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CALCUTTA PORT TRUST

**MINISTRY OF SURFACE
TRANSPORT**

**HUNDRED AND FIFTY-SEVENTH
REPORT**



**LOK SABHA SECRETARIAT
NEW DELHI**

**HUNDRED AND FIFTY-SEVENTH
REPORT**

**PUBLIC ACCOUNTS COMMITTEE
(1988-89)**

(EIGHTH LOK SABHA)

CALCUTTA PORT TRUST

MINISTRY OF SURFACE TRANSPORT



Presented to Lok Sabha on 21-4-1989

Laid in Rajya Sabha on 24-4-1989

**LOK SABHA SECRETARIAT
NEW DELHI,**

April, 1989/Chaitra, 1911 (Saka)

P.A.C. No. 1254

Price: Rs. 10.00

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT
OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.

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PART II*

Minutes of the sittings of Public Accounts Committee (1988-89) held on 28-12-1988 and 20-4-1989.

*Not printed. one cyclostyled copy laid on the table of the House and five copies placed in Parliament Library.

PUBLIC ACCOUNTS COMMITTEE

(1988-89)

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*Appointed as Chairman w.e.f. 5-9-1988 vice Shri C. Madhav Reddy who resigned from Chairmanship of the Committee.

@Appointed w.e.f. 7-12-1988 Vice Shri Kalpnath Rai who ceased to be a member of the Committee on his appointment as a Minister of State.

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20. Shri Yalis Sesi Bhushana Rao
21. Shri T. Chandrasekhar Reddy
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SECRETARIAT

1. Shri G. L. Batra—*Joint Secretary*
2. Shri B. D. Duggal—*Director (PAC)*
3. Shri A. Subramanian—*Senior Financial Committee Officer*

INTRODUCTION

1. The Chairman of Public Accounts Committee as authorised by the Committee do present on their behalf this 157th Report on paragraphs 14—20 of the Report of C&AG of India for the year ended 31 March, 1987, Union Government (other Autonomous Bodies) relating to Calcutta Port Trust.

2. The Report of the Comptroller and Auditor General of India for the year ended 31 March 1987, Union Government (other Autonomous Bodies) was laid on the Table of the House on 10 May, 1988.

3. The Committee have noted that an investment of Rs. 41.55 lakhs out of total investment of Rs. 124.38 lakhs for creation of bulk handling facilities for sulphur and salt has proved infructuous as the estimated traffic projections of sulphur at the above port did not materialise and over the years transport of salt by sea became uneconomical as Railways carry salt at highly concessional traffic. The Committee have recommended the need for Government to consider a comparably lower freight rate for transport of salt by sea as in the case of transport by rail.

4. The Committee have expressed their dismay over a case where as a result of dispute between the Port Trust and the contractor regarding removal of the crane, traffic hazard at the jetty was allowed to continue for about 2 years though both the parties were under the control of the Government.

5. As fertiliser handling project sanctioned in March 1972 at a cost of Rs. 3.31 crores revised to Rs. 13.95 crores in February 1975 was taken up for execution in 1978 and an expenditure of over Rs. 15 crores has so far been incurred although the work still remains incomplete. There were incessant wranglings over petty disputes to solve them. The Committee have deprecated that such an unpleasant situation should occur when the contracting party happens to be a public sector unit under another Ministry.

As the Port Trust has decided for the time being not to go ahead for completion of the facilities on the ground that the expected traffic in fertilizer is not materialising. Since the planned completion of the project was as far back as 1978, Committee have regretted

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the failure of the Ministry of Surface Transport to take stock of the progress of trade facilities instead of allowing it to linger for a period of 10 years at the stage of planning itself.

6. The Committee have noted that out of two mechanical handling plants installed at a total cost of Rs. 15.30 crores, one plant intended for iron ore was not utilised at all due to absence of improved drafts in the Hooghly estuary and consequent lack of traffic.

7. During 1980-81 to 1986-87 a coal handling plant handled only a total of 102.56 tonnes of coal and the plant remained underutilised to the extent of 41 per cent to 80 per cent of its capacity (35 lakh tonnes). As per audit, the under-utilisation of the coal handling plant during 1980-81 to 1986-87 had resulted in a loss of revenue of Rs. 4985.60 lakhs. The Committee have called for speedy remedial action at higher level to ensure traffic load for efficient and economic utilisation of the capacities. The Committee have expressed its concern that whereas the coal handling plant has handled hardly on an average 15 lakh tonnes *per annum* till 1987-88, against its annual rated capacity of 35 lakh tonnes, it has been considered necessary to augment the capacity for handling coal upto 24 lakh tonnes by converting the ore handling equipment and for this purpose so far an additional investment of Rs. 1.28 crores has been made. The work of conversion of the plant which was taken up in May 1983 is still to be completed by May 1989.

8. The Committee have noted that substantial expenditure is incurred by the Port Trust for meeting the hire charges for retention of wagons in port areas beyond the permissible free time allowed. As Chronic detention of wagons within the port areas is mainly responsible for high quantum of hire charges payable to Railways, the Committee have desired that detailed reasons for the same *viz.*, inordinate delay in placement of wagons at sidings, repair of damaged wagons, large scale thefts and pilferage for wagon fittings inside the port area, deteriorating conditions of railway tracks, poor availability of locomotives for traffic use etc., should be investigated and effective remedial measures taken.

9. At Kantapukur the port trust holds prime land of about 49 acres which contains sheds in a covered area of 10.16 lakh sq. metres. Because of unremunerative operations of a railway station along with the sheds. Government recommended their closure as early as 1976 but lamentably action was taken by Port Trust only 5 years after another committee reiterated the earlier recommendations.

10. To achieve a designed draft of 10.67 metres upto Haldia in the estuary, dredging to the extent of 19 MGM per annum was required to be done but the actual quantity dredged by CPT and Dredging Corporation of India Ltd. during the ten years ended 1987-88 was only 131.75 MGM (about 69 per cent.). The Committee have been informed that as against the dredging capacity of 120.43 MGM available with the Port Trust, the actual performance by the dredgers of the Port Trust was only 78.47 MGM, the shortfall in performance being to the extent of nearly 35 per cent. In the opinion of the Committee the inordinate time taken in getting dredgers repaired does not appear to be reasonable and steps are needed to be taken expeditiously for reducing the period of repairs to the barest minimum possible so that dredging operations are carried on more effectively.

11. The Committee have also noted in this regard that considerable time has been taken in completion of each of the river training programmes and it appears that had the works been carried out according to the scheduled dates, it would have been possible to adhere to the target of draft of 10.67 metres. They have desired that the completion of this work should be watched through a time bound schedule which should be periodically monitored and the Ministry should also coordinate with the Calcutta Port Trust in achieving the targeted results.

12. The Committee have been informed during evidence that the scheme for dumping dredged materials ashore at Jellingham was taken up in view of the possibility that the fall in draft level could be due to recirculation of the dredged materials. The Committee have noted that despite operation of the scheme since 1977-78, the progress of dredging was very slow and the draft level in the area did not show any improvement even by 1980-81 or 1981-82. The Committee have enquired as to why the execution of the scheme was not reviewed even by 1980 and a fresh study not undertaken so that further expenditure on a scheme that was not capable of achieving the desired results could have been avoided.

13. The Public Accounts Committee examined the Audit Paragraph at their sitting held on 28 December, 1988. The Committee considered and finalised this Report at their sitting held on 20 April, 1989. The Minutes of the sitting form Part II* of the Report.

*Not printed. One cyclostyled copy laid of the Table of the House and 5 copies placed in Parliament Library.

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14. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II to the Report.

15. The Committee would like to express their thanks to the officers of the Ministry of Surface Transport and Calcutta Port Trust for the cooperation extended by them in giving information to the Committee.

16. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
April 20, 1989
Chaitra 30, 1911 (Saka)

AMAL DATTA,
Chairman,
Public Accounts Committee.

REPORT

CALCUTTA PORT TRUST

Introductory

This Report is based on paragraphs 14 to 18 and 20* of Report No. 9 of the Comptroller and Auditor General of India for the year ended 31 March, 1987, Union Government (other autonomous bodies). The paragraphs deal with certain aspects of the working of the Calcutta Port Trust.

Conveyor system in the finger jetty of Haldia Complex—Para 14 of the Audit Report

2. In September 1964, the Planning Commission constituted a study team (Bhatia Committee) in connection with the development of a separate dock complex at Haldia. The study team presented its report in August 1965. One of the findings of the study was that 50 per cent of salt traffic to eastern region was being moved to Calcutta by sea, the extent of traffic by sea was of the order of 0.4 million tonnes, per year in the years 1960 to 1963; the balance traffic was brought by rail. The study team envisaged that with the commissioning of Haldia Port the transport cost of salt by sea upto Haldia and subsequent transshipment to final destinations would be considerably cheaper than the prevailing rates for transport of salt by train. After taking note of future increases in demands, unsuitability of West Bengal for large scale production of salt etc., the study team estimated that the salt traffic by sea to Haldia would rise to 0.9 million tonnes after initial 5 years and to 1 million tonnes by 1990. The study team also anticipated a traffic of 1.7 million tonnes of sulphur at Calcutta and Haldia and expected that all the traffic in sulphur could be handled at Haldia at a finger jetty by providing bulk handling facilities. Based on these projections, the study team recommended the setting up of a conveyor system for mechanical handling of salt and sulphur in bulk at the finger jetty of the Haldia Port.

*Reproduced in Appendix 1

3. The sanction for provision of handling and storage facilities for salt at Haldia was accorded in June 1976 and the port authorities spent about Rs. 124.38 lakhs on the conveyor system of finger jetty for handling salt and sulphur. When the installation of above facilities was in progress, an unloader crane intended for the system fell into the sea in April 1978, creating navigational hazard and was removed only in May 1980. The Ministry had stated that "before the facility could be fully set up, it had become clear that salt traffic would not materialise and sulphur could be handled at other berths. The Government set up another Committee in July 1979 under the Chairmanship of Rear Admiral Dastidor to examine, *inter alia* the extent to which the plans for utilisation of the port could be revised to make the optimum use of the investment made. This Committee recommended in its report presented in February 1980, that the finger jetty be put to an alternate use and thus the idea of commissioning the conveyor system was dropped. Later, in May, 1984, on receipt of an offer from Oil and Natural Gas Commission for setting up a supply base at Haldia for their off-shore operations in the Bay of Bengal initially for a period of 2 to 3 years, the port authorities decided in February 1985 to lease one berthing face of the finger jetty to ONGC on a consolidated annual rent of Rs. 50 lakhs for oil exploration purposes. The conditions of lease also provided that when the ships of ONGC were not using the berths, there would be no objection to the port utilising the berths. For leasing out the jetty to the ONGC, the conveyor system had to be dismantled and consequently investment to the extent of Rs. 41.55 lakhs out of the capital investment of Rs. 124.38 lakhs proved to be infructuous as the scheme of mechanical handling of cargo at the finger jetty was given up.

4. During evidence, the Ministry was asked to clarify how and why the expectations failed and how far the expectations were justified. The Secretary stated:

"They estimated that not only Calcutta be covered by the sea trade but places in Bihar would also be served by sea-trade. They estimated the rail freight-trade rates would be Rs. 67.40 and 67.10 per M. tonne in respect of salt from Tuticorin, Muzzafarpur and Patna. In respect of Howrah, Muzzafarpur, Patna, rail freight would be Rs. 25.60, 24.30 leaving a margin of 41.80 and 42.90 respectively. The sea freight in respect of Tuticorin to Calcutta was Rs. 32.00. If Haldia comes into existence it would be less. They also discussed what would be the charge that Haldia Dock

Complex would levy for unloading. It was estimated that it would be somewhat at Rs. 20/-. At that time the Government's view was that salt transport by rail should be discouraged and salt traffic by sea, should be encouraged. The point is that the rail freight rates remained more or less static because salt was considered an item on which there should not be any escalation in rates. There was an increase in freight rates regarding other commodities. In the case of sea trade, what happened was that because of increase in the price in respect of petroleum and coke in 1970-71 sea freight rates went up very substantially and it proved to be uneconomical. They could not compete with the rail freight rates."

