Schedule of Rates, the replacement of casualities is allowed upto 20 per cent. Out of 87.75 lakhs of plantings done in Warangal, Sirpur-Kagaznagar, Kothagudem and Palvancha Divisions, only 40.60 lakhs plants survived. The incidence of casuality was 53.73 per cent and its value worked out to Rs. 31.82 lakhs. No investigation was conducted to ascertain the reasons for low survival. (Paragraph 2C.8.1)

5.3 In its explanatory notes, the Company stated that eventhough the Project contemplated destumping, uprootal and ploughing, due to various field problems entire area could not be uprooted and in part of the areas conventional technique was adopted in order to achieve the targets.

5.4 The Committee feels that the Company was more particular of reaching the targets but did not appear to have examined the effects of mass non-destumping/uprootal on the survival of the plants. The Committee therefore recommends that while taking up plantations in future, the Company should examine the effects of not taking up the destumping or uprootal on the survival of the plants.

5.5 The VC & MD informed the Committee that in the year of planting there is 20 per cent replacement and in the first year the replacement casuality is 20 per cent and therefore the total replacement is 40 per cent.

5.6 The Committee, however, observed that the casuality rate noticed by Audit was 53.73 per cent which is more than 40 per cent. The Committee feels that the rate of replacement of plants and rate of casuality is as high as 40 per cent which, by all counts, is on higher side and therefore recommends that the Company may take suitable and adequate measures to keep the mortality at as low a rate as possible.

6. Raising of Eucalyptus Plantations:

6.1 Under its various schemes, the Company raised Eucalyptus Plantations between 1976 and 1989 over an area of 34,479 ha. The plantations were raised with Eucalyptus hybrid variety upto 1980. From 1981 onwards, the specie of Eucalyptus Camaldulensis was adopted in view of its speciality for quick growth and all the seeds of this specie were obtained from Rajasthan.

6.2 During inspection of 1984 plantations of Satyampet (August, 1985) it was found that many of the plantations raised from the seeds brought from Rajasthan were infected resulting in the mortality of trees. On a reference made to the Agricultural University of Hyderabad, the team of specialists who visited the affected plantations in December, 1985 opined in April, 1986 that Eucalyptus Camaldulensis was not having the ideal conditions under which it could establish and give good yield. The team suggested not to extend further plantation with Eucalyptus Camaldulensis. However, despite unsuitability of the seeds, the Company raised plantations in 1987 with Eucalyptus Camaldulensis over 1789 ha. at a cost of Rs. 29.53 lakhs in Eluru, Sirpur-Kagaznagar, Rangareddy, Kothagudem and Warangal Divisions. (Paragraph 2C.8.2)

6.3 In its explanatory notes, the Company stated that it was unfortunate that Eucalyptus Camaldulensis species was affected by disease in some parts of Khammam and the exact disease was not identified even by the Forest Research Institute, Dehradun, Agricultural University and other organisations from Bangalore. Some opined it as Pink disease and some others as moisture stress and Kankar etc., but the exact Pathogene was not identified. Till a final decision was taken by the Company, Eucalyptus Camaldulensis species was continued. From 1988 onwards only hybrid was being raised. The team of experts from various institutions and Research Organisations who visited the disease affected plantations opined that Eucalyptus Camaldulensis of Suratgarh provenances was only affected by the disease. Again it was also observed that some strands of Suratgarh provenances were not affected by this disease. During 1987 the plantations were raised with Eucalyptus Camaldulensis of Jodhpur provenances which were good.

6.4 During oral evidence, the Principal Secretary informed that the Agricultural University was requested to diognise what pathogene was responsible for the disease but they were not able to say which organism was responsible for the disease, that the conditions of Rajasthan from where the seeds were obtained, were different from those of Andhra Pradesh and that in a particular condition, the reaction of the plant with that of the environment was different.

6.5 The Committee fails to understand that when the Company noticed the disease in vast areas of plantations and when even the research organisations could not diognise the causes for the disease, why the Company did not stop further plantations with the species obtained from both Suratgarh and Jodhpur provenances. Fortunately, the species that were planted in 1987 were those of Jodhpur provenances, which were good.

