TWELFTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)

ELEVENTH REPORT

(Presented on 17th October, 2006)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2006

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COMMITTEE
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ELEVENTH REPORT

On

The Plantation Corporation of Kerala Ltd.
based on the Report of the Comptroller and Auditor
General of India for the year ended 31-3-2002

967/2008.

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2006-2008), having been authorized by the Committee to present the Report on their behalf, present this 11th Report on The Plantation Corporation of Kerala Ltd. based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial) relating to the Government of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended 31-3-2002, was laid on the Table of the House on 16-6-2003. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto was made by the Committee on Public Undertakings constituted for the years 2006–2008.

This Report was considered and approved by the Committee at the meeting held on 9-10-2006.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit Paragraphs included in this Report.

The Committee wish to express their thanks to the officials of the Agriculture Department of the Secretariat and The Plantation Corporation of Kerala Ltd. for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Agriculture Department and Finance Department and the officials of The Plantation Corporation of Kerala Ltd. who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
17th October, 2006.

REPORT

THE PLANTATION CORPORATION OF KERALA LIMITED

AUDIT PARAGRAPH

Infructuous investment

The Kasaragod group of plantations of the Company had (April 1998) 158 workers in five divisions comprising 28 small holdings spread over an area of 2190 hectares and the medical facilities to those workers were being provided by way of reimbursement of expenditure on treatment at Government hospitals. The Board of Directors of the Company having majority of non-official members decided (April 1998) to provide hospital facilities to the workers by constructing its own hospital at Kasaragod at an estimated cost of Rs. 10 lakh, the funds for which were to be appropriated from other construction works envisaged in the Company's budget for the year 1998-99. The decision was taken without conducting the cost benefit analysis and ignoring the 30 Km. radius in which the group estate were spread over as also the location of Public Health Centre in the vicinity. The hospital which was constructed at a total cost of Rs. 12.95 lakh started functioning in October 1999. Since the average patient flow during October 1999 to March 2001 was meagre (less than 3 per day) the staff was withdrawn and the hospital had to be closed down (May 2002). Thus, the hasty decision by the Company to construct the hospital for its workers without conducting proper study on cost benefit resulted infructuous investment of Rs. 12.95 lakh. The company admitted (May 2002) that the project for construction of hospital was taken up ignoring recommendation (May 1998) on the unavailability of the projects, by the finance wing.

Government stated (August 2002) that the investment decision taken at the level of Board of Directors was not prudent and was taken without looking at the viability of the proposed hospital. Alternative steps to utilise the building were being contemplated. The fact remained that the Board of Directors failed to protect the financial interests of the Company by starting an unviable project.

[Para 4.1.8.1—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31-3-2002 (Commercial)]

Notes on Audit Paragraph furnished by Government is given in Appendix II.

1. The Committee enquired about the details of the hospital constructed at Kasaragod. The witness informed that the hospital was constructed with the intention of providing medical facilities to the labourers as per the Plantation

Labour Act. The location of the hospital was very inconvenient to the labourers and as a result, only a few availed the medical facility from it. The witness added that the hospital functioned hardly for three years from 1998 and it had to be closed down. The medical staff were appointed on contract basis during the period. He added that various suggestions had also been received to convert the building into an Ayurveda Hospital or a Training Institute to study cashew/ plantation technology and the Company was examining how it could be utilised.

2. The Committee pointed out that primarily the hospital was constructed ignoring the recommendation of the Finance Wing as unviable. The hasty decision by the Company to construct the hospital for its workers without conducting proper study on cost benefit resulted infructuous investment. Moreover, the Board of Directors having majority non-official members took the decision. The witness further informed that the Board comprised of 9 members with 4 officials and 5 non-officials took the decision and there was no imbalance in it. The decision was taken considering the fact that there existed similar hospitals in other plantations at Kodumon and Kalady as envisaged in the Plantation Labour Act. The witness, added that there were 500 labourers in the plantations and not 158. Regarding the very low number of patient turnout, the witness agreed that the location of the hospital was very inconvenient to labourers and they had to travel ten to twenty kilometers to reach the hospital for availing medical facilities.

3. To a specific question, it was revealed that the Member-Finance, submitted a dissent note at the meeting of the Board of Directors when the proposal for the hospital was taken up for ratification. Enquired about the reason for the dissent, the witness replied that the group of plantations in Kasaragod were scattered to 28 pieces and it was very difficult for labourers to reach the hospital situated 50 Km. away from most of the plantation holdings. Moreover, when hospitals with all modern facilities were available at nearby places of plantations, the labourers naturally went there for treatment and got reimbursement as per the Plantation Labour Act. The witness also informed that since the doctor was appointed on contract basis, the labourers were unsure of getting his service, when they went to the hospital. To another pertinent question, the witness replied that the hospital was constructed in the company's own land and the proposal was mooted by a Board Member representing labourers.