5. The Secretary also stated during evidence that the basic advantage of the railway system was that it went to different points of consumption and that for ensuring transport to port, for port to port and from port to consumption point, there was no incentive for the traders to go by sea. Asked to indicate whether any undertaking was taken from the traders that they would use the facility of transport by sea before the facilities were planned to be provided, the Secretary stated that there was a discussion with the trade about the layout of the system but no commitment was made by the trade.

6. On the extent of present traffic by sea upto Calcutta/Haldia and rail, the Secretary stated that the traffic at Calcutta was also almost nil. It was also explained that in the case of sea trade because of increase in the prices of petroleum and coke the sea freight rates went up very substantially and proved to be uneconomical. It was also explained during evidence that in so far as railway freight was concerned, as a matter of deliberate Government policy, the trade for salt was kept static and it was carried at much below cost of operations by the Railways and that as a matter of policy, salt was placed at the lowest classification for freight charges.

7. Taking note of the fact that the Bhatia Committee recommendations were made in 1965 and position relating to carriage by sea changed substantially in the 1970's, the Ministry was asked to clarify whether the Port Trust did not examine the whole thing in the light of latest trends before sanctioning bulk handling facilities. The Secretary stated that because a jetty was available and a decision to have a conveyor system for bulk handling had been taken the conveyor system was sanctioned.

8. In regard to sulphur, the Secretary informed during evidence that the study group assumed certain growth of industries in the hinterland. The Bhatia Committee had estimated that in Haldia the demand of sulphur would go up to 1.5 million tonnes in 1970-71 and 2.25 million tonnes in 1975-76. However, the demands did not materialise, resulting in non-achievement of the expected traffic potential. In a subsequent note furnished to the Committee, the Ministry stated that because the fertiliser factory of HFCL at Haldia had not come into production and very little sulphur was being imported by other fertilizer factories, the traffic projections failed to materialise.

9. A crane under erection in the finger jetty fell into the sea and was not removed for about 2 years creating navigational bottleneck. In this regard the Chairman, Port Trust stated during evidence that the contractors, a public sector undertaking, had erected the crane and were yet to hand over the same for commissioning when the same fell into the sea due to storm. As the contractors refused to take any responsibility for the falling of the crane, the Port Trust spent a sum of Rs. 23.15 lakhs for salvaging the crane and the expenditure was claimed from the party through arbitration. It was further stated that the arbitrator accepted the contention of the Port Trust that legally the crane was in the custody of the contractors when the storm arose and that the claim was decreed in favour of the Port Trust.

10. Asked to justify the inordinate delay of 2 years in removal of the crane which was a navigational hazard, the Chairman, Port Trust stated that delay occurred due to negotiations with the contractors, getting foreign equipment, foreign exchange etc. for removal of the crane etc. On the amount recoverable from the contractors, the Chairman stated that a sum of Rs. 41.63 lakhs was, in all, recoverable and that due to problems of cash flow, payment had not been made by the contractors.

11. The Committee note that a Study team envisaged in 1965 substantial increase in sea traffic of salt from the then existing level of 50 per cent of total traffic in the region as transport of salt by sea was expected to be cheaper than rail transport with reference to the relative costs of operations. The then policy of Government was also stated to be to augment salt traffic by sea and to discourage it by rail. In the circumstances the study team recommended a salt jetty with facilities for bulk handling of salt at Haldia Port; the jetty was also expected to handle entire traffic of sulphur in bulk. The Committee

have also been informed that by 1971 due to substantial hike in oil prices, the cost of operations of salt by sea became costly whereas due to a policy decision, the freight by Railways for salt has been placed at the lowest classification for freight charges; as a result transport of salt by sea became more and more uneconomical as compared to transport by rail with the result that transport by sea started dwindling and is now reported to be almost nil even at Calcutta as against 50 per cent of total salt traffic having been effected by sea in the 1960's. The Committee are unable to understand why Government have not considered it necessary to arrange to maintain a comparably lower freight rate for transport of salt by sea by arranging carriage by Government owned shipping companies or suitable arrangement of subsidies of carried by private carriers by sea including concession to the Port Trusts in determination of the port rates for salt traffic. The Committee recommend that the present policy of allowing the Railways to carry salt traffic at highly concessional traffic obviously involving a large amount of internal subsidy but denying the facility of similar concessional carriage by sea including charges levied by the Port Trust may be reviewed and the Committee may be apprised of results of the review.

12. The Committee note that though in 1965 the handling of salt traffic was economical by sea, due to increase in prices of petroleum and coke in 1970-71, sea freight rates went up very substantially and it was clear to the Port authorities in 1971 that traffic by sea would no longer be economical. Disappointingly, in total disregard of the changed situation, no review of the continued feasibility of salt traffic was conducted. On the other hand in 1976 the Port authorities, with Government approval, sanctioned, provision of a bulk conveyor system of finger jetty for handling salt and sulphur and spent a sum of Rs. 124.38 lakhs. It is disquieting to note that when the work on conveyor system for salt and sulphur had already made substantial progress, the Ministry realised the lack of salt traffic at Haldia and constituted in July 1979 another committee to review the use of the jetty. It was decided in 1980 to put the jetty to alternate use. This resulted in an investment of Rs. 41.55 lakhs out of total investment of Rs. 124.38 lakhs to be infructuous causing drain on the scarce resources of the Government. Even the estimated traffic projections of sulphur at the above port did not materialise. In the opinion of the Committee the above infructuous expenditure is clearly indicative of lack of foresight in the planning and execution of this project. Had there been an exercise to constantly monitor the

effectiveness of the scheme particularly in view of the large time lag between the original decision and the actual sanction of the project, the above loss could have been easily avoided. At this stage the Committee can only express the hope that the Government would draw a lesson from this unhappy experience and would strengthen their planning, implementation and monitoring machinery to obviate recurrence of cases of this type in future. They would like to be apprised of appropriate remedial measures taken in this direction.

13. The Committee also note that an arbitration award amounting to Rs. 41.63 lakhs is overdue for recovery by the Port Trust from public sector undertaking since the last 8 years and the delay in recovery has been attributed to the cash flow constraints of the undertaking. It is desirable that the matter should be finalised expeditiously at an appropriately higher level to get the amount of claim recovered from the undertaking. The Committee would like to be apprised of the results.

14. The Committee also note with dismay that as a result of dispute between the Port Trust and the contractor regarding removal of the crane, traffic hazard at the jetty was allowed to continue for about 2 years. Since both the parties were under the control of the Government it should have been possible to resolve the unusual stalemate swiftly. The Committee recommend that in future such inter-Ministry disputes particularly those having wider ramifications should be resolved with due promptitude.

Fertiliser Handling Project at Haldia Dock—Para 15 of the Audit Report

15. Taking note of the various projects relating to nitrogenous fertilisers that were in production, under implementation and in planning stage in the country and in particular a public sector fertiliser plant that was proposed to be established at Haldia, the study team (Bhatia Committee) observed in their report of August 1965 that an import of 1.2 million tonnes of raw materials for fertilizers, consisting of Rock Phosphate (0.9 million) and Muriate of Potash (0.3 million) could be envisaged at Calcutta/Haldia and that all the traffic of Rock Phosphate would be clearly be handled at Haldia because it was more economical to bring them in bulk in shiploads. Based on this expected traffic the study team recommended the establishment of an exclusive berth for handling raw materials for fertilizers, as also finished product of fertilizers for export. Accordingly, an exclusive berth for fertiliser was provided

at Haldia dock. To provide fast moving material handling equipment at the fertiliser berth, Government sanctioned in March 1972 a fertiliser handling project at a cost of Rs. 3.31 crores; the cost of the project was, however, revised to Rs. 13.95 crores in February, 1975.

16. Regarding the increase in the cost of the project within a period of 3 years, the Ministry stated in a note furnished to the Committee that prior to signing of a loan agreement with the Government of Canada, discussions were held with M/s. Howe International Ltd. (consultants), Fertiliser Corporation of India and others, when the scope of the project was substantially increased. In addition, extensive spiralling of prices between 1972 and 1975 also contributed to substantial increase in the cost of the project.

17. The contract for a part of the project comprising design, manufacture, delivery, erection and commissioning of the fertiliser handling equipment including part of the structural work, was awarded in September 1976 to Garden Reach Ship Builders and Engineers Limited (GRSE—public sector undertaking) at the tendered price of Rs. 354.46 lakhs, stipulating the period of completion as 24 months. According to the agreement, the GRSE was required to furnish design loads for foundation within 8 weeks of receipt of order and the Port Trust was to take thereafter a period of 6 to 9 months for completion of foundation, to enable GRSE to erect and commission the structure of the fertiliser handling equipment.

18. The GRSE took between 24 and 98 weeks in supplying 231 design loads and the Port Trust took between 4 and 45 days for approval thereof. The delays in supply of design loads and their approval had the effect of delaying completion of the foundation work by the Port Trust and consequently the other connected works. According to the Audit paragraphs, the GRSE commenced fabrication of structures in January 1978 and by September 1978, *viz.*, the scheduled date of completion, fabricated only 425 tonnes of the structure out of the total requirement of 1100 tonnes. Apart from this delay, there were several disputes between the Port Trust and GRSE on payment of escalation, understanding on certain portions of the work relating to provision of a continuous bagging shed, etc. The disputes were examined by the representatives of respective Ministries and certain claims of GRSE were admitted. Moreover, GRSE was also facing financial problems for management of its affairs. The work was not completed even by May 1987 and the

dispute was referred to arbitration by a Government nominee. The arbitrator (Additional Secretary, Bureau of Public Enterprises) relieved GRSE in September 1987 from further contractual obligations for completion of the project without any liability. According to Audit, the Port Trust had to pay to GRSE a sum of Rs. 46 lakhs over and above the contractual payment, towards escalation and an additional sum of Rs. 27.25 lakhs on the consideration that there was misunderstanding about the inclusion of bagging shed in the offer of the public undertaking. The total cost of the work given to GRSE had also risen from Rs. 354.46 lakhs to Rs. 427.71 lakhs in the meantime and total expenditure on the project to Rs. 15 crores.

19. In regard to the dispute relating to provision of continuous bagging shed in the offer of the undertaking, the Committee wanted to know as to how was it that the contract documents did not show clearly that the design provided for the continuous bagging shed under the bagging bin and how the observation of the GRSE in their offer for location of the bagging shed over the bagging bin was not rectified before the contract was concluded. The Secretary deposed before the Committee that in the tender documents as also the sketch accompanying it, the bagging shed was shown under a dotted line due to which GRSE failed to understand that it was a continuous structure. The dispute, the Secretary stated, was settled as a result of discussion between the Financial Advisers of the two Ministries.

20. In regard to the failure of GRSE to supply design load for the foundation within the prescribed period of 8 weeks in the agreement, the Committee enquired whether the time limit was unrealistic. Though the Chairman, Port Trust stated that when the Port Trust executed another contract with a private organisation, there was no slippage or delay and contended that it was a workable one, the Secretary observed that the time limit prescribed was unrealistic and that when both the Ministries met together they came to the conclusion that there had been slippages ascribable to both the parties. The Ministry also stated that as the foundations involved a number of locations and the date was required to be scrutinised by more than one wing of the Port Trust, there was some delay in finalisation in some of the cases.

