


ACTION TAKEN NOTE (FOR AUDIT PARA)

I.		
(a)	Ministry/ Department	Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying
(b)	Subject/Title Of The Review	Action Taken Note on Para No. 2.1 of the C&AG Report No. 2 of 2021 regarding avoidable expenditure of Rs. 1.14 crore.
(c)	Paragraph No.	2.1
(d)	Report No.	2 of 2021
II.		
(a)	Date of Receipt of the Draft Review in	07.09.2022
(b)	Date of Ministry's reply	November, 2022

III	Audit Conclusion and Remedial Action Taken	
Sub Para No.	Text of Sub Para	Ministry reply including Remedial Action Taken.
2.1	<p>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 <i>Matsya Sugandhi</i>, resulted in avoidable expenditure of Rs. 1.14 crore. Delay in disposal also led to the Ministry receiving a lower price for the vessel due to depreciation of the vessel.</p> <p style="text-align: right;"> 25/11/22</p>	<p>With regard to the Audit paragraph 2.1, the following is submitted:</p> <ol style="list-style-type: none">1. Any decision to decommission a fishing vessel has to be taken carefully after being satisfied that such a decision would not hamper the day to day operations of the Organization and the vessel is no longer fit for operations. Hence, the Ministry constituted a Technical Committee to declare the vessel <i>Matsya Sugandhi</i> as surplus or obsolete or unserviceable. Based on the report of the Technical Committee and taking in to consideration the operational requirements of FSI and being completely satisfied that the vessel is no longer serviceable, conveyed its approval for decommissioning in May, 2010. It is relevant to add that the vessel was in operation till March 2010 and rendering its services. So the observation of the audit that it took 12 years to dispose the vessel <i>Matsya Sugandhi</i> is perhaps not entirely correct as the decommissioning process actually began from May 2010.2. The Technical Committee (TC) fixed the reserve price of the vessel at Rs 70 lakhs after due deliberations and taking into consideration factors such as a) the condition of the vessel b) prevailing market rate of the marine scrap c) value fetched by another FSI vessel <i>Matsya Vishwa</i> that was sold in the previous year i.e. 2009 and d) the ship valuation report obtained from a professional consulting and technical services firm namely M/S Marino Navale Consultancy Pvt Ltd. that specializes in ship design, project management, marine surveys etc. The said Consultancy firm assessed the market value of <i>Matsya Sugandhi</i> at Rs 52 to 54 lakhs based on the prices of new and old Long liners of similar nature. The vessel <i>Matsya Vishwa</i> was sold at Rs 62.16 lakhs excluding taxes.3. It appears that the Technical Committee as a matter of

abundant caution fixed the reserve price about 22% higher than the Rs 52 to 54 lakhs value arrived by the professional firm and at par with the sale price (i.e. 62.16 lakhs excluding taxes) of Matsya Vishwa with an aim to secure higher revenue to government to the extent maximum possible and also to tamper any element of subjectivity or error that might come along with the assessment of the reserve price for sale of the decommissioned vessel.

4. The mere fact that Matsya Vishwa, a vessel whose Gross Registered Tonnage (GRT) was about 25% higher than Matsya Sugandhi, fetched Rs 62.16 lakhs excluding taxes was not the sole criterion that was taken into consideration by Technical Committee for arriving at objective reserve price. Had this been so, going by the GRT criterion, the Vessel *Matsya Sugandhi* should have theoretically fetched at least Rs 53 lakhs vis-à-vis Matsya Vishwa. But it did not happen.
5. Since the first-round auction yielded a very low quote of only Rs 23.28 lakhs (about 33% of the reserve price) much below the value assessed by a professional consultant firm and even the aforesaid theoretical value that could have fetched by Matsya Vishwa, it goes without saying that the Ministry and FSI in the public interest have to be absolutely sure and rule out any possibility of mala fide or extraneous factors that might be contributing to such non-responsive bid or outcome, before arriving at objective conclusion for making informed decisions and necessary course correction including downward revision of reserve price. It is submitted that the Ministry and FSI had to undertake repeated retendering only to rule out these eventualities. Since efforts of FSI through conventional tendering process did not achieve desired outcomes, the Ministry on the advice of the FSI also requisitioned the services of M/S Metal Scarp Trading Corporation Limited (M/S MSTC Ltd) a Government of India Mini-Ratna PSU for undertaking e-auctioning and entrusted it with the task of e-auctioning of the vessel. This was done to ascertain that the lower quotes obtained by conventional tendering were genuine and not due to any extraneous reasons. Further, e-auctioning was resorted to broad base the competition and maximize the revenue on account of sale of the vessel.
6. As none of the efforts fructified, and after it became aptly clear from both conventional tendering and e-auctioning that the reserve price needs a downward revision, the Ministry based on the recommendations of the reconstituted Technical Committee, lowered the reserve price to Rs 31 lakhs in 2015. However, as the highest bid obtained was far below the reserve price i.e. Rs 13 lakhs, the sale did not materialize.
7. Since the vessel could not be sold, the reserve price had to be further adjusted downward by Technical Committee and



eventually fixed at Rs 16.18 lakhs by Ministry in 2018. Finally, M/S MSTC Ltd succeed in selling the vessel at Rs 17.76 lakhs in June 2019.