Conclusion/Recommendation

4. **The Committee is aggrieved to learn that the hospital constructed by the Company for its workers at Kasaragod was ultimately forced to be closed down due to low patient flow, resulting the entire investment**

infructuous. The hospital was constructed without conducting proper study on cost benefit of the project. The Committee cannot understand why the company went ahead with the construction ignoring the recommendation of the finance wing that the project would not be viable. The Committee opines that the Board of Directors which approved the project had failed miserably to protect the interest of the company by giving hasty sanction for the project which was advantageous neither to the workers nor to the company. The Committee cannot understand the logic behind the decision of the Board of Directors that made the workers travel a distance of 30 to 50 Km. to avail medical facilities from the company's hospital; while several hospitals with modern facilities were available in nearby areas and workers also got the benefit of reimbursement as per Plantation Labour Act. The Committee therefore recommends that the company should desist from venturing such uneconomic and unviable projects in future so as to protect the company from heavy financial loss.

5. The Committee further recommends that earnest efforts should be made immediately to utilise the building for other purposes beneficial to the Company as well as the plantations labourers without idling it and the details of action taken in this regard should be furnished to the Committee.

AUDIT PARAGRAPH

Avoidable procurement

The requirement of water for the centrifuged latex factory of the Company at Kallala was being met from the pipeline laid from the Adirappally reservoir. The Company decided (April 1997) to lay a new pipeline for drawing water for Kallala factory anticipating increase in production of latex during the succeeding years. However, no specific projections were made about the quantum of increase in production and the requirement of water for the purpose. In connection with the laying of new pipeline, the Company procured (August 1998) 3000 metres of 125 mm dia cast iron pipes and rubber gaskets from M/s. Kalinga Iron Works, Orissa at a total cost of Rs. 18.30 lakh. When the production of centrifuged latex at Kallala factory during the year 1999-2000, 2000-01 and 2001-02 registered increase of 277.528 MT (42.59 per cent), 267 MT (40.95 per cent) and 294 MT (45.09 per cent) respectively over that of 1998-99, the Company could meet the requirement of water from the then existing facility indicating that laying of new pipeline was not essential. Though materials were procured, the Company did not go ahead with the scheme and decided (August 2000) to sell the pipes and gaskets procured. As against the tender invited (November 2000) for sale of pipes and gaskets, the highest value quoted was Rs.2.78 lakh only. The material remained unsold with the Company (August 2002).

Thus, the decision of the Company to lay new pipeline without properly assessing the necessity of laying, led to abandoning of the scheme and resultant avoidable expenditure of Rs. 18.30 lakh.

Government stated (August 2002) that the new pipeline could not be laid since the work was forcibly stopped by the workers who felt that the quantum of water to labour lines would be affected and the Management still felt that they would be able to convince the workers and lay the new pipe line. The reply is not tenable since the Company could manage the water required for increase in production without laying the new pipeline and the procurement of pipes should have been made only after settling the dispute with the workers. Moreover, the Company had been making efforts to dispose of the pipes and gaskets.

[Para No. 4.1.8.2—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31-3-2002 (Commercial)]

Notes on Audit Paragraph furnished by Government is given in Appendix II.

6. With regard to the purchase of 3000 metres of pipes, the witness informed that the project could not be completed due to strong objection from the workers. The Committee pointed out that there were only two trade unions in the company and there was no objection from them against laying of pipes. The witness informed that the estate was started in 1975 at Vettilappara and in 1980, another estate was started at Kallala which was five kilometres away from the first one of with a total coverage of 1100 acres. Water needed for the Kallala factory was provided by tapping the domestic line and when capacity of the factory was increased the water consumption also increased. When there was shortage of drinking water during summer season and the supply to the Kallala factory had to be maintained as such, workers protested. The matter was raised in the high level conference of workers and a decision was taken to lay separate pipe line without hindering the domestic water supply to the workers. The Committee could not agree with the details furnished by the witness and directed the Principal Secretary, Agriculture Department to examine the matter in detail.

7. The Committee further pointed out that no specific projections were made about the quantum of increase in both production and domestic requirement of water. The company could meet the requirements of water from the existing pipeline. To this, the witness informed that there was increase in production upto 40-45% subsequently. The company was trying to manage with the existing supply of water eventhough there was shortage. The witness also informed that the company was in crisis two years back when price of rubber was very low and it was unwise to invest money for other purposes then.