21. Taking note of the fact that an expenditure of over Rs. 15 crores had been incurred on the project, and that the project had not been commissioned even 9 years after it was due for commissioning in 1978, the Committee asked the Port Trust to send a note to the Committee indicating (i) the original value of the work

still left to be done, (ii) the present value of incomplete work, (iii) the feasibility of utilising the asset and the extent thereof and (iv) extent of loss being sustained. The Ministry stated that because the volume of fertiliser traffic was not adequate it had not yet been decided whether the left-out portion by GRSE should be completed and that if it was decided to execute the balance of work the work would be completed through another tender.

22. According to the Ministry, the incomplete portion of the work is localised in the bagging and stitching system which would be taken up for completion after a decision is taken as to whether the left out portion by GRSE should be completed or not as at present there has been inadequacy of fertiliser traffic. The Ministry also stated that the other portion of Fertiliser Handling System was being utilised for handling various dry bulk cargo. Having regard to the alternative usage being attempted, the Ministry contended that it would not be possible to calculate the loss on non-utilisation of the bagging and stitching system.

23. The Committee note that fertilizer handling project sanctioned in March, 1972, at a cost of Rs. 3.31 crores revised to Rs. 13.95 crores in February 1975 was taken up for execution in 1978 and an expenditure of over Rs. 15 crores has so far been incurred although the work still remains incomplete. The expenditure includes a sum of Rs. 4.28 crores towards provision of fertilizer handling equipment. work on which commenced in September, 1976 with a targeted schedule of completion by September, 1978. Lamentably, this work has not yet been completed and there are no immediate plans for the completion of the residual work. This is clearly indicative of total failure of planning, coordination and implementation machinery. There were incessant wranglings over petty disputes without any decisive will to solve them. The Committee deprecate that such an unpleasant situation should occur when the contracting party happens to be a public sector unit under another Ministry. This is clearly a bad example of lack of coordination between the two Ministeries of the Government.

24. The Committee also note that the Port Trust has decided for the time being not to go ahead for completion of the facilities on the ground that the expected traffic in fertilizer is not materialising. Since the planned completion of the project was as far back as 1978, the Committee cannot comprehend as to why the Ministry of Surface

Transport and the Port Trust did not take stock of the progress of trade facilities instead of allowing it to linger for a period of 10 years at the stage of planning itself. Even now a final decision in the matter has not yet been taken. Had there been a constant and proper review of the project, the present situation could have been easily avoided which has sadly resulted in creation of idle assets. At this stage the Committee only hope that the Ministry would not dilly-dally on this issue any more and avoid to take a final decision regarding the completion of the work relating to fertiliser handling equipment so that further time and cost overruns are avoided. It is also imperative to ensure that adequate care is taken by the Government in future in planning, coordination and implementation of projects of huge financial value involving inter-Ministry coordination and latest appraisal of trade trends so that Government is not subjected to avoidable expenditure due to lack of proper planning and coordination and there is optimum utilisation of meagre resources in the country. It is desirable that the work of preparation of contract documents is done with precision, care and proper scrutiny so that there is no ambiguity resulting in disputes of the type that had sadly arisen in the case under reference.

25. The Committee are pained to know that an unrealistic time-schedule of 8 weeks to provide foundation designs for 231 foundations was provided for in the contract and agreed to by GRSE, whereas in actual execution it took a period of 98 weeks for completion. While on the one hand it is clear that the initial time limit was too short, on the other hand, the time taken in practice was too long, with the result that situation was created for both the parties to blame each other and get out of their responsibilities. It is also disquieting to note that whereas the drawings of Port Trust were to have the continuous bagging shed under the bagging bin, the tender document were not at all clear and the parties raised disputes and delays occurred in implementing the contract for a period of 7 years. While it is desirable to take remedial action with due promptitude in cases of this type, it is also essential to analyse such problems critically from the system angle so that root causes resulting in such failure are nipped in the bud.

Ore and Coal Mechanical Handling Plants—Paragraph 16 of the Audit Report.

26. In September 1977, Haldia Dock of Calcutta Port Trust was provided with two (ore and coal) mechanical handling plants for

handling 40 lakh tonnes of ore and 35 lakh tonnes of coal annually. The work of designing, fabricating and installation by December 1970 of ore and coal handling plants at Haldia was entrusted to a public sector firm at a cost of Rs. 420 lakhs but was completed in September 1977 at a cost of Rs. 1530 lakhs.

27. In so far as iron ore is concerned, the traffic of 40 lakh tonnes was projected on the expectation that the channel would provide a navigable depth of 42 feet and above for 209 days a year so as to enable vessels upto 80,000 DWT to be brought to Haldia. According to the Ministry, at the time of planning and execution of the project there were no doubts of the possibility of improved drafts being obtained over a period of time in the Hooghly estuary. However, due to failure in providing adequate draft, big ships could not be brought, with the result that the projected traffic did not materialise; the traffic was as low as 0.13, 0.13, 0.10, 0.20 and 0.6 lakh tonnes in each of the years 1980-81 to 1984-85 and totally stopped from 1985-86 onwards. Thus the plant had remained grossly idle to the extent of 99 per cent of its capacity during 1980-81 to 1984-85 and completely idle since 1985-86. Calculated on the basis of handling capacity and tonnage handled, the idleness/under-utilisation of the plant during 1980-81 to 1986-87 resulted in a loss of revenue of Rs. 4889.15 lakhs.

28. In this context, the Committee had been informed in 1978 that the importers were being persuaded to take iron ore from Haldia by adopting two port loading and that the demand would pick up significantly in future. However, the anticipations failed because it was not economical for the trade to adopt the system of two port loading, with the result that in August 1982 the Port Trust decided to convert the ore handling plant also for handling coal on the ground that the existing coal handling plant was not adequate to meet the anticipated demand of 24 lakhs tonnes of coal traffic although originally designed to handle 35 lakhs tonnes of coal. The work of conversion of the plant, which was taken up in May 1983, is still to be completed and it is anticipated to be substantially completed by May 1989; upto May 1987, a sum of Rs. 127.91 lakhs was spent on the modifications.

29. Against the estimated capacity to handle 35 lakhs tonnes of coal annually by the mechanical plant, the total traffic handled between 1980-81 and 1986-87 was only 102.56 lakh tonnes, an average of 14.65 lakh tonnes *per annum*. The under-utilisation was stated to be due to non-availability of wagons, delay in placement of

wagons by Calcutta Port Trust and also for non-availability of coal vessels. Calculated on the basis of the handling capacity and the actual tonnage handled, the under-utilisation of the coal handling plant during 1980-81 to 1986-87 had resulted in a loss of revenue of Rs. 4985.60 lakhs. The traffic in 1987-88 has, however, reported to have increased to 26.2 lakh tonnes, though even now far short of the handling facility of the plant. On the reasons for failure of the plant to reach its rated capacity, the Port Trust had informed Audit that the plant, built with indigenous know-how, was not free from all defects and that coals of different shapes and sizes and presence of foreign materials in coal wagons had considerably affected the throughput of the plant and also led to breakdowns of the plant.

30. According to the Ministry, the major defects in the coal handling plant were in the rail mounted mobile conveyer, marshalling beetles, crushers, apron conveyors which have since been substantially rectified. On the steps taken to prevent presence of foreign materials in coal and different shapes and sizes of coal etc., the Ministry stated that vigorous persuasion with Coal India Limited had resulted in improvement so far as size of coal was concerned but since oversize coal and stones were still being received, it has been decided to instal heavier duty crusher and apron conveyor, for which orders have already been placed.

13. The Committee note that out of two mechanical handling plants installed at a total cost of Rs. 15.30 crores, one plant intended for iron ore was not utilised at all due to lack of traffic. While at the time of planning and execution of the project it was hoped that improved draft would be obtained over a period of time in the Hooghly estuary, in actual practice this was not achieved with the result that the above plant had remained grossly idle to the extent of 99 per cent during 1980-81 to 1984-85 and completely idle since 1985-86. As per audit, the idleness/under-utilisation of the plant during 1980-81 to 1986-87 resulted in loss of revenue of Rs. 4889.15 lakhs. The Committee are to conclude that the planning machinery of the Ministry are sadly out of gear and steps should be taken to institute an effective planning machinery so that scarce resources are not spent on infructuous projects.

32. The Committee note that during 1980-81 to 1986-87 the coal handling plant handled only a total of 102.56 lakh tonnes of coal and the plant remained under-utilised to the extent of 41 per cent to 80 per cent of its capacity (35 lakh tonnes). The Calcutta Port

Trust stated that the coal handling plant was built with indigenous know-how and was not free from defects. Coals of different shapes and sizes and foreign material in coal wagons had an inevitable effect on the throughput of the plant and had made it prone to breakdowns. These factors are stated to have contributed to the low output of the plant. As per Audit, calculated on the basis of handling capacity and the actual tonnage handled the under-utilisation of the coal handling plant during 1980-81 to 1986-87 had resulted in a loss of revenue of Rs. 4985.60 lakhs. The traffic in 1987-88 has, however, been reported to have increased to 26.2 lakhs tonnes and even this is short of the handling facility of the plant. The Committee view the above episode as extremely unfortunate and deprecate that there has been a total lack of planning and coordination right from the inception of the project. That this should happen after the PAC in their 33rd Report (6th LS) had commented on delay and its effect on capacity utilisation on ore and coal handling plants and had called for speedy remedial action at higher level to ensure traffic load for efficient and economic utilisation of the capacities, is all the more regrettable. The Committee hope that at least now the Government would take effective remedial measures by revamping and activating the planning, implementation and monitoring machinery so that there is optimum utilisation of capacity and no loss of revenue to the State Exchequer.

33. The Committee are concerned to note that whereas the coal handling plant has handled hardly on an average 15 lakh tonnes per annum till 1986-87, against its annual rated capacity of 35 lakh tonnes, it has been considered necessary to augment the capacity for handling coal upto 24 lakh tonnes by converting the ore handling equipment and for this purpose so far an additional investment of Rs. 1.28 crores has been made. The work of conversion of the plant which was taken up in May 1983 is still to be completed by May 1989. The Ministry should continuously monitor the completion of the project so that there are no cost and time overruns. The Committee desire that the Ministry should set up a technical committee to critically analyse the reasons leading to the dismal failure of the coal handling plant in reaching its rated capacity and take effective remedial measures with due promptitude to remove the slippages. They would like to be apprised of further developments in this regard.

Expenditure on demurrage charges for detained wagons—Para 17 of the Audit Report

34. In respect of wagons of Indian Railways that are detained in Port Trust area beyond the free time allowed for detention, the Port Trust has to pay hire charges to the Indian Railways. The Port Trust on the other hand recovers demurrage charges from the consignees for detention in sidings beyond five working hours in cases where loading/unloading is done by the consignee. Rate of demurrage charges is fixed by the CPT with the approval of the Railway Board. During 1981-82 to 1986-87, the rate of hire charges was revised 3 times with an enhancement of 212 per cent while the rate of demurrage was revised only once with enhancement of 100 per cent. As a result of this, the amount of hire charge payable to the Railways by CPT exceeded the amount of demurrage charges recoverable from siding holders by Rs. 573.32 lakhs during 1981-82 to 1986-87. Chronic detention of wagons within the port area is mainly responsible for high quantum of hire charges payable to the Railways.