6.6 The fact remains that the raising of Eucalyptus plantations with unsuitable species instead of hybrid variety resulted in a loss of revenue of Rs. 464.63 lakhs.

6.7 The Committee would like to have a report on the growth of these plantations which were raised in 1987, since the Company stated that the disease, if any, appears only after growing for 4 to 5 years.

6.8 The Committee further recommends that before taking up any new species for plantation, a field study should be conducted to test the suitability or otherwise of the seeds to the conditions of the areas of plantation.

7. Implementation of Cashew Projects:

7.1 The Company took up in 1980 implementation of raising Cashew plantations under Multi State Cashew Project (MSCP) financed by Agricultural Refinance Development Corporation (ARDC) over an area of 7600 ha. and maintenance of existing Cashew plantations on 2400 ha. During the first three years of implementation of MSCP, the area on which Cashew plantations was raised viz., 5160 ha. was more than the targets of 4400 ha.

7.2 The World Bank Review Mission during their visits in 1981, 1982 and 1983 commented about inadequate land clearance, soil erosion, heavy mortality and lack of adequate organisational support. In attempting such large area over a short period of two years adequate attention towards site preparation, soil management etc., was not given. As a result, large areas raised during these years was over-run by rank growth and there was heavy mortality.

7.3 In view of the above, provision for rehabilitation of plantations in 2292 ha. was proposed in the revised project for MSC Project at a cost of Rs. 22.14 lakhs. (Paragraph 2C.9.1)

7.4 In its explanatory notes, the Company contended that Cashew was raised by the Company as a forest crop and not as a horticultural garden and the same was covered over vast areas in the initial years to achieve the targets and also to benefit the society like arresting the cyclone effects, prevent soil degradation and generation of employment etc. After the visit of World Bank Review Mission, as per their suggestion clearance and land development works were taken up resulting in improvement of survival percentage. Eventhough much care was taken for clearance of miscellaneous growth and uprootal of stumps, it was very difficult to remove all the stumps due to shortage of labour and thus the rank growth in the plantations.

7.5 During oral evidence, the VC & MD informed the Committee that the actual expenditure incurred on removal of rank growth during 1983-84 was Rs. 12.64 lakhs.

7.6 The Commitee observes that as already mentioned in Para 5.1 infra, the Company was more interested in achieving targets than the welfare and health of the plantations. The Committee also observed that the Company had not evaluated the

benefits derived by the society like arresting the cyclone effects, preventing soil degradation, generation of employment etc. In the absence of such evaluation, the justification given by the Company for launching large scale plantations over short period without paying adequate attention towards site preparation, soil management etc., is not acceptable.

7.7 In reply to a querry as to why the Company did not take up site preparation, soil management etc., in a full-fledged manner before taking up the plantation, the VC & MD explained that availability of labour had got a bearing on the issue. This argument is not on a sound footing since one of the social objectives of the Company in taking up the plantations without site clearance etc., is employment generation while for site clearance itself the Company is facing a problem of want of labour.

7.8 The Committee desires the Company:

(1) that for free and fast growth of plantations, site preparation and soil management etc., should be taken up first before actual plantation work is started, aiming to reach the targets without attending to the basic requirements. If necessary the targets may be kept at a level where it could be achieved;

(2) to employ adequate labour in time wherever it is required, since the contention of the Company about the non-availability of labour is an unacceptable phenomenon; and

(3) to evaluate regularly the achievements of social objectives like cyclone effects, preventing soil degradation etc., mentioned above.

The Company may submit its Report on the above aspects by June, 1993.

7.9 To a querry whether the Company had identified any plants which could come up in saline areas, the Principal Chief Conservator of Forests explained that some species were identified and that the Company could not blindly introduce them without experimentation.

7.10 The Committee recommends that the Company may try such varieties as a pilot scheme before embarking upon bulk plantation.