As the situation had improved the company was thinking of laying the same pipeline to its oil palm plantations. The witness added that the company had decided to dispose the pipes in August 2000 to tide over the financial crisis. The company was trying to introduce modern water supply scheme presently by utilising low cost technology to provide adequate water supply to both the company and workers.

8. To another question, the witness informed that several discussions were held with trade unions regarding the laying of pipes and tenders were invited and necessary works were progressing.

Conclusion/Recommendation

The Committee is perturbed to learn that pipes worth Rs.18.30 lakh purchased in 1998 were lying idle till date causing severe financial loss to the company. The company could not proceed with the project due to strong opposition from workers who feared that the new pipe line would badly affect their domestic water supply. The only conclusion that the Committee can reach from the evidence tendered before it is that no fruitful discussion was made on the subject. Since no agreement was made with workers before the commencement of project and purchase of pipes the company could not implement the project even after a lapse of six years after making heavy investment in the purchase of pipes. The Committee pin points that the entire story reveals lack of proper planning on the part of the company and opines that the company should be more prudent while executing decisions which involve heavy financial implications in future. The Committee further recommends that fruitful discussion with the workers may be made at an early date to alleviate their fears on the implementation of project so that the company could proceed with the project uninterrupted and the progress should be reported to the Committee without fail.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
17th October, 2006.

Chairman,
Committee on Public Undertakings.

APPENDIX I

Summary of main Conclusions/Recommendations

Sl. No.	*Para No.*	*Department concerned*	*Conclusions/Recommendations*
(1)	(2)	(3)	(4)
1	4	Agriculture	The Committee is aggrieved to learn that the hospital constructed by the Company for its works at Kasaragod was ultimately forced to be closed down due to low patient flow, resulting the entire investment infructous. The hospital was constructed without conducting proper study on cost benefit of the project. The Committee cannot understand why the company went ahead with the construction ignoring the recommendation of the finance wing that the project would not be viable. The Committee opines that the Board of Directors which approved the project had failed miserably to protect the interest of the company by giving hasty sanction for the project which was advantageous neither to the workers nor to the company. The Committee cannot understand the logic behind the decision of the Board of Directors that made the workers travel on distance of 30 to 50 Km. to avail medical facilities from the company's hospital, while several hospitals, with modern facilities were available in nearby areas and workers also got the benefit of reimbursement as per Plantation Labour Act. The Committee therefore recommends that the Company should desist from venturing such uneconomic and unviable projects in future so as to protect the company from heavy financial loss.

(1)	(2)	(3)	(4)
1	5	Agriculture	The Committee further recommends that earnest efforts should be made immediately to utilise the building for other purposes beneficial to the Company as well the plantation labourers without idling it and the details of action taken in this regard should be furnished to the Committee.
1	9	..	The Committee is perturbed to learn that pipes worth Rs. 18.30 lakh purchased in 1998 were lying idle till date causing severe financial loss to the company. The Company could not proceed with the project due to strong opposition from workers who feared that the new pipe line would badly affect their domestic water supply. The only conclusion that the Committee can reach from the evidence tendered before it is that no fruitful discussion was made on the subject. Since no agreement was made with workers before the commencement of project and purchase of pipes the company could not implement the project even after a lapse of six years after making heavy investment in the purchase of pipes. The Committee pinpoints that the entire story reveals lack of proper planning on the part of the company and opines that the company should be more prudent while executing decisions which involve heavy financial implications in future. The Committee further recommends that fruitful discussion with the workers may be made at an early date to alleviate their fears on the implementaion of project so that the company could proceed with the project uninterrupted and the progress should be reported to the Committee without fail.

APPENDIX II

Government Report on Audit Paragraphs contained in the Report of Comptroller and Auditor General of India Plantation Corporation of Kerala Limited