35. This chronic detention of wagons within the port area has been attributed to:—

- (i) Large scale theft and pilferage of wagon fittings and track materials rendering the wagons and tracks unworkable;
- (ii) Deterioration in track conditions which had resulted in increase in the number of incidents of derailments;
- (iii) Availability of only 5 locomotives for traffic use against requirement of 8 locomotives on an average; and
- (iv) Inordinate delays in placement of wagons at sidings of users (including Port Trust).

36. Audit has pointed out that 20 damaged wagons were lying at the wagon pool of CPT for a period of 5 to 7 years for repairs and were not taken to repair shop because of pilferage of approach track and on these wagons, hire charges amounting to Rs. 44.83 lakhs were paid by Port Trust to the Railways upto April, 1987.

37. In respect of the above contributory causes for the demurrage charges paid by the Port Trust to the Railways, the Ministry clarified the position as under:

- (i) *Pilferage and theft*: According to Audit paragraph, wagons numbering 2827 were affected by pilferage during the

five years ended December 1986. On the security arrangement of wagons and tracks in port area, the Ministry stated that after withdrawal of Calcutta Police Force from mid-seventies, the security of the railway yards was looked after by the Port Security Organisation but from January 1982 C.I.S.F. was inducted and at present 250 CISF personnel have been deployed in railway yards. In addition, in 1983-84, 28 lighting towers were erected and watch towers and peripheral walls have been built around the yards. The entry into the yards is also restricted and allowed only on production of identity cards/authorised permits. As a result of measures taken, the Ministry stated that incidence of pilferage had been reduced considerably as under:—

Year	No. of wagons affected by pilferage
1982	1654
1983	964
1984	245
1985	78
1986	82
1987	36
1987-88 (financial year)	39
1988-89 (upto October 1986)	41

- (ii) *Deterioration in track condition:* According to Audit, deteriorating conditions of railway track resulted in a number of incidents of derailment and consequent detention of wagons and during five years ended December 1986, there were as many as 2448 cases of derailment. On the staff strength available for track maintenance, the Committee have been informed that the strength of the Permanent Way Staff is 573 personnel. On the measures taken to avoid increasing cases of derailment, the Ministry stated that during the 7th Plan, two programmes costing Rs. 1.5 crores each have been taken up for renewal, strengthening and realignment of track length of 11.5 KMs and in the balance of track of 83.5 KM length, routine maintenance is being carried out by the staff of the Permanent Way Section of the CPT. The Ministry

stated that after this the incidents of derailment have been reduced as per particulars below:

Year	No. of derailment
1985	367
1986	320
1987	358
1988	276

In a note subsequently furnished to the Committee, the Ministry intimated that between January, 1987 and March 1988, there were 502 cases of derailment.

(iii) *Availability of locomotives:* According to the Ministry, the Port Trust has a fleet of 24 locomotives, of which 12 are workable and 12 are not fit for traffic use because of old age and are in the process of condemnation. Out of the 12 serviceable locomotives, 3 are reported to have been sent for periodical overhauling to workshops of the Railways, two are due to be sent for overhauling and balance 6 are also due to be sent for overhauling in 1989-90. With the completion of overhauling and the proposal in hand to provide two new locomotives in Seventh Plan, the Ministry expects to meet the traffic requirement with 7/8 locomotives.

(iv) *Inordinate delays in placing wagons for unloading/loading:* Apart from the reasons specified in earlier paragraphs, which cause delays in placement of wagons for unloading/loading, there were also inordinate delays in placement of wagons at loading/unloading sheds attributable to numerous other causes, resulting in payment of hire charges by the Port Trust. The following data has been furnished by Audit in regard to extent of wagons handled by Railways, as against wagons placed by Railways for handling:

Year	No. of wagons dealt with (daily average)	No. of wagons in balance (daily average)
1981-82	379	1718
1982-83	393	1849
1983-84	267	1893
1984-85	166	695
1985-86	192	920
1986-87	175	777

38. On the causes for delays in placement of wagons at the sidings, the Ministry stated that whereas the railway traffic predominantly moved in block rakes, many of the sidings in Port Trust did not have accommodation to deal with a block rake at a time resulting in detention in goods stock. To meet the situation, it is reported that the Port Trust contacts the siding holders to release wagons quickly and it does not accept additional rakes when accumulations of a large number of wagons for particular sidings had taken place. Further, in cases where any siding holder has more than one siding, he is asked to utilise other sidings also, even if the rakes had been booked for one siding only.

39. It has been pointed out by Audit that 20 damaged wagons were lying at the wagon pool of the Port Trust for periods ranging from 5 to 7 years and on those wagons a demurrage of Rs. 44.83 lakhs was paid due to inability to move them as a result of pilferage of approach tracks. The Ministry clarified that during 1979-80 there was a sense of insecurity in the CPT Railway Yards and there was large scale theft of tracks and wagons fittings. As a result of this, damaged wagon holding in CPT Railway went upto 1600 wagons during 1980. Some of these wagons were required to be stabled in a comparatively unimportant section where traffic was less and space was available. Subsequently, in order to reduce the holding of sick wagons in CPT Railway sick wagons stabled in this yard were drawn out on selective basis considering the extent of damage to the wagons and availability of spares. At a later stage it was found that during their stay in the sub-section, some of the stabled wagons became completely immobile due to further theft of wagon components. It also came to light that railway tracks at this sub-section were pilfered. The particular section lost its importance further with regard to handling of traffic and therefore the section was closed for traffic movement in 1987.

40. As regards the demurrage charges billed by the Port Trust from its clients, the Ministry of Railways gave the following information in regard to progress of recovery:

Year	Demurrage billed by Port Trust	Demurrage recovered by Port Trust	Outstanding recoveries by Port Trust
1985-86	1,39,80,219.00	1,25,40,373.73	70,36,787.98
1986-87	1,06,12,060.55	1,12,28,003.76	64,20,844.77
1987-88	1,20,81,619.87	1,07,75,043.90	77,77,420.74
1988-89 (Upto November 1988)	54,45,908.00	48,92,636.00	83,20,692.14

41. According to the Ministry, the outstandings were mainly from two Government parties, Food Corporation of India and Defence Units and that as on 31-12-1988 the amounts outstanding from the Government parties and private parties stood at Rs. 62.22 lakhs and Rs. 13.21 lakhs respectively.

42. The Committee note that substantial expenditure is incurred by the Port Trust for meeting the hire charges for retention of wagons in port areas beyond the permissible free time allowed. Chronic detention of wagons within the port area is mainly responsible for high quantum of hire charges payable to Railways. The increased detention of wagons also results in reduced utilisation of the scarce stock of wagons with the Railways which, but for the detention, could have been profitably utilised elsewhere. From the statistical data on number of wagons handled, the Committee note that on an average the Port Trust detained 4 times its daily handling capacity and that there has been a steady fall over the years in the handling capacity of the port in that the port hardly handles 50 per cent of the wagons handled 5-6 years back. The Committee desire that detailed reasons for chronic detention of wagons at ports, viz., inordinate delay in placement of wagons at sidings, repair of damaged wagons, large scale thefts and pilferage for wagon fittings inside the port area, deteriorating conditions of railway tracks, poor availability of locomotives for traffic use etc., should be investigated and effective remedial measures taken with due promptitude so that there is proper overall utilisation of wagons and payment of hire charges to railways by the Calcutta Port Trust is avoided to the barest minimum.

43. The Committee also note that amounts due for recovery from Government Departments and private parties stood at Rs. 66.22 lakhs and Rs. 13.21 lakhs respectively as on 31-12-1988. The Committee cannot comprehend the logic behind the port trust allowing credit facilities for long periods because in respect of such transactions the proper course would be for the concerned parties to keep adequate deposits with the Port Trusts for periodical replenishment and adjustment. The Committee recommend that the feasibility of collection of advance deposits may be explored by the Port Trust to safeguard its financial interest. They also note that there has been no upward revision of demurrage charges leviable by Calcutta Port Trust since May 1983 though the Railways keep on revising hire charges for wagons frequently. They are of the opinion that this aspect needs expeditious and rational consideration

after inter-Ministry consultations. The Committee would like to be apprised of further developments in this regard.

Non-utilisation of warehousing facilities at Kantapukur—Para 18 of the Audit Report

44. The Kantapukur area of the Port Trust is a large area spread over 49 acres (approximately) of land and because of its prime location; it has immense potential for generating considerable revenue. The Port Trust was providing therein warehousing facilities with a railway booking station, 34 rail served sheds with a covered area of 10.16 lakh sq. feet wherein loading and unloading operations were conducted by Port labour. Due to its uneconomic working, a two-man committee set up by Government recommended in 1976 the closure of the railway facilities and leasing out of the sheds, open lands etc. to earn revenue. The recommendations were, however, not implemented and in March 1981, a working group appointed by Port Trust also reiterated the earlier recommendations of the 1976 working group. The railway booking point was however, closed in May 1981. The excess of expenditure over income from Kantapukur during April 1981 to October 1986 amounted to Rs. 119.45 lakhs.

45. In the meantime in May 1982, the Port Trust Act was amended to permit the Port Trusts to invite tenders and allot land, structures etc. at rates higher than the scheduled rate. By July 1982, even without any invitation, 58 parties applied for taking the sheds on lease from the Port Trust but the sheds were not hired out. In February 1983, the Ministry issued comprehensive guidelines to all Port Trusts suggesting, *inter alia*, preparation of a perspective plan for utilisation of land/buildings of the Port estates. The Port Trust appointed two consultants for the purpose, who finalised the land use plan by June 1984. In November 1986, Calcutta Port Trust decided to let out vacant sheds to public sector undertakings and six sheds (1.63 lakh sq. ft.) against requirement of 14 sheds (4.67 lakh sq. ft.) were let out during November 1986 to January 1987 to Jute Corporation of India against an annual rent of Rs. 13.20 lakhs.

46. The Port Trust, however, decided to modify the land use plan of Kantapukur, as prepared by the consultants, so as to accommodate industrial, institutional and other users, besides utilisation of a portion of land for a circular railway station. For this purpose, the Port Trust held discussions since 1986 with Calcutta Metropolitan Development Authority (CMDA) and approval of CMDA was taken

for the plan only in September 1988. The Port Trust stated that the land and sheds at Kantapukur had not been adequately put to profitable use so far.

47. Asked to justify the reasons for failure to respond to the 58 offers that were received, the Ministry stated that because a new land use policy was being evolved the letting out to private parties was not done so as to avoid difficulties in getting them vacated after handing over possession. The Port Trust also stated that since 1985, the Port Trust had been making efforts to lease out the properties to public sector undertakings in accordance with land use plan and that the offers received, being non-adequately remunerative, were not agreed to.

48. Asked to indicate whether in view of the preparation of land use plan, the Port Trust did not let out any property in other places, the Port Trust stated only after preparation of land use plan it had let out other areas in majority of cases to shipping lines, shipping agents, container operators. Government departments and public sector undertakings.

49. The Committee note that at Kantapukur the port trust holds prime land of about 49 acres which contains sheds in a covered area of 10.16 lakh sq. metres. Because of unremunerative operations of a railway station along with the sheds. Government recommended their closure as early as 1976 but lamentably action was taken by Port Trust only 5 years after another committee reiterated the earlier recommendations.