8. Uprootal of Stumps in Cashew Plantations:

8.1 Planting practice as approved in the Project Report was destumping, jungle clearing of the areas taken up for plantation and heaping and burning of coppice and other unuseful materials before plantation. However, Audit observed that in Nallajerla (Bit.II) 1981 plantation under Eluru division, plantation was done first and destumping, uprootal, coppice cutting in destumped area etc., was done in subsequent years. Similarly in other plantations also uprootal and coppice cutting was done in the second year and thereafter. The expenditure of Rs.9.79 lakhs incurred on subsequent uprooting, destumping etc., could have been avoided had the uprootal been done properly before planting. (Paragraph 2C.9.3)

8.2 Similarly in respect of Ramasingavaram plantation of 1981, as per the inspection remarks recorded in July 1982 in the plantation journal, coppice growth was more due to improper uprootal of stumps. As a result, the Cashew plantation was completely damaged and was rehabilitated during 1983 to 1985 and the expenditure of Rs.4.25 lakhs incurred on the plantation proved to be infructuous due to improper uprootal of stumps. (Paragraph 2C.10.1)

8.3 The Management stated in its written statement that in order to cover large areas with a view to achieve physical targets as envisaged in the project report destumping could not be done in some areas. To facilitate planting and with a view to complete the destumping at a later stage, planting was done by taking up circular uprooting or line uprootal. Destumping was done in the total area to facilitate tractor ploughing incurring same expenditure in 2 to 3 years instead of in one year.

8.4 The fact remains that the plantation was not done in a scientific way after uprootal and proper ploughing to achieve the end result, but instead done in a casual way by adopting circular uprooting to achieve the target only. This has affected the survival percentage.

8.5 The Committee, therefore, recommends that the Company should, in future, follow the scientific method of first destumping, jungle clearance, heaping and burning of the coppice and other unuseful material, as prescribed in the project

report, before taking up the plantation, in order to avoid unnecessary expenditure on subsequent uprootal, destumping etc., and also to improve the survival percentage.

9. Raising of Eucalyptus Plantation in Failed Plantations of Bamboo:

9.1 With the funds available under drought relief works, eucalyptus plantations were raised in Nallamalai forests during 1985 to 1987 over an area of 213.19 ha. at a cost of Rs.14.94 lakhs. Audit observed that the expenditure incurred by the Company on raising these plantations ranged between Rs.4914 and Rs. 9351 per ha. as against Rs.2766.76 and Rs.2669.68 per ha. incurred on similar plantations raised in Nellore and Kurnool districts respectively. Audit further observed that neither were any estimates prepared before taking up the plantations under drought relief programme nor reasons for such wide variation in cost of raising the plantations ascertained.

(Paragraph 2C.11.2)

9.2 While giving oral evidence, the VC & MD explained that cattle-proof was done in some plantations and that was one of the reasons for heavy expenditure.

9.3 The Committee directs the Company to obtain, from its concerned units, the estimates of raising the plantations in Nallamalai, Nellore and Kurnool districts and compare the same after thorough verification and submit a report to the Committee by June 1993.

10. Collection and Sale of Beedi Leaves:

10.1 Purchase, collection, processing and sale of beedi leaves was entrusted to the Company as an agent of the State Government from 1987 season. Under this scheme, funds initially required by the Company are raised from commercial banks by way of short term loans. The unit officers collect the leaves and process them to make them suitable for marketing. Marketing is, however, done by the Forest Department on behalf of the Company. Sale proceeds collected by the units of the Company are transferred to the Company's account at its head office. On receipt of the sale proceeds, the Company repays the loans availed from commercial banks and remit the surplus funds to the Government.

10.2 Audit observed that the sale proceeds so transferred to head office were initially credited to current account instead of

directly crediting to the loan account, resulting in avoidable payment of interest on the loans despite availability of adequate funds in current account. Such interest payment in 1988 and 1989 aggregated Rs.2.67 lakhs and Rs.1.76 lakhs to Andhra Bank and Canara Bank respectively.