8. It is submitted that the intention of the Ministry and FSI has always been to maximize the revenue to the government out of the sale of the vessel while complying with all prescribed codal formalities. As stated above, the government has to be absolutely sure that the low-price quotes received were genuine and *prima facie* beyond suspicion. The Technical Committee being an expert committee would logically examine all relevant factors before arriving at objective conclusions. Therefore, the observation of the audit that the Technical Committee in the first instance has made an error in fixing the reserve price on higher side i.e. Rs 70 lakhs is perhaps not justified that too given the fact that the Vessel was being put out for sale for the first time. It is always better to fix slightly higher price in the organization's interest. Even the reserve price fixed in the instant case was not disproportionately high.
9. The contention of the audit that 'the delay in disposal led to the Ministry receiving a much lower price as the vessel had in effect been reduced to scrap in the meantime' perhaps is incorrect. The fact of the matter is that the decommissioned vessel had already completed its life span and it was no more serviceable and seaworthy. Such outlived assets are normally auctioned off and sold as scrap. Further, the cogent factors attributed for unavoidable delay have already been explained above.
10. All these efforts took considerable time and all the while the Ministry and FSI were continuously seized with the task of disposing the vessel and made all possible efforts in this regard with utmost seriousness, sincerity and dedication, leaving no stone unturned following due processes. The disposal of the vessel also took time due to involvement of multiple agencies at each step. Further, as stated above several attempts were made for disposal of the vessel adopting transparent procedures and wide publicity by open tender and e-auction and every round is a time-consuming exercise and that too when each round was not yielding desired result. It is relevant to mention here that e-auction through M/S MSTC Ltd went in vain even after repeat of auction process for eleven times. Hence, delay for completion of the decommissioning activities was unavoidable, bonafide and never intentional. Therefore, the Ministry is constrained to not to concur with the contention of the audit that the Ministry failed to fix an appropriate reserve price in time and in ordinate delay in decision making at different stages of disposal of vessel.
11. The Ministry considers that the expenditure incurred towards manning vessel is essential and unavoidable as it is required to maintain it in reasonable condition and make

by
25/11/20

arrangements for safe keeping the vessel even when is at port until it is disposed of. It is a statutory requirement under Section 76(2) of Merchant Shipping Act (M.S. Act), 1958 and MS Notice No. 6 of 2016 (M.S Act.) dated 22nd June, 2016. As per Section 76(2) of M.S. Act: "Every ship, whether at sea or in any "port or place, shall engage such number of persons and with such qualifications as may be prescribed for maintaining watches". Therefore, it is essential to ensure that the minimum manning scales of the vessel are in place. Hence, FSI had to incur expenditure for manning and maintenance of the decommissioned vessel to comply with the statutory requirement.

12. It is further added that this Ministry has already communicated a detailed reply/comments on the audit para vide D.O. letter No. 25035/8/2009-Fy (T-5) dated 06.11.2019 upon receipt of the report from FSI vide their letter no. 26-6/2016/P&D-Vol. II dated 22.10.2019. The department endorses and agrees to the report of DG, FSI along with aforesaid comments. A copy of the same is enclosed for a ready reference.

13. The Audit Report has been noted for strict compliance and necessary advisory has been issued to all FSI base offices with a direction to avoid such delays in future and minimize the expenditure towards manning and maintenance of decommissioned vessels.

14. Ministry had taken all possible and required steps for the disposal of *Matsya Sugandhi* in an earnest manner. However, delay in disposal of the vessel were on account of the factors beyond the control of both the Ministry and FSI and the expenditure incurred on the vessel during completion of disposal process was to comply with the statutory requirements and it was unavoidable. In view of the reasons stated above, it is requested that the audit para may please be dropped.


25/11/19

Signature
Joint Secretary (Fisheries)

(डॉ. जे बालाजी/Dr. J BALAJI)
संयुक्त सचिव/Joint Secretary
भारत सरकार/Govt. of India
मत्स्य विभाग/Department of Fisheries
मत्स्य पालन, पशुपालन और डेयरी संत्रालय
Ministry of Fisheries, Animal Husbandry & Dairying
कृषि भवन, नई दिल्ली/Krishi Bhawan, New Delhi

(डॉ. जे बालाजी/Dr. J BALAJI)
संयुक्त सचिव/Joint Secretary
भारत सरकार/Govt. of India
मत्स्य विभाग/Department of Fisheries
मत्स्य पालन, पशुपालन और डेयरी संत्रालय
Ministry of Fisheries, Animal Husbandry & Dairying
कृषि भवन, नई दिल्ली/Krishi Bhawan, New Delhi