50. While the Port Trust faced problems till September 1984 for letting out the sheds due to inability to withdraw labour force, it is disquieting to note that the land use plan prepared by June 1984 was not put in operation in Kantapukur though it was brought in operation in other areas. The Committee deprecate that even though a period of 4 years has elapsed after preparation of land use plan the revenue potentials of 24 out of 34 sheds have not still been utilised in total disregard of the financial interests of the Calcutta Port Trust. It has been brought out by Audit that had the unutilised shed space of 6.79 lakh sq. feet. been let out, a revenue of Rs. 3.94 lakhs per month could have been collected and CPT could have earned a revenue of Rs. 263.98 lakhs during 1981-82 to 1986-87 (upto October 1986) resulting in a profit of Rs. 144.53 lakhs instead of accumulated loss of Rs. 119.45 lakhs during the above period. In the opinion of the

Committee the above situation is indicative of a total lack of foresight and non business like approach of Calcutta Port Trust in not making optimum use of its assets. They recommend that detailed reasons leading to this situation should be properly investigated by the Ministry and effective steps taken to maximise revenue potential of Calcutta Port Trust. The Committee would like to be apprised of further progress of the case.

Progress of dredging the Hoogly channel and unfruitful expenditure in disposal of dredged material ashore at Jellingham—Para 20 of the Audit Report

51. With the trend in world shipping business shifting increasingly to big size vessels and with excessive and progressive reduction in draft levels for Calcutta, the Haldia dock, 100 kms. down stream from Calcutta, was conceived in the early 60's to cater to the demand of ships requiring deep drafts. Haldia is at a distance of 120 kms. from the sea, consisting of an inner estuary of 40 kms. and outer estuary of 80 kms. This 120 kms. long channel from Haldia to sea crosses 4 bars viz., Jellingham, Auckland, Middleton and Gasper. Based on technical studies conducted in coordination with foreign experts, a draft level of 12.20 metres in the approach channel to Haldia by 1977-78 was conceived but when this could not be achieved, steps had been taken to reach a draft of 10.67 metres in the first instance. The Committee were informed during evidence that maximum draft to Haldia which was 8.8 metres in 1986-87 rose to 9.4 metres in 1987-88 and to 9.6 metre till the end of 1988.

52. On the measures taken to improve the draft, the Chief Hydraulic Engineer stated during evidence that annually it is necessary to dredge 19 million cubic metres and CPT by its own dredgers alongwith other agencies were dredging annually about 10 million cubic metres. Following statistical data on actual achievement in dredging was later on furnished to the Committee:

Dredging Needs and Performance by all agencies

Year	Assessed dredging requirement	Actual performance by all agencies
1	2	3
(in million cubic metres)		
1978-79	16.85
1979-80	Not furnished
1980-81	10.61

1	2	3
1981-82	19.00	15.31
1982-83	19.00	13.51
1983-84	19.00	13.97
1984-85	19.00	14.51
1985-86	19.00	12.54
1986-87	19.00	12.08
1987-88	19.00	9.28
		131.75

53. Asked to indicate the quantity of dredging to be done to achieve a particular level of draft, the Chief Hydraulic Engineer agreed during evidence to furnish a note to the Committee. However, the note furnished did not give any clear picture on the extent of dredging to be done.

54. In regard to the dredging capacity available with the Port and actual performance, the Ministry gave information which is incorporated in Appendix 2. From the details furnished, following position emanates:

CPT's Performance in Dredging

Year	Assessed Dredging capacity of CPT	Actual dredging performance of CPT	Extent of under util sation
(In million cubic metres)			
1978-79	12.48	7.82	4.86
1979-80	14.48	7.73	—6.75
1980-81	14.48	6.30	—8.18
1981-82	13.36	10.81	—2.55
1982-83	11.34	10.48	— .86
1983-84	11.34	10.29	—1.05
1984-85	11.34	10.87	— .47
1985-86	11.34	6.67	—4.67
1986-87	11.34	5.70	—5.64
1987-88	8.93	1.80	—7.13
Total for 10 years	120.43	78.47	—41.96

55. From the details in Appendix 2, it is also noticed that dredgers have been detained for annual repairs, guarantee repairs, breakdowns etc. for considerable periods.

56. On the steps taken to increase the dredging capacity, the Committee were informed during evidence that the Dredging Corporation of India wanted 5 dredgers during 7th Plan but Government could provide them only three and that one of them would be exclusively at the disposal of the Calcutta Port Trust. It was also brought out that in future all replacements of dredgers of Calcutta Port Trust would be given to DCI.

57. As the quantity dredged fell considerably below the target, the Committee enquired about the adequacy of the dredging arrangements and reasons for shortfalls. The Secretary stated during evidence that Government were of the view that mere mechanical removal of sand and silt was not a solution and that river training works had been undertaken.

58. According to the Secretary, by erecting guide walls on the river and certain other structures, the flow can be channelised to the desired direction. By executing these programmes, the Ministry expected to take vessels upto 10.67 metre draft. In a subsequent note to the Committee, the Ministry gave details of works undertaken which are given in Appendix 3.

Following particulars emerge from these details:

	Bhagirathi portion	Hoogly portion	River Train- ing works below Diamond Harbour	Compre- hensive scheme for improve- ment of drafts in the Hoogly estuary
No. of works	8	11	4	7
Original cost (in lakhs)	616.19	463.10	984.70	4200.00
Revised cost (in lakhs)	842.76	700.48	1220.35	4688.00
Anticipated/actual cost so far (in lakhs)	1083.52	600.53	1256.23	1200.19 (upto 1986-87)
Year of commencement	1967-68	1967-68	1972-73	1982-83
Original scheduled date of completion	1977-78	1976-77	1979-80	1986-87
Revised date of completion	1982-83	1982-83	1982-83	1990-91
Actual/anticipated date of completion	1983-84	1983-84	1983-84	1990-91

58. The Committee note that to achieve a designed draft of 10.67 metres upto Haldia in the estuary, dredging to the extent of 19 MCM per annum is required to be done and that the actual quantity dredged by CPT and Dredging Corporation of India Ltd. during the ten years ended 1987-88 was only 131.75 MCM (about 69 per cent). The Committee have also been informed that as against the dredging capacity of 120.43 MCM available with the Port Trust, the actual performance by the dredgers of the Port Trust was only 78.47 MCM, the shortfall in performance being to the extent of nearly 35 per cent. The Committee note from the reasons given for the shortfall that the dredgers have lost considerable days of operations as a result of the time taken for their annual survey, repairs etc. In the opinion of the Committee the inordinate time taken in getting dredgers repaired does not appear to be reasonable and steps are needed to be taken expeditiously for reducing the period of repairs to the barest minimum possible so that dredging operations are carried on more effectively.

59. The Committee also note in this regard that considerable time has been taken in completion of each of the river training programme and it appears that had the works been carried out according to the scheduled dates, it would have been possible to adhere to the target of draft of 10.67 metres. They desire that the completion of this work should be watched through a time bound schedule which should be periodically monitored and the Ministry should also coordinate with the Calcutta Port Trust in achieving the targeted results.

60. To achieve the prescribed level of draft one of the special schemes undertaken was to dredge the bar at Jellingham where despite intensive dredging operations, deterioration began to manifest itself from 1975. To contain this situation, a scheme was sanctioned in December 1977 for disposal of dredged material ashore at Jellingham by use of a pontoon as a terminal vessel after incurring a capital investment of Rs. 130 lakhs. Audit has pointed out that instead of a pontoon, the Port Trust converted two mothballed/surplus dredgers into terminal vessels which involved maintenance cost of Rs. 36 lakhs per annum per dredger. Further, whereas dredging and disposal of 4 million cubic metres (MCM) by August 1979 were envisaged to achieve a draft of 10.6 metres, the dredging operations were continued upto May 1986 and only 2.5 MCM of dredged material was dumped ashore. The actual draft achieved after several years of operation was however between 5.72 and 5.22 metres only. According to Audit, the total expenditure on the

scheme worked out to Rs. 786.60 lakhs (capital cost: Rs. 130 lakhs, conversion of cost of moth-balled dredgers: Rs. 14.60 lakhs, laying of pipe lines: Rs. 16.85 lakhs, operation cost: Rs. 238.34 lakhs and maintenance cost of dredgers as terminal vessels: Rs. 386.81 lakhs) and in the circumstances a major portion of the expenditure of Rs. 786.60 lakhs on the scheme proved to be unfruitful.

61. It was noted that during last 50 years or so the Port Trust has been dumping the dredged material in the river itself as some distance for the spot dredged. Accordingly, the Committee enquired the reason for reporting to spare dumping. The representative of the CPT stated that the fall in depth at Jellingham was rather rapid and it went as low as 4.3 metres and that one of the reasons for the fall could be the recirculation of the material and that the Port Trust wanted to see whether improvements were possible by dumping a certain portion of the material on shore. On the measures available to trace the recirculation of material, the representative of the Ministry stated that only from 1986 it has become possible to do the tracing through radioactive tracer studies.

62. On the low performance of the shore dumping scheme, the Ministry explained the reasons as under:

- (i) The principal reason for the low output was due to the total component of time absorbed for berthing and de-berthing of the dredger and coupling and decoupling of the pumping. All the operations were manual. Although an initial estimate of 2 hours 40 minutes was made for the entire operation inclusive of dredging over the bar and steaming back of the dredger, the entire sequence of operations involved much more period of almost 4 hours on a number of occasions. The situation was indeed difficult especially during the monsoon months and during the very strong tides even during the summer. The cyclone period also affected the operations considerably. The average loads per day between December 1977 and October 1978 was about 2.5 with maximum of 3.7 in October 1978. Between 1979 and 1981 the same average could only be maintained despite best attempts to enhance output.
- (ii) There was no shore disposal operation in 1981 82 because the Dredger Jalengi was brought back to Calcutta due to the poor condition of her boilers, hull and electrical installation. The dredger could not be reconditioned. It

was then decided to have dredger Bhagirathi for this purpose.

- (iii) In 1983-84 attempts were made to acquire more land on the eastern side to continue the Shore Disposal Terminal as the 1st Phase of land was more or less filled to capacity. Acquisition of land ran into problems. No other shore disposal site could be located in the proximity due to the existence of the navigation channel, limitations imposed by the turning vessels and other technical reasons.

63. According to the Ministry, "the estimated cost of the project was originally Rs. 61.61 lakhs, in January 1973 it was raised to Rs. 278 lakhs and the actual expenditure incurred was Rs. 162.48 lakhs whereafter the scheme was abandoned". It seems that the Ministry has taken into account only the operational cost and has not taken into account total investment of Rs. 786.60 as per details given below:

	Rs. in lakhs
Initial capital cost	130
Conversion of mothballed dredgers	14.60
Laying of pipelines	16.85
Operation cost	238.34
Maintenance cost of dredgers as terminal vessels	386.81
	<hr/>
Total	786.60
	<hr/>

64. In regard to the heavy expenditure incurred on the conversion and maintenance of mothballed dredgers, the Ministry stated in a written note that the conversion of mothballed dredger was recommended by the then Director, Marine Directorate and that the steps taken were justified because the total cost of conversion of mothballed dredger was only Rs. 15.60 lakhs whereas a floating terminal would have cost Rs. 125 lakhs. On the contributory causes for the heavy expenditure on maintenance of the dredgers, the witness stated during evidence that 50 per cent of maintenance expenditure was covered by salaries and wages and that whenever extensive repairs and maintenance were to be carried out, the dredgers had to be brought to Calcutta. The Committee were also

informed during evidence that cost of conversion of one dredger was Rs. 3.6 lakhs and that when this dredger failed a second dredger was converted at a cost of Rs. 2 lakhs for the job. The Ministry gave the following data regarding the actual quantity dredged under the scheme:

S. No.	Year	Qty. discharged ashore through shore terminal
1	1977-78	0.24 X 10 ⁶ M ³
2	1978-79	0.34 X 10 ⁶ M ³
3	1979-80	0.63 X 10 ⁶ M ³
4	1980-81	0.66 X 10 ⁶ M ³
5	1981-82
6	1982-83	0.55 X 10 ⁶ M ³
7	1983-84	0.08 X 10 ⁶ M ³
		2.5 X 10 ⁶ M ³

65. When the dredging started in 1973 the mean navigable depth at Jellingham was 5.56 metres and it was 5.35 metres in 1979-80 and 5.74 metres in 1981-82. Thereafter, it again started falling. Asked to clarify whether the scheme did not turn out to be a failure despite substantial investment, the Ministry stated in a written note that any scheme had a gestation period and that the inertia of the estuary rendered the response "delayed". Taking note of the present draft of 6.6 metres the Ministry stated that the improvement in depth could have been the result of a wide number of circumstances of which shore disposal is one and that in the circumstances the scheme could not be considered to be a failure.