10.3 Audit also observed that the sale proceeds received from divisions were not remitted to Government immediately on their receipt. Instead, funds were allowed to accumulate in current accounts and some funds were kept in short term deposits. Out of Rs.233 lakhs available as on 13th December 1988, Rs.150 lakhs was remitted into treasury on 21st December 1988. Of the balance Rs. 83 lakhs, it was proposed to retain Rs.57 lakhs towards margin money for 1989 operations and the balance of Rs.26 lakhs was retained for meeting the demands of the units and for meeting the Income Tax payments. (Paragraph 2C.12)

10.4 In its written statement the Company explained that the Company obtained loan from a consortium of four banks, that the revenue realisation was more from some banks, while the repayment had to be made equally to all the banks in terms of agreement with them, that some banks are arranging loans as deposits through their sister concerns at lesser rate of interest and that the repayment has, therefore, to be made in the order of priority.

10.5 The Committee observed that the reply of the Company is not convincing. The Company has not adequately explained as to why it could not remit the sale proceeds directly into the loan account. The Company had also not explained the reasons for retaining huge sums of money without remitting to the Government.

10.6 While giving oral evidence, the VC & MD explained that there is a time lag between collections by the units and transfers to the head office, that the loans that are being taken from commercial banks covered mostly collection charges, incidental unknown charges etc., that to meet that expenditure certain amounts are required by the Corporation and that for this purpose certain amount is retained by the Company. The VC & MD also explained that as and when the funds are received the Company goes on repaying to the bankers with interest and that there is no amount that is kept with the Company except those amounts which are required to meet the day-to-day expenditure.

10.7 The Committee is not satisfied with the explanation given by the VC & MD. The VC & MD could not explain with statistical

data the amounts realised by way of sale proceeds, the amounts utilised for repayment of loan, the amount retained by the Company for its day-to-day requirements and the amounts remitted to the Government. The point raised by Audit is that huge sums of money were retained in the current account either without remitting to the State Government or without clearing the loan account, with the result there was an avoidable interest burden on the Company.

10.8 The Committee feels that the cash management is one of the items which was not given serious attention by the Company. The Company may keep money in the bank only to the extent that is required and if the Company keeps huge amount in the bank the only beneficiary is the bank. The Committee, therefore, recommends that the Company should evolve suitable system of cash management, so that it can avoid unnecessary interest burden. The Committee also recommends that the Company should evolve a suitable system to ensure that funds are transferred by the units to the head office within a reasonable period and the funds so transferred to head office are availed first for repayment of loans without any delay. The Committee further recommends that the Company should as far as possible remit the amounts due to the Government immediately.

10.9 The Committee would like to have a report on the action taken to introduce suitable systems as mentioned above by June 1993.

11. Other Topics of Interest:

11.1 Loss of revenue due to delays in disposal of pulpwood:

The Company entered into an annual contract with A.P.Paper Mills Limited (APPML) in July 1987 for disposal of de-barked pulpwood raised in its various plantations. The contract provided for payment by APPML within 15 days and lifting of material within 45 days of notice by the Divisional Manager. During the agreement period the Company issued 13 allotment

orders (last order being in June 1988) and APPML commenced lifting the material from December 1987 onwards and lifted 34,755 Cmt. (12,823.935 tonnes) of wood up to August 1988 and stopped further lifting, at which point there was still a quantity of 2,412 Cmt. (964.8 tonnes) unlifted. The Regional Manager allowed APPML 9 to 13 months to lift the balance material despite earlier default by them, although he was vested with powers to extend the delivery period by 30 days only. Further the Regional Manager could extend only when the transportation and weighment was continued during the extended period which was not so in this case.

11.2 The firm lifted 2,384 Cmt. (569.28 tonnes) of pulp wood during the extended period of March and April 1989 during which the average conversion rate from Cmt. to tonne worked out to 4.153 Cmt. per tonne as against the original conversion rate of 2.82 Cmt. per tonne which was mainly due to driage of pulp wood for almost one year. The Company neither terminated the contract nor made alternative arrangements to dispose off the drying wood during the period in which the firm defaulted in lifting the material. Thus due to keeping the material for nearly one year without being lifted by the firm had resulted in heavy driage and consequent loss of Rs.2.27 lakhs.

