

CHAPTER II : MINISTRY OF AGRICULTURE AND FARMERS' WELFARE

2.1 Avoidable expenditure of ₹ 1.14 crore

Ministry's failure to fix an appropriate reserve price in time and inordinate delay in decision making at different stages of the disposal process of vessel *Matsya Sugandhi*, resulted in avoidable expenditure of ₹ 1.14 crore. Delay in disposal also led to the Ministry receiving a lower price for the vessel due to depreciation of the vessel.

Fisheries Survey of India (FSI) inducted a vessel - *Matsya Sugandhi* - in its fleet in 1980 for deployment for fishing operations at its Kochi base. In January 2007, Ministry of Agriculture and Farmers' Welfare (Ministry), based on EFC deliberations, identified this vessel for decommissioning. In May 2010, the Ministry constituted a Technical Committee (TC) to examine all aspects of the vessel necessary for deciding on its decommissioning and disposal or otherwise. The TC recommended (December 2010) decommissioning of the vessel in view of its poor condition, and due to the fact the machinery was old and outdated making any overhaul both unviable and difficult. It also recommended a reserve price of ₹ 70 lakh. Accordingly, in April 2011, the Ministry conveyed approval for decommissioning and disposal of the vessel, at the recommended reserve price.

Audit examination of records relating to the disposal of the vessel revealed (April 2019) the following:

a) The TC recommended (03 December 2010) a reserve price of ₹ 70 lakh and recorded that this was based on the sale price of *Matsya Vishwa*—a FSI Vessel sold in 2009 and the assessment report of a Consultancy firm. However, it did not elaborate on how these benchmarks were applied to arrive at a reserve price of ₹ 70 lakh as the sale price of the other vessel (less taxes) was only ₹ 62.16 lakh. Further, the Consultancy firm had assessed (September 2010) market value of *Matsya Sugandhi* to only be in the range of ₹ 52-54 lakh. Subsequently, several rounds of auctions and e-auctions undertaken from August 2011 to November 2014 could not even fetch half of the reserve price with the price in the auctions ranging from ₹ 23.28 lakh to ₹ 31.75 lakh only. In May 2015 the Ministry reconstituted the TC to *inter alia*, review the reserve price for the vessel. The TC belatedly, adopted the valuation done by the Consultant in 2010 and revised the reserve price downwards to ₹ 31 lakh after

accounting for depreciation on the reduced valuation. However, in the e-auctions conducted from February 2016 to July 2016 by MSTC at the reduced reserve price, the highest bid received was only ₹ 13 lakh. Subsequently, in November 2018, another TC re-fixed the reserve price at ₹ 16.18 lakh after adjusting depreciation for four years. The vessel was finally sold for ₹ 17.76 lakh (June 2019). This shows that FSI did not proceed on any clear and rationale basis while fixing the reserve price. Despite repeated realisation of prices being much below the reserve price during auctions held from August 2011 to November 2014 and objections on the reserve price from bidders, FSI/Ministry did not review the reserve price till May 2015. It was only in 2019 when the reserve price was reduced to almost a fourth of the original price, was FSI able to dispose-off the vessel.

b) There were inordinate delays by FSI and the Ministry in taking decisions with regard to constitution of TCs, approval for disposal, fixing and review of reserve price and on specific auctions. These are enumerated in **Table No. 1**.

Table No. 1 : Inordinate delays by FSI and the Ministry

Sl. No.	Occasion	Delay
1.	Approval for decommissioning and fixing reserve price from the time the vessel was identified for decommissioning in 2007.	51 Months
2.	1 st and 2 nd tender (August 2011 to February 2013)	18 Months
3.	2 nd and 3 rd tender (February 2013 to November 2014)	21 Months
4.	3 rd and 4 th tender (November 2014 to February 2016)	16 Months
5.	Re-constitution of TC (September 2016 to March 2019)	30 Months
Total Delay		136 Months

c) As per the Merchant Shipping Act, 1958, vessels were to be manned safely till their final disposal. During the period from April 2012 to March 2019, FSI incurred an expenditure of ₹ 1.14 crore towards salary, fuel, spare parts, etc. on the maintenance of the decommissioned vessel. The delays, referred to above, contributed to the increase in the expenditure which was avoidable. Audit also observed that while fixing reserve prices and evaluating bids the Ministry had given inadequate consideration to the need to avoid or minimise such expenditure by expediting the disposal of the vessel.