66. The Committee have been informed during evidence that the scheme for dumping dredged materials ashore at Jellingham was taken up in view of the possibility that the fall in draft level could be due to recirculation of the dredged materials and that reliable method for study of recirculation of material has been introduced from 1986 only. Since radioactive tracer studies or other reliable methods must be available even in the 1970's in the advanced countries, the Committee deprecate that without ensuring validity of the basic presumptions the costly scheme was launched which did not

ultimately yield any results. In the opinion of the Committee in the context of technological advancement in developed countries it is essential to keep a track of the proven technological changes relevant to Indian environment and adopt them at the earliest so that the research work in such intricate items like dredging being done abroad could be successfully utilised. Since dredging operations are quite expensive, the Ministry should take the aspect in view while planning dredging operation in the country in future. The Committee also note that despite operation of the scheme since 1977-78, the progress of dredging was very slow and the draft level in the area did not show any improvement even by 1980-81 or 1981-82. The Committee cannot comprehend as to why the execution of the scheme was not reviewed even by 1980 and a fresh study not undertaken so that further expenditure on a scheme that was not capable of achieving the desired results could have been avoided. It is imperative that working and operation of such schemes involving huge expenditure are monitored periodically at an appropriately higher level and technical advice obtained whenever considered necessary so that the Government is not put to ineffective financial expenditure.

67. The Committee note in this regard that the causes for failure of the scheme has apparently been the failure to lift 4 MCM during the prescribed period of 20 months and there was achievement of only 2.4 MCM even after operations for 7 years. Thus there have been in effect no capital dredging. The Committee have been informed in this connection that manual operations for each trip of dredging and dumping ashore took a time of 4 hours as against the anticipated 2 hours and 40 minutes and that the quantities lifted were also not upto the required level in each trip. The Committee consider it unfortunate that even when these problems manifested themselves during operations, steps were not taken to remedy the situation promptly. On the other hand the dredging was allowed to proceed ineffectively, with the result that the scheme on which over Rs. 7 crores had been spent turned out to be an idle and totally unproductive investment. The Committee desire that appropriate lesson should be drawn from this unpleasant experience and Ministry should strengthen their planning, implementation and monitoring machinery so that there are no slippages in executing such projects of huge financial value.

68. The Committee strongly deprecate that replies to audit paras were not furnished by the Ministry though enough opportunity was

given to them to defend their position. Failure on the part of the departmental heads/Ministries to react to the Audit paras in the above manner has been the bane of financial management. It is imperative that the departments must not only react promptly to the Audit paras but must also make prompt investigations in respect of deficiencies mentioned in the Audit para and take remedial measures. The Committee desire the Ministry to streamline their machinery and ensure scrupulous observance of prescribed procedure so that the Committee are in a better position to appreciate the view-point of the Ministry and a lot of their precious time is not wasted in enquiring into details which could have been better sorted out by Audit.

NEW DELHI;
20 April, 1989

30 Chaitra, 1911 (S)

AMAL DATTA
Chairman,
Public Accounts Committee

APPENDIX I

(Vide para 1 of Report)

Text of Paras 14—20 of the Report of C&AG of India (other autonomous Bodies for the year ended March 1987 regarding Calcutta Port Trust

14. Conveyor system of finger jetty of Haldia Dock Complex

Haldia Dock Complex was conceived in 1962 as a comprehensive project for providing composite cargo handling facilities to various types of traffic with particular emphasis on bulk cargo. To ensure enough flexibility to suit the varying pattern of traffic the berth facilities were revised in 1969 and a finger jetty (revised estimated cost Rs. 104 lakhs in 1975) was conceived mainly for mechanical handling of salt and sulphur by an unloader crane and a conveyor system (two parallel conveyors on the jetty running through a common drive house—one for sulphur ending at fertilizer terminal and the other for salt) from ships to shore storage.

The main components of the handling facilities were (i) unloader crane (ii) transit storage and conveyor system for salt handling (iii) Conveyor system on the jetty including common drive house and sulphur conveyor to fertilizer terminal and (iv) crane track over the finger jetty.

Haldia Dock on commissioning was expected to handle a traffic of 13.6 million tonnes which would go up to 21.3 million tonnes after the initial five years. Of this, salt and sulphur traffic was expected to be of 0.6 million tonnes and 0.5 million tonnes respectively from which Haldia Dock was expected to realise an income of Rs. 59.85 lakhs per year (salt Rs. 33.60 lakhs and sulphur Rs. 26.25 lakhs). Salt traffic was also expected to rise to 0.9 million tonnes after initial 5 years and to 1 million tonnes by 1990.

During a test check by Audit in April 1986 the following points were noticed:—

(i) *Unloader Crane.*—Mention was made in paragraph 36.9.2 of the Report of the Comptroller and Auditor General of India for the year 1978-79 Union Government (Civil) about falling of unloader crane into the dock basin during a cyclonic storm in April 1978 before it could be commissioned and handed over to the port authority. The sunken crane created navigational hazard.

The navigational hazard continued till May 1980 when the sunken crane was removed by engaging Dredging Corporation of India (DCI) at a cost of Rs. 28.15 lakhs. Since the contracting firm Braithwaite & Co. denied the liability the matter was referred (January 1981) to an arbitrator who made an award (May 1982) in favour of the port trust to recover the cost of the crane (Rs. 21.99 lakhs paid to the firm) and the cost of salvage operations Rs. 28.15 lakhs) from Braithwaite & Co. The appeal of the firm was also disallowed in January 1984 and the Port Trust had made a final claim of Rs. 50.14 lakhs against Braithwaite & Co. during November 1985. The amount was yet to be recovered (October 1987). Meanwhile, at the request of Braithwaite & Co. the port authorities had sold the salvaged materials for Rs. 8.51 lakhs to be adjusted against final dues of Braithwaite & Co.

(ii) *Transit storage and conveyor system for salt handling.*—In May 1978 the port authorities engaged Mining and Allied Machinery Corporation Ltd. (MAMC) for supply, delivery, erection and commissioning of salt handling plant including a drive house at a cost of Rs. 71.45 lakhs. After the drawings had been approved (June 1979) and some required items had been procured/manufactured, the port authorities decided (January 1980) to modify the scheme so that the salt handling system could also be utilised for handling coking coal to be imported by a Government agency. MAMC when asked to redesign the scheme for the purpose submitted (September 1980) an estimate of Rs. 150 lakhs against the original offer of Rs. 71.45 lakhs. While this was under negotiation, the port authorities unilaterally decided (December 1980) to abandon the scheme on consideration that salt traders wanted salt to be handled in bags and consequently salt traffic was not likely to materialise at Haldia.

As a result of Port Trust's decision MAMC preferred in September 1981, a claim of Rs. 6.27 lakhs as compensation for design and cost of manufactured/procured items. Even after negotiation during

December 1981 the claim remained at Rs. 5.78 lakhs. The claim was yet (October 1987) to be settled.

(iii) *Conveyor system on the jetty including common drive house and sulphur conveyor up to fertilizer terminal.*—These were charged against the estimate of Rs. 1395 lakhs for fertilizer handling system and were erected in August 1980 at a cost of Rs. 65.64 lakhs but could not be used since the handling facilities at the jetty, both for salt and sulphur were not commissioned.

In May 1984, on receipt of an offer from Oil and Natural Gas Commission (ONGC) for setting up a supply base at Haldia for their off-shore operation in the Bay of Bengal initially for a period of 2 to 3 years, the port authorities decided (February 1985) to lease one berthing face of the finger jetty to ONGC on a consolidated annual rent of Rs. 50 lakhs for use of jetty surface and berthing facilities. ONGC paid the first year's licence fee in August 1986. To facilitate the lease the conveyor system had to be dismantled in March 1985. Out of the dismantled materials, materials worth Rs. 22.44 lakhs were taken to stores of the port for re-use and the balance materials were disposed of for Rs. 8.25 lakhs (Rs. 10.25 lakhs less cost of dismantling Rs. 2 lakhs). Dismantling cost of Rs. 2 lakhs was recovered from ONGC.

(iv) *Crane track over the finger jetty.*—This was laid at a cost of Rs. 2.82 lakhs (excluding cost of crane rails) before the unloader crane was brought in April 1977. This also had to be dismantled to facilitate the lease of one berthing face of finger jetty to ONGC.

To sum up, the port authorities spent about Rs. 124.38 lakhs as under on the conveyor system of finger jetty for handling salt and sulphur at Haldia Dock which were not commissioned:—

	(Rs. in lakhs)
(i) Purchase and salvage of crane	50.14
(ii) Compensation for salt transit storage and connecting conveyor system to be made	5.78
(iii) Conveyor system on the jetty including drive house and conveyor upto fertilizer terminal	65.64
(iv) Laying of crane track	2.82
Total	124.38

Out of the capital investment of Rs. 124.38 lakhs, Rs. 41.55 lakhs as detailed below proved to be infructuous as the scheme of mechanical handling of cargo at the finger jetty had to be given up:—

	(Rs. in lakhs)
Total capital investment	124 38
Less :	
(a) Dismantled materials reclaimed	22 44
(b) Sale of dismantled materials	8 25
(c) Cost of dismantling recovered	2 00
(d) Cost of crane and salvage operation to be recovered	50 14
Balance	41 55

According to the Calcutta Port Trust (CPT) (October 1966) the following amounts are required to be taken into account before arriving at the quantum of infructuous expenditure:—

	(Rs. in lakhs)
Depreciation charge on conveyor system	16 41
Advertisement charge recovered	0 15
Total	16 56

Since the conveyor system was not commissioned and the advertisement charges were initially met from the revenue of CPT these items were not taken into account.

CPT stated in November 1966 that the decision to foreclose the contract for salt handling system and dismantle and sell the conveyor structure on finger jetty was to avoid further unfruitful expenditure on the one hand and to earn more revenue on the other. Endorsing the views of CPT, the Ministry stated in January 1967 that circumstances forced them to take the decision to dismantle the conveyors on finger jetty.

15. Delay in completion of work and avoidable extra expenditure— Fertilizer Handling Project

Government of India, Ministry of Shipping and Transport sanctioned (March 1972) a fertilizer handling project at Haldia Dock at an estimated cost of Rs. 3.31 crores (revised to Rs. 13.95 crores in February 1975) in order to provide fast moving material handling equipment for unloading and handling of bulk raw materials for fertilizers and finished fertilizers and their bagging and despatch. The contract for a part of this project comprising, design, manufacture, delivery, erection and commissioning of fertilizers handling equipment including structural works from the second transfer point up to bagging machinery was awarded (September 1976), after negotiation to the lowest tenderer 'A', a public sector firm, at the tendered price of Rs. 354.46 lakhs (construction part X Rs. 18.89 lakhs, supply part Y Rs. 248.75 lakhs, erection and commissioning part Z Rs. 62.36 lakhs and spares Rs. 24.46 lakhs) stipulating the period for completion as 24 months. The other two firms 'B' and 'C' had quoted Rs. 364.48 lakhs and Rs. 366.20 lakhs with a completion period of 20 months and 24 months respectively. The cost of bagging shed and its platform was included in the offers and no escalation was applicable.