11.3 Audit also observed that in Rajahmundry division in respect of the 1976 and 1977 plantations, due to delays in delivery of the pulp wood to APPML and further delay in lifting the wood by APPML, the pulp wood was subjected to heavy driage due to which the actual conversion rate while lifting by APPML rose to 3.71 per tonne resulting in loss of revenue to the extent of Rs.2.63 lakhs. (Paragraph 2C.13(i))

11.4 In its written statement the Company explained that after extraction, stacking of the produce will be done and on receipt of information the purchaser will pay the sale amount within 15 days and thereafter the possession of the material for another 15 days. The normal period allotted for lifting is 45 days. Thus the total period involved in lifting is 75 days. There is also a provision in the terms of sale for collection of 10 per cent penalty for extension of another 30 days by the Regional Manager. Thus, in all the party is allowed to lift the allotted produce for a total period of 105 days. The Company also explained that the conversion ratio of 2.5 Cmt. per tonne is only a notional ratio for the purpose of raising the initial bills but is not the actual criterion. Further, during that period there was a cyclone coupled with heavy rain due to which neither the Corporation nor the purchaser could transport the material allotted. However, the penal provisions were regulated and the amount was claimed and adjusted.

11.5 The Committee is not satisfied with the explanation given by the Company. The Company has not explained as to why the Regional Manager allowed 9 to 13 months time for lifting the materials after the initial allowable period of 30 days which was not within his powers. The Company has not also explained why the contract was not terminated or alternative arrangements were not made for disposal of the drying wood during the defaulted period.

11.6 The Committee recommends that action to fix responsibility for allowing APPML to lift the material after 9 to 13 months, which resulted in loss to the Company should be initiated and completed in 3 to 4 months and a report thereof submitted to the Committee by June 1993.

11.7 The Committee feels that the time limit of 75 days given to the firm for lifting the material is not necessary. This is particularly in view of the fact that the driage for the wood is faster in the first 10 weeks time. The contract being an annual one, a period of 10 days after giving the notice for lifting the material, in the opinion of the Committee, should be adequate. The Company may also avoid issuing release notices during the rainy season and in particular in October and November. The Committee also feels that there need not necessarily be a notional conversion rate for the purpose of collecting advance. The Committee is not happy with the pricing of the wood by resorting to the dual method currently being followed. If the time limit of 10 days could be adhered to, the Company can as well collect the amount on weight basis at the time of delivery. Alternatively, the Company may fix variable rates depending upon the week in which the wood is actually delivered taking into account the percentage of driage. Or the Company may sell by volume itself as envisaged for preferring notional bills.

11.8 The Committee, therefore, recommends that the Company may examine the entire issue of sale of pulp wood on the above lines of suggestions and report to the Committee by June 1993.

11.9 According to the Company the loss of driage in terms of percentage in respect of the pulp wood is as follows:

Week after felling and debarking	Timber weight (Kg/M3)	Percentage of loss
0	925	7.5
1	833	16.7
2	783	21.7
3	748	25.2
4	724	27.6
6	692	30.8
8	675	32.5
10	666	33.4
12	656	34.4
Oven dry	460	54.0

11.10 As may be seen from the above table the driage in the wood after 10 weeks (70 days) would be 33.4 per cent and therefore, penalty of 10 per cent levied for the delay in lifting the pulp after 75 days is much less than the percentage of driage. The Committee is of the view that the delay in lifting the wood in fact confers an unintended advantage to the contractors and the present rate of penalty is in no way an adequate compensation for the loss in weight.

11.11 The Committee, therefore, recommends that the Company may suitably increase the penalty to be commensurate with the loss of weight from week to week.

12. Purchase of Power Tillers:

12.1 In the revised Project report of Multi State Cashew Project, provision was made for acquisition of 13 numbers of power tillers required for meeting the operations in Cashew plantations. Before purchase of the power tillers, the Regional Manager, Nellore informed the head office in August 1986 that the proposed power tillers were not suitable in the red soils and requested not to purchase any power tillers for that region. Ignoring the suggestion, the Company purchased in November 1986, 14 power tillers with low walled trailers and spraying units accessories at a total cost of Rs.6.48 lakhs. The purchase of the equipment, which was not suitable for use in the region resulted in an unfruitful expenditure of Rs.6.48 lakhs. (Paragraph 2C.13.3)

12.2 In its written statement the Company informed the Committee that the tillers have been put to maximum use by the concerned Divisional Managers for spraying pesticides during the peak season and also for the purpose of transportation of fertilizers, pesticides, water, seedlings etc.. The Company also contended that as the basic objective of purchase of this equipment was to utilise them for spraying of pesticides and for haulage purposes during the peak season which lasts for about 3 to 4 months in a year, they could not be expected to be utilised throughout the year.