The Ministry/FSI in their reply (November 2019) have highlighted *inter alia*, that it was mandatory to maintain and man the vessel so as to prevent sinking and drifting of vessel and hence expenditure on this account was unavoidable,

the low bid prices were due to cartelisation and the reduction in reserve price was due to corrosion in steel plates and structure of the vessel. The reply is not acceptable as although the expenditure on maintenance was required as per law, these could have been minimised through expeditious action for disposal of the vessel. Further, reasons for low bids were not analysed on record, nor was any action taken to address suspected cartelisation. In addition, there were shortcomings in the Ministry's entire approach with respect to fixing of reserve prices and managing the bidding process.

Thus, failure of the Ministry/Department to fix an appropriate reserve price after considering all aspects, lack of prompt and timely action in reviewing and revising the reserve price, and prolonged delays in decision making and in the tendering process resulted in avoidable expenditure of ₹ 1.14 crore incurred on manning and maintenance of the vessel. The prolonged delay of over 12 years in disposal also led to the Ministry receiving a much lower price as the vessel had in effect been reduced to scrap in the meantime.

Central Institute of Fisheries Education, Mumbai

2.2 Unfruitful expenditure of ₹ 2.36 crore due to non repair/ replacement of Transmission Electron Microscope

The Transmission Electron Microscope (TEM) delivered at Central Institute of Fisheries Education, Mumbai resulted in unfruitful expenditure of ₹ 2.36 crore as the defects in the microscope were not rectified by the Supplier, even after a lapse of more than seven years.

Central Institute of Fisheries Education (CIFE) (one of the Institute of Indian Council of Agriculture Research) placed (March 2011) Purchase Order for procurement of Transmission Electron Microscope (TEM) on M/s Hitachi High-Technologies, Singapore (Supplier) through its Indian Agent M/s Fore Vision Instruments Pvt Limited, Hyderabad (Agent) at a cost of ₹ 3.03 crore Japanese Yen (JPY). The Supplier submitted a Bank Guarantee of ₹ 30.25 lakh JPY (valid from 16 November 2011 to 15 April 2013) towards security deposit and CIFE made payment (December 2011) of ₹ 1.94 crore to the Supplier. The Supplier delivered the TEM in February 2012 which was installed (August 2012) at CIFE under the supervision of the Agent. Total expenditure incurred on purchase and installation of the equipment was ₹ 2.36 crore.

CIFE complained (December 2012 and January 2013) to the Agent that they were not getting any image from TEM of tissue sections and that the machine

was generating only a note that CCD Camera did not support the software. It was also reported that some of the parts of the equipment were getting rusted. Problems developed in the battery and camera also (October and December 2012) as shown in the Log Book. Though the Sales Manager from the Supplier with Engineers from the Agent visited (March-April 2013) CIFE, the problems in TEM could not be fixed. The Engineer of camera manufacturer also visited CIFE (May 2013) and sent (October 2013) the camera to USA for repair. During reinstallation (February 2014) of camera in the TEM after its repair, failure in EVAC system was noticed. In the joint meeting (May 2014) the Agent agreed to replace the corroded/damaged parts and make the TEM functional within six months i.e. by November 2014.

The General Manager, along with an Engineer from Supplier, inspected (August-September 2014) the machine and identified the problems which, *inter alia*, included (i) excess humidity in TEM room (80 *per cent* against the recommended range of 30-60 *per cent*), (ii) high temperature at night (30 degree against the required 15-23 degree), (iii) influx of reactive gas/chemicals in TEM Room, etc. Audit observed from the minutes of CIFE meetings and correspondences that the Engineers from the Agent and Supplier had inspected the TEM several times but they could not identify the above problems, until September 2014 (i.e. after one and a half years from complaint). After protracted correspondences, the Agent agreed (March 2017) to repair/replace the damaged parts at Supplier's factory in Japan free of cost and make it functional. However, the TEM was neither repaired nor taken over by Agent (March 2019).

Thus, after more than 76 months of reporting the machine non functional, the Supplier or its Agent could not repair/replace the TEM (March 2019). CIFE also failed to forfeit the Security Deposit and take any legal action and blacklist the firms. Failure of CIFE to prevail upon the Supplier/Agent resulted in unfruitful expenditure of ₹ 2.36 crore.

Indian Council of Agriculture Research, New Delhi in its reply stated (December 2019) that the matter was taken up with the Supplier and Agent of the equipment several times for repair but the same was not taken seriously by Supplier/Agent. They further stated that they are contemplating to take legal action against the firm and have informed (June 2019) the Supplier that they

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would take up the matter with Government of India for blacklisting the firm from selling their products in India.

The matter has been referred to the Ministry in August 2019. Their reply is awaited (December 2020).