Firm 'A' was to supply the design load of the various structures to Calcutta Port Trust (CPT) on the basis of which the CPT was to design and provide foundation for the structures. On approval of the design load drawings by the CPT, firm 'A' was to commence fabrication of the structures. On completion of foundation by the CPT, firm 'A' was to erect and commission the structure of the fertilizer handling equipment and the total work was stipulated to be completed by September 1978. No specific time schedule was laid down for the supply of design load by firm 'A' or the completion of foundation by CPT. Up to January 1978, only 75 per cent of the drawings submitted by firm 'A' had been approved by the CPT. The firm commenced manufacture/fabrication of the structures in January 1978 and up to September 1978 (the stipulated date of completion) they could fabricate only 425 metric tons of the structure out of the total requirements of 1100 metric tons. CPT took up construction of foundations between March 1978 and August 1979 through separate contracts with other contractors. These works were scheduled for completion between July 1978 and May 1979, except for one (awarded in August 1979) which was due to be completed in May 1980. None of the foundations was completed even by

December 1979. While the CPT attributed this to the delay on the part of firm 'A' in supplying required parts namely, anchor bolts to complete the foundation works, the firm represented (January 1980) that they could not start erection work in the absence of foundations and claimed escalation on wages and materials.

The firm also raised dispute (July/August 1977) about the inclusion of the continuous bagging shed under the bagging bin in their contract and claimed extra payment for its construction. The firm, however, had confirmed before acceptance of their offer that the cost of continuous bagging shed over the bagging bin was included in their scope of work in Part X of the tender. But as the shed in question was required under the bagging bin, the firm took the stand that the same was not included in their scope of contract. The CPT did not accept the contention and observed *inter alia* that "as there was no continuous shed over the bagging bin it was within the scope of the work and not an extra item."

In a meeting held between the Financial Adviser of the Ministry of Shipping and Transport and Department of Defence Production (July 1980), it was agreed that an additional amount of Rs. 73.25 lakhs (wage escalation: 24 lakhs, material escalation: Rs. 22 lakhs and cost of continuous bagging shed: Rs. 27.25 lakhs) would be paid to firm 'A'. This was decided on the consideration that (i) there was no clear understanding between the CPT and the firm on the scope and location of the continuous bagging shed and there was genuine misunderstanding about the inclusion of its cost in the firm's offer since its cost was more than the amount (Rs. 13.89 lakhs) quoted by the firm for Part 'X' of the tender and no detailed scrutiny was made for each part of the work contained in the tender, (ii) technically and financially it would be more practicable to continue with firm 'A' with suitable compensation rather than to rescind the contract (firm 'A' had completed work worth Rs. 1.54 crores) and (iii) the time slippage was partly due to delay by the CPT in making foundations ready. As a result, the lump sum contract price of Rs. 354.46 lakhs rose to Rs. 427.71 lakhs. It was also agreed (i) to pay in advance Rs. 26 lakhs to firm 'A' as stage payment on materials procured and fabricated, but not delivered at site, (ii) the CPT would provide two approach roads by October 1980 and hand over all foundations complete by November 1980, (iii) firm 'A' would complete the work by October 1981 and (iv) a penalty would be levied on either party in the event of failure to keep their commitments.

The CPT completed its portion of work in time but firm 'A' had still not completed (May 1987) its part of the work. Considering the difficult cash position of firm 'A' Rs. 21.39 lakhs, withheld from their bills in June 1983 as penalty for delay, were released to the firm in February 1986 against a bank guarantee. An amount of Rs. 398.23 lakhs had been paid to the firm up to March 1987.

The following points emerge:—

- Though escalation was not applicable, Rs. 46 lakhs were permitted to the firm 'A', which was largely responsible for delays.
- Though the tender was accepted on confirmation by the firm that the cost of continuous bagging shed was included in their offer yet it was decided to accept an additional liability of Rs. 27.25 lakhs on the consideration that there was misunderstanding about the inclusion of its cost in the offer of the firm.
- Though the other essential parts of the fertilizer handling project were completed by October 1980, the total investment of Rs. 15.03 crores made up to March 1986, remained blocked owing to delay in completing the work awarded to firm 'A'. In the economics of the project, it was envisaged that the facility would provide benefit/savings to the tune of Rs. 818.15 lakhs *per annum* based on the estimated traffic of 5.25 lakhs MT of raw materials (at Rs. 99.24 per MT) and 3.75 lakhs MT of finished fertilizers (at Rs. 79.24 per MT) likely to pass through the facility. Due to non-completion of the project the benefit was yet (May 1987) to be realised.

CPT stated in November 1986 that out of 5.25 lakhs MT of raw materials, 3.93 lakhs MT was to be imported by a public sector undertaking for its fertilizer factory at Haldia and since the factory had not yet gone into production the traffic projection would not have materialised even if the fertilizer handling project had been completed in all respects.

The matter was referred to the Ministry in August 1986, the reply had not been received (November 1987).

16. Under-utilisation of ore and coal handling plants at Haldia

In September 1977, Haldia Dock of Calcutta Port Trust (CPT) was provided with two (ore and coal) mechanical handling plants for handling 40 lakh tonnes of ore and 35 lakh tonnes of coal

annually. The work of designing, fabricating and installation of ore and coal handling plants at Haldia was entrusted in 1968 to a public sector firm 'A' for installation by December 1970 at a cost of Rs. 420 lakhs, but was completed in September 1977 at a total cost of Rs. 1530 lakhs. The delay in completion was due to changes in design, capacities of some of the major equipments and lack of expertise and suitable know-how.

Mention was made in paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil) about the delay in installation of the ore and coal handling plants. The Public Accounts Committee (PAC) commented (1977-78) in their 33rd Report (Sixth Lok Sabha) on the delay and its effect on capacity utilisation on ore and coal handling plants. The PAC expressed their grave concern over the under-utilisation of the facilities for bulk handling of iron ore and coal at even less than half of the capacities in the coming months and called for speedy remedial action at higher level to ensure sufficient traffic load for efficient and economic utilisation of the capacities.

The Ministry of Transport (formerly Ministry of Shipping and Transport) in their action taken note of July 1978 stated that the importers would be persuaded to take iron ore from Haldia by adopting two port loading. The demand would pick up significantly with improvement in international market. The Ministry had also taken up with other Ministries for rational distribution of cargo through different ports so that the installed capacities of Haldia were fully utilised. The Ministry had further stated that the coal handling plant would not only be fully utilised but its capacity would have to be augmented on materialisation of despatch of 25 lakh tonnes of coal to thermal power station at Tuticorin, export of steam coal to neighbouring countries and export of 25 lakh tonnes slack coal to West European countries by 1983-84.

During test check in Audit it was noticed that the ore handling plant which was designed to handle 40 lakh tonnes per year had remained grossly idle to the extent of 99 per cent of its capacity during 1980-81 to 1981-85 and completely idle since 1985-86. Calculated on the basis of handling capacity and tonnage handled, the idleness/underutilisation of the plant during 1980-81 to 1986-87 had resulted in a loss of revenue of Rs. 4889.15 lakhs.

The ore handling plant was made ready by firm 'A' in September 1977 but the work of erection of mechanical equipment for bunkering arrangement for storage of iron ore could not be completed by

firm 'A' as CPT could not make available the civil works required for foundations of the bunkers. For the delay in handing over the foundations, firm 'A' claimed in September 1979, Rs. 218 lakhs to cover expenditure on loss/damage of materials lying at site for bunkering arrangement and additional payment on establishment costing Rs. 0.25 lakh per month from October 1977. The CPT decided in February 1980 to abandon further works on bunkers on consideration that shipment of iron ore in large quantities would not materialise in future. On the basis of an arbitration award it was mutually agreed in December 1980 between firm 'A' and CPT that firm 'A' would take back the materials which could be used and credit would be given to CPT on that account. Up to June 1982 CPT had made a payment of Rs. 79.99 lakhs to firm 'A' after adjustment of the cost of materials taken back by firm 'A'.

As the estimated iron ore traffic did not materialise and there was a prospect of 24 lakh tonnes coal traffic per year which according to CPT, the coal handling plant could not be able to handle alone, CPT decided in August 1982 on modification/overhauling/repairs of the ore handling plant to make it ready for handling coal. For modification of different components of the ore handling plant CPT engaged three firms 'A', 'B' and 'C' during May 1983 to May 1984. Up to May 1987, Rs. 127.91 lakhs were spent on this account but the modifications are yet to be completed.

During 1980-81 to 1986-87, the coal handling plant handled only a total of 102.56 lakh tonnes of coal and the plant remained under-utilised to the extent of 41 per cent to 80 per cent of its capacity (35 lakh tonnes) due to non-availability of wagons, delay in placement of wagons by CPT and also for non-availability of coal vessels. Calculated on the basis of the handling capacity and the actual tonnage handled the under-utilisation of the coal handling plant during 1980-81 to 1986-87 had resulted in a loss of revenue of Rs. 4985.60 lakhs.

Thus it may be seen that in spite of the commitments made by the Ministry, both the plants at Haldia remained under-utilised.

CPT stated in December 1987 that failure to provide a draft of 40 ft. in Haldia channel and fall in international demand of iron ore were responsible for the anticipated traffic of iron ore not materialising at Haldia. As there was no prospect of iron ore traffic, construction of bunker was abandoned and decision was taken to convert the ore handling plant into a coal handling one.

CPT further stated that the coal handling plant was built with indigenous know how and was not free from all defects. Coals of different shapes and sizes and foreign materials in coal wagons had an inevitable effect on the throughput of the plant. Those had made the plant prone to breakdowns. These factors contributed to the low output of the plant.

The matter was reported to the Ministry in July 1987; the reply had not been received (November 1987).

17. The charges on Railway wagons paid by Calcutta Port Trust to the Indian Railways and demurrages recovered

In terms of Section 50 of the Railways Act, 1890, Calcutta Port authorities had entered into an agreement with the Trunk Railways in March 1922 for interchange of wagons containing goods traffic booked to and from any point of the Port Trust Railways. The agreement lays down, *inter alia*, the procedure to be followed in respect of interchange of inward and outward wagons between the CPT railways and the Trunk Railways and detention of wagons at Port area and charges payable for service rendered by each.

CPT pays hire charges to Trunk Railways for detention of wagons beyond free time of:

- (i) 60 hours in case of inward loaded wagons/outward loaded wagons.
- (ii) 36 hours in case of inward empty wagons, at the rate prescribed from time to time by the Railway Board. CPT recovers demurrage charges from the consignees wagons detained in sidings beyond five working hours in cases where loading/unloading is done by the consignee. However, for detention of wagons in transit areas, where loading/unloading is done by CPT's labour, no demurrage charges are leviable. Rate of demurrage charge is fixed by CPT with the approval of the Railway Board.

During 1981-82 to 1986-87, the rate of hire charges was revised 3 times with an enhancement of less 12 per cent while the rate of demurrage was revised only once with enhancement of 100 per cent. As a result of this, the amount of hire charge payable to the Trunk Railways by CPT exceeded the amount of demurrage charges recoverable from siding holders by Rs. 373.32 lakhs during 1981-82 to 1986-87.

Bills of hire charges raised by the Railways also include claim for hire charge in respect of wagons which are detained for reasons

beyond CPT's control. CPT, however, in terms of decision (reached between the CPT and the Railways in 1971) are making payment after deduction of hire charges on these wagons. CPT during 1981-82 to 1986-87 had deducted an amount of Rs. 357.19 lakhs. As the Railway Board did not admit the remission of claims on this account CPT is liable to make the payment.