12.3 The Committee fails to understand as to why the Company procured 14 tillers, the utilisation of which is only for about 3 to 4 months in a year. The Committee is of the opinion that the Company has not properly examined the requirement of 14 tillers.

12.4 The Committee noticed that up to June 1990 two tillers were used for 17 days, one tiller for 60 days and one tiller for 80 days only and there was no information regarding the remaining 10 tillers. The tillers have, therefore, apparently been used for a short period only without getting full benefit out of them.

12.5 During the oral evidence, while admitting that these tillers are not being utilised to full extent, the VC & MD has promised to see that they are fully utilised.

12.6 The Committee is unhappy to record that even after a period of six years after purchase, the Company has not examined the utility of the tillers. The Committee would like to have a report from the Company on the utilisation of these power tillers, particularly in respect of those which are engaged in Nellore region as also the cost of maintenance of each tiller. The Committee would like to have the report by June, 1993.

13. Non-Recovery of Hire Charges of Vehicles:

13.1 During the period from 1986-87 to 1989-90 Kothagudem and Warangal divisions of the Company sent their vehicles to Beedi leaves divisions of the Forest Department on hire basis for transportation of beedi leaves. As against the total hire charges of Rs.10.99 lakhs due for recovery as on 31st March 1990, the Company could recover only Rs. 2.99 lakhs leaving a balance of Rs.8 lakhs. On the other hand, the Company was to

pay Rs.1030.98 lakhs to the State Government towards surplus on account of timber felling and the State Government was charging interest on this outstanding amount. The dues recoverable from State Government could have been adjusted to avoid interest payment of Rs.3.03 lakhs. (Paragraph 2C.13.4)

13.2 In its written statement the Company informed the Committee that it has been pursuing with the Government for payment of the dues and that the Accountant General would be informed after receipt of the dues.

13.3 The Committee is not satisfied with the reply of the Company. The Company has not explained why it could not adjust so far the amount due from the Government against the amounts due to the Government.

13.4 In his deposition before the Committee the VC & MD promised that the Company would take up the matter with the Government and pursue.

13.5 The Committee recommends that the Company may approach the Government immediately for adjustment of the amount due to the Company from out of the amount due to Government. The Committee urges the Government to take immediate action on getting the proposal from the Company. The Company/Government may finalise the issue and submit a Report to the Committee by June 1993.

14. Unsatisfactory stocking of Plantations:

14.1 In case of Coffee plantations project, the Company claimed from the Coffee Board expansion subsidy amounting to Rs.22.50 lakhs for raising plantations over an area of 2,494 ha. The Coffee Board disallowed the claim to the extent of Rs.4.85 lakhs in April 1986 in respect of plantations in an area of 200.03 ha. on the ground of unsatisfactory stocking of the plantations. The claim was not allowed even after restocking of the failed patches from time to time as the Coffee Board felt that it was not feasible and desirable to reconsider the case. The failure to maintain satisfactory stocking of the plantations thus resulted in a loss of subsidy amounting to Rs.4.85 lakhs. (Paragraph 2C.13.5)

14.2 In its written statement the Company explained that the loss of subsidy was not due to failure to maintain satisfactory stocking of the plantations but due to the principle adopted by

the Coffee Board not to reopen the old case where subsidy had been rejected by them. Even though the stocking in the plantation is now good and is being maintained well, the Coffee Board has not considered their request for releasing the subsidy. The Company also informed that it was pursuading the Coffee Board to reconsider its rejected claim.