Para No.	*Recommendations*	*Action Taken*
(1)	(2)	(3)
4.1.8.1	The Kasaragod group of plantations of the Company had (April 1998) 158 workers in five divisions comprising 28 small holdings spread over an area of 2190 hectares and the medical facilities to these workers were being provided by way of reimbursement of expenditure on treatment of Government hospitals. The Board of Directors of the Company having majority of non-official members decided (April 1998) to provide hospital facilities to the workers by constructing its own hospital at Kasaragod at an estimated cost of Rs. 10 lakh, the funds for which were to be appropriated from other construction works envisaged in the Company's budget for the year 1998-99. The decision was taken without conducting the cost benefit analysis and ignoring the 30 K.m. radius in which the group estates were spread over as also the location of	The Company has its own group hospitals in its Kodumon and Kalady group of estates comprising 3 estates each situated in Pathanamthitta, Ernakulam and Trichur Districts. But there was no such hospital for the 7 estates of Malabar group situated in Kasaragod, Kannur, Kozhikode, Malappuram and Palakkad Districts. It was in this context in April 1998, the Board of Directors of the Company as rightly stated in the Report having majority of non-official, political trade union leaders, decided to and constructed a hospital at Kasaragod spending 12.95 lakhs rupees. As the estates of Malabar group, unlike Kodumon or Kalady group are scattered in 5 Districts of North Kerala, the workers had to spend more money towards travelling than the cost of medicine they

(1)	(2)	(3)
	Public Health Centre in the vicinity. The hospital which was constructed at a total cost of Rs. 12.95 lakh started functioning in October 1999. Since the average patient flow during October 1999 to March 2001 was meagre (less than 3 per day) the staff was withdrawn and the hospital had to be closed down (May 2002). Thus, the hasty decision by the Company to construct the hospital for its workers without conducting proper study on cost benefit resulted in infructuous investment of Rs. 12.95 lakh. The Company admitted (May 2002) that the project for the construction of hospital was taken up ignoring recommendation (May 1998) on the unviability of the project, by the finance wing. Government stated (August 2002) that the investment decision taken at the level of Board of Directors was not prudent and was taken without looking at the viability of the proposed hospital. Alternative steps to utilise the building were being contemplated. The fact remained that the Board of Directors failed to protect the financial interest of the Company by starting an unviable project.	could get from the non-speciality hospital. Besides there were Public Health Centres having the same facility on their way to the group hospital. As such the number of patients attending the hospital was two or three per day on average and naturally the hospital was closed. The only way left is to find out ways to utilise the building otherwise and the company has been exploring possibilities of leasing out the building for operating tourism resort on contract basis. Expression of interest for this way invited, but the response was poor. Further attempts are being made in this direction and if this is not materialized, other possibilities have to be sought.

(1)	(2)	(3)
4.1.8.2	*Avoidable Procurement*	
	The requirement of water for the centrifuged latex factory of the Company at Kallala was being met from the pipe line laid from the Adirappally reservoir. The Company decided (April 1997) to lay a new pipeline for drawing water for the Kallala factory anticipating increase in production of latex during the succeeding years. However, no specific projections were made about the quantum of increase in production and the requirement of water for the purpose. In connection with laying of new pipeline, the Company procured (August 1998) 3000 metres of 125 mm dia cast iron pipes and rubber gaskets from M/s. Kalinga Iron Works, Orissa at a total cost of Rs. 18.30 lakh. When the production of centrifuged latex at Kallala factory during the years 1999-2000, 2000-01 and 2001-02 registered increase of 277.528 MT (42.59 per cent), 267 MT (40.95 per cent) and 294 MT (45.09 per cent) respectively over that of 1998-99, the Company could meet the requirement of water from the then existing facility indicating that laying of new pipeline was not	Though the pipes and gaskets were procured with the intention of meeting the additional requirement of water at the Kallala factory, situated at a distance from water resources. This could not be laid primarily due to protest from workers and as the level of production did not rise as expected and the company could manage its requirement of water at the factory with the existing pipeline. The efforts for disposing of the pipes and gaskets could not succeed due to very low offers. Now the Company has an Oil Palm Plantation in Kallala estate and a major portion of the pipes can be used for fetching water to irrigate the oil palms and the balance quantity, if any, can be disposed if the Company could receive better offer.

(1)	(2)	(3)
	essential. Though materials were procured, the Company did not go ahead with the scheme and decided (August 2000) to sell the pipes and gaskets procured. As against the tender invited (November 2000) for sale of pipes and gaskets, the highest value quoted was Rs. 2.78 lakh only. The material remained unsold with the Company (August 2002).	
	Thus the decision of the Company to lay new pipeline without properly assessing the necessity of laying led to abandoning of the scheme and resultant avoidable expenditure of Rs. 18.30 lakh.	
	Government stated (August 2002) that the new pipeline could not be laid since the work was forcibly stopped by the workers who felt that the quantum of water to labour lines would be affected and the Management still felt that they would be able to convince the workers and lay the new pipe line. The reply is not tenable since the Company could manage the water required for increase in production without laying the new pipeline and the procurement of pipes should have been made only after settling the dispute with the workers. Moreover, the Company had been making efforts to dispose of the pipes and gaskets.	