14.3 The explanation of the Company is not acceptable to the Committee, since the initial rejection of the claim by the Coffee Board was due to unsatisfactory stocking of the plantations. The circumstances under which the Company could not stock the plantations in a condition acceptable to the Coffee Board were not explained by the Company.

14.4 In his oral evidence the VC & MD explained that although plantations are maintained now in good condition the Coffee Board is not going to reconsider the earlier claims.

14.5 The fact remains that improper stocking of the plantations in the early stages resulted in loss of subsidy which the Company is not able to recover even after maintaining the plantations to the satisfaction of the Coffee Board subsequently. The Committee feels that the case was not presented before the Coffee Board properly. The Company is also not aware of the exact reasons for the disallowance and also the exact amount of loss on this account.

14.6 The VC & MD has promised to get the case reexamined and reverified.

14.7 The Committee desires the Company to reexamine the case abinitio and take up with the Coffee Board for release of subsidy. The Committee would like to have a report on the action taken by the Company by June 1993.

15. Operation of Public Deposit Account:

15.1 In order to ensure adequate funds for raising pulp wood plantations and for improving management of forests for sustained supplies to the industries, the Government accepted in November 1981 the creation of an Industrial Plantation Fund out of additional royalties realised annually representing the difference between the revised rate of royalty and inflation weighed royalty rates collected taking 1975 as base year. The Government issued sanction Order in December 1986 for release of Rs.126 lakhs from the Industrial Development Fund and the amount

was transferred to the Public Deposit Account in the name of the Company. In addition to that amount, the Company deposited into the Public Deposit Account an amount of Rs.270 lakhs from its own resources during the period from February 1985 to July 1988. Out of the total amount of Rs.396 lakhs available in the Public Deposit Account, the Company withdrew Rs.266 lakhs in August 1988 (Rs.151 lakhs) and November 1989 (Rs.115 lakhs) and the balance Rs.130 lakhs remained in the Public Deposit Account unutilised (April 1991).

15.2 Audit observed that depositing of Rs.270 lakhs into Public Deposit Account from the Company's resources was not in accordance with the modalities fixed for operating the Industrial Development Fund and working of Public Deposit Account. It resulted in locking up of the Company's funds to that extent and consequent loss of interest of Rs.67.33 lakhs till the date of withdrawal from the Public Deposit Account. (Paragraph 2C.13.6)

15.3 In his oral evidence, VC & MD informed the Committee that at present an amount of Rs.136 lakhs is available in the Public Deposit Account. The equity that is required for the Company's project is being adjusted from the extraction revenue and as such the Company has not drawn this amount. However, as and when the necessity arises the Company will approach the Government. In reply to a querry that by renewing the deposits frequently instead of making the deposits for longer periods the Company sustained a loss of Rs. 13 lakhs, the VC & MD explained that keeping the surplus funds in deposits depends upon the release of funds by NABARD. However, the Committee feels that if the Company has a perfect cash flow budget the available funds can more effectively be utilised.

15.4 The Committee recommends that the Government may examine whether it is absolutely necessary for the Company to keep the money related to the Industrial Development Fund in Public Deposit Account, while the Company is compelled to pay interest on the extraction dues payable to the Government. The Committee also recommends that the Company may evolve a suitable system of preparing reasonably accurate cash flow budget in order to utilise the surplus funds more effectively.

16. General:

16.1 Issues before the Government:

The Committee noticed that the Company and the Government have to solve the following two major issues which are affecting the profitability of the Company.

(1) The Government issued an order in 1991 increasing the lease rent from 50 paise to Rs.100 per ha. per annum with retrospective effect in respect of the land leased out to the Company by the Government.

(2) The Government has been demanding interest on the exploitation revenue retained by the Company. The Company's contention in this regard is that since no equity is coming forward from the Government, the Company has been retaining the exploitation revenue and requesting the Government to convert the amount so retained into equity.

16.2 These two issues have been pending for quite a long time. The Committee was informed that the Principal Secretary EFES&T department, MD of Forest Development Corporation Limited and the Principal Chief Conservator of Forests would be meeting very soon to take a view on these two issues.

16.3 The Committee would like to be informed of the decisions taken on the subjects mentioned in paragraph 16.1.

17. Sale of Cashew by Auction:

17.1 The Committee observed that the Company has been adopting open auction in some cases and tender system in some cases while disposing off the cashew yield. The Committee feels that the Company may adopt both open auction and tender system simultaneously in all the places for deciding the highest bidder. This is particularly in view of the fact that there have been some complaints about open auctions. The Committee would like to have a report about the implementation by June 1993.

RECOMMENDATIONS OF COMMITTEE ON PUBLIC UNDERTAKINGS

(9th Legislative Assembly)

ACTION TAKEN NOTES ON THE RECOMMENDATIONS OF COPU CONTAINED IN ITS SIXTH REPORT PRESENTED TO EIGHTH LEGISLATIVE ASSEMBLY ON 4TH MARCH 1989.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1982-83 (COMMERCIAL)

1. Recommendation No.4:

The Committee desires that the final value/lease rent of the Government properties transferred to the Company should be fixed as expeditiously as possible.

In its action taken notes, the Company informed that proposals were sent by the Company to Principal Chief Conservator of Forests, who has nominated a Joint Committee with Officers of Departments and the Company and the Joint Committee is expected to finalise shortly.

The Committee is pained to note that the issue of valuation of Government properties transferred to the Company has not been done even after 15 to 20 years. The Committee directs that the Government should take expeditious action to finalise the matter by prescribing a time limit. The Committee would like to have a report from the Government by June 1993.

2. Recommendation No. 7:

The Committee recommends that irrespective of the fact that the assets have been transferred on a plough back revenue principle or not, the approval of the State Legislature should be obtained and also necessary provisions should be made in the Budget of the State for this purpose.

The Company informed the Committee in its action taken notes that the Committee constituted in July 1991 is yet to meet and that after finalisation of the recommendations of the Committee a proposal will be submitted to the Government for obtaining approval of Legislature through Budget system.

The Committee is unhappy to note that the special Committee which was constituted by the Government for a specific purpose in July 1991 has not met even once during the last one

and half years. The Committee feels that suitable legislative approval should be obtained without any further delay. The Committee, therefore, recommends that the Committee appointed by the Government should immediately meet and take a decision, so that proposals can be submitted by the Company to the Government for getting necessary legislation.

3. Recommendation No.10:

The Committee recommends that all the Public Sector Undertaking should be brought under the perview of Revenue Recovery Act.

The Committee noticed that the Government has not taken any steps in this regard. The Government has also not responded to the recommendation. The Committee recommends that the Government should examine the issue and report back to the Committee by June 1993.

4. Recommendation No. 24:

The Committee feels that the issue needs a thorough check, examination and an enquiry may be conducted to ascertain the correct position of timber utility. The action taken for the disposal of the stocks of the timber may also be intimated to the Committee.

In its action taken notes, the Company informed that timber in shaded regulation which cannot be felled and transported mainly due to the reason of causing damage to the Coffee plantations and which is spread over a wide area is to be written off and action as such is being taken to write off the value of such timber.

The MD has promised to inform the Committee after writing off the value of the timber which cannot be felled and transported.

The Committee would like to have a report by June 1993.

5. Recommendation No. 26 & 27 (b):

The Government to look into the aspect of entrusting the Beedi leaves scheme to Welfare Organisations.

While explaining the implementation of the scheme in its totality, the Principal Secretary EFES&T informed the Committee

that a decision has already been taken by the Government evolving a procedure involving the District Collector or the Project Officer, ITD regarding the appointment of Kalledars for collection of beedi leaves. He has also opined that in implementation of the above decision the involvement of the agencies is not as much as it should have been and that the issue will be placed before the Government and instructions will be issued before the begining of the next season.

The Committee would like to have a report in the matter by June 1993.

6. Recommendation No. 26 & 27 (e):

Action of Cashew be split into small Plots:

In its action taken notes the Company, inter-alia, stated that efforts are being made to form small units wherever possible and that the decision of the Committee was under active examination.

The Committee is unhappy that the recommendation made by it in 1989 is still under examination of the Company. The Committee directs the Company to report back to the Committee on the action taken on the recommendations by June 1993.

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