Though CPT has been paying the hire charge to the Indian Railways, regularly, demurrage charge of Rs. 64.20 lakhs (Government: Rs. 25.68 lakhs; Private: Rs. 38.52 lakhs) is recoverable by the CPT from the users of wagons as on 31st March 1987. Out of this, an amount of Rs. 17.07 lakhs had remained outstanding from Calcutta Electric Supply Corporation since January 1986.

Chronic detention of wagons within the port area is mainly responsible for high quantum of hire charges payable to Railways. The fact would also be corroborated by the number of wagons holding by CPT railways as below:—

Year	No. of wagons dealt with daily average (inward and outward)	No. of wagons (Balance) daily average
1981-82	379	1718
1982-83	393	1849
1983-84	267	1893
1984-85	166	695
1985-86	192	920
1986-87	175	777

Following reasons contributed to the high wagon holding and chronic detention of wagons:—

- (a) On most of the occasions, there had been inordinate delay in placement of wagons at sidings. While CPT cannot charge demurrage until and unless the wagons are placed in sidings, it has to incur hire charges even before the wagons are placed at sidings. Scrutiny revealed that in more than 30 per cent of cases, wagons had been placed at sidings after the expiry of free time allowed by the railways. Test-check in Audit revealed that CPT had to incur avoidable hire charges to the tune of Rs. 7.70 lakhs for the period from 1st January 1983 to 31st December

1986 in respect of one siding (Hide shed) only out of nine sidings for delayed placement of wagons.

- (b) 20 units of damaged wagons had been lying at the wagon pool of CPT for a period ranging from 5 to 7 years. Initially no step had been taken for repairing the wagons. Only in 1986, it was held that the wagons could not be taken to the repair shop because of pilferage of approach tracks. CPT had to incur hire charges amounting to Rs. 44.83 lakhs on account of these wagons up to April 1987.
- (c) Large scale theft and pilferage of wagon fittings inside the port area frequently render the wagons unworkable and cause longer detention of the wagons. During the last five years ending December 1986, wagons numbering 2827 had been affected by pilferage within the port area. Thus failure in providing adequate security at port area resulted in avoidable payment of hire charges to the Trunk Railway.
- (d) Deteriorating condition of railway tracks had resulted in increase in the number of incidents of derailment which combined with delay in rerailment also contributed to prolonged detention of wagons and payment of hire charges. The extent of derailment would be clear from the fact that 2448 cases of derailment occurred during the last five years ending December 1986.
- (e) Ten out of a total strength of 26 locomotives had been allotted for traffic use. While average daily demand for locomotives had come down to 8, actual supply of locomotives stood at an average of 5 for the last five years ending 1986-87. Poor availability of locomotives for traffic use resulted in longer detention of wagons.

The CPT Railways which is for all practical purposes a terminal agent of Trunk Railways for dealing with rail borne shipping cargo, is bearing the burden of heavy loss by way of payment of hire charges owing to detention of wagons in CPT Railway System partly due to reasons beyond the control of CPT and partly due to inefficient working and deficient infrastructural facilities.

CPT stated in December 1987 that there was hardly any scope for further upward revision of the wagon demurrage rates. For improved operation of railways serious constraints like non-avail-

ability of locomotive, poor maintenance of railway track, inadequate provision for modern equipment etc. should be removed.

CPT also stated that to bring down the huge loss, action had been initiated to shrink the railway system to the barest requirements.

The para was referred to the Ministry in July 1987; the reply had not been received (November 1987).

18. Kantapukur grain depot—Non-utilisation of warehousing facilities

Kantapukur warehousing facilities consist of a railway booking station, 34 rail served sheds (10.16 lakhs sq. ft.) and loading/unloading by port labourers. Calcutta Port Trust (CPT) has retained about 2.5 lakhs sq. ft. to 3 lakhs sq. ft. out of available usable space of 9.71 lakh sq. ft. for temporary storage of pre-shipment cargo. Due to its uneconomic working a two man committee set up by the Government of India recommended (June 1976) closure of the railway station and leasing out sheds, sidings, and open areas to private parties including public sector undertakings. A working group appointed by CPT for suggesting steps to augment the revenue from port estate stressed (March 1981) the need for utilisation of Kantapukur shed by making immediate arrangement for leasing out sheds not required for pre-shipment cargo.

The recommendations were not given effect to except closure of railway booking point in May 1981. The excess of expenditure over income from Kantapukur during April 1981 to October 1986 amounted Rs. 119.45 lakhs.

Although no advertisement/notice was issued by CPT for allotment of sheds at Kantapukur, applications from 58 parties for allotment of 1.32 lakh sq. ft. were received during 1981-82. The applications were considered in May 1982 by the standing land and building allotment committee which recommended allotment of 0.51 lakhs sq. ft. to parties with effect from 1st July 1982. But the allotment was not done on the ground that "a new policy for land utilisation and tenancy was being evolved." No allotment was made till November 1986 though interested parties enquired/requested from time to time for allotment. The Board of Trustees approved (June 1984) a new land use plan according to which western half of Kantapukur was earmarked for warehousing and eastern half for residential-cum-commercial use. The plan has not been put into effect (September 1987).

In November 1986 CPT decided to let out vacant sheds to public sector undertakings so that some revenue could be generated pending utilisation of land for development work requiring demolition of sheds. Six sheds (1.63 lakh sq. ft.) against requirement of 14 sheds (4.67 lakh sq. ft.) were let out during November 1986 to January 1987 to Jute Corporation of India against an annual rent of Rs. 13.20 lakhs.

Position of utilisation of the storing space at Kantapur over the years was as follows:—

Position as on	(Total covered areas—10.16 lakh sq ft)					
	31-3-82	31-3-83	31-3-84	31-3-85	31-3-86	31-3-87
	(Sq. ft. in lakhs)					
(i) Rented	2.06	2.04	1.98	1.45	1.40	3.04
(ii) Vacant including siding	3.99	3.98	3.73	4.37	4.42	2.50
(iii) Retained by CPT on general account for storage of pre-shipment cargo	2.95	2.59	2.73	2.62	2.62	1.84
(iv) Others—Central Industrial Security Force—out of commission	1.16	1.55	1.72	1.72	1.72	2.78
Total	10.16	10.16	10.16	10.16	10.16	10.16

CPT allowed 4.09 lakh sq. ft. of shed space on an average to remain vacant up to October 1986 on the ground that a new policy of land utilisation and tenancy was being evolved. It had retained 2.70 lakh sq. ft. of shed space for use as storage space for pre-shipment cargo which was not required. Had the unutilised shed space of 6.79 lakhs sq. ft. been let out, a revenue of Rs. 3.94 lakhs per month could have been collected and CPT could have earned a revenue of Rs. 263.98 lakhs during 1981-82 to 1986-87 (up to October 1986) resulting in a profit of Rs. 144.53 lakhs instead of accumulated loss of Rs. 119.45 lakhs during the above period.

The matter was referred to the CPT and to the Government of India in July 1987; the replies had not been received (October 1987).

19. Avoidable expenditure in construction of an overhead tank

Tenders for construction of an overhead reinforced cement concrete (Rec) tank (capacity 2.20 lakh litres) including Rec staging in replacement of existing worn-out overhead steel tank and staging at Basra, Netaji Subhas Dock of Calcutta Port were invited in May

1978 with the provision that cement and steel materials for the work would be supplied by Calcutta Port Trust (CPT) at stipulated rates of recovery.

The tenders were opened in July 1978. Even though there was urgency to replace the worn-out steel tank, the sanction of the Board of Trustees of Calcutta Port Trust for Rs. 3.03 lakhs was obtained only in March 1979. The Government attributed (September 1987) the delay to time involved in taking certain administrative decisions after opening the tenders. The lowest tendered rate being higher, a revised sanction of the Board of Trustees for Rs. 3.56 lakhs was obtained in August 1979. The work was entrusted to contractor 'A' in September 1979 at a total cost of Rs. 3.43 lakhs (construction of new tank and staging Rs. 3.17 lakhs and dismantling of old tank and staging Rs. 0.26 lakh). The work though stipulated to be completed by May 1980 could not be started due to non-availability of the required steel at CPT stores for issue to the contractor.

CPT did not initiate action to indent the steel from the CPT stores till November 1979. The steel could be procured by CPT stores only in January 1981 (i.e. eight months after the stipulated date of completion of the work) when the contractor declined to start the work.

It was decided (June 1982) to cancel the tender of contractor 'A' and invite fresh tender for the work. The work (excepting the item of dismantling the worn-out steel tank and staging) was awarded (January 1983) to contractor 'B' at a total cost of Rs. 4.87 lakhs with the provision that only cement would be supplied by the CPT while the other materials including steel would have to be procured by the contractor. The work was completed in October 1984 at a total cost of Rs. 5.54 lakhs.

Based on the executed facilities and computed with reference to the difference between rates of contractor 'A' and contractor 'B' against different items of work, there had been an extra expenditure of Rs. 2.41 lakhs on execution of the work through contractor 'B'. As contractor 'A' was not at fault for not taking up the work, no penal action was taken against him to recover the extra expenditure.

The CPT stated (October 1986) that procurement of steel took some time and therefore it had not been possible to arrange for

supply of the steel before January 1981 and that even so the work could still be got executed by the contractor without involving additional expenditure but for a dispute between the contractor and the trustees in regard to execution of another contract at Haldia necessitating withholding all payments due to him.

Thus due to the delay in awarding (September 1979) the work to contractor 'A' after opening (July 1978) of the tender, failure to supply steel in time to him as per contractual obligation and decision to execute the work through another agency CPT had to incur an extra expenditure of Rs. 2.41 lakhs in the execution of the work.

The Ministry of Transport stated (September 1987) that the additional expenditure of Rs. 2.41 lakhs was not purely because of delay in placing the work order or because of late supply of the steel but because the contractor intentionally did not come forward to execute the work even after the steel had been made available to him in January 1981. The extra expenditure was also due to rise in the prices which was beyond the control of CPT.

20. Unfruitful expenditure in disposal of dredged materials ashore at Jellingham.

To achieve a draft of 10.6 metres (35 ft.) by October 1975 and 12.2 metres (40 ft.) by 1980 up to Haldia for accommodation of bigger ships, Calcutta Port Trust (CPT) took up (November 1973) dredging operation in the shipping channel leading to Haldia Dredged materials were dumped within the estuary.

Though a draft of 16.0 metres (35 ft.) was achieved in the outer estuary (sea to Saugor) by April 1975, the inner estuary (Saugor to Haldia) failed to show improvement after July 1975 and the shortfall in the depth reflected prominently in the upper Jellingham where the draft ranged between 5.56 metres and 5.96 metres during 1973-74 to 1976-77.

Deterioration of Jellingham shoal, despite intensive dredging operation began to manifest itself from 1975 onwards as significant portion of the dredged materials was returning to the bars from the dumping sites. To contain this situation the CPT formulated a scheme of disposal of dredged materials ashore at Jellingham. The scheme was commissioned on 5th December 1977 after an initial capital investment of Rs. 130 lakhs. Although operational system of the scheme provided

for use of a pontoon as a terminal vessel, CPT used mothballed/surplus dredgers after conversion as terminal vessel involving heavy maintenance cost of Rs. 36 lakhs per annum in respect of each dredger.

The shore disposal scheme at Jellingham envisaged pumping ashore 4 million cubic metres (MCM) of dredged spoils per year at 8/9 loads per day during December, 1977 to August, 1979 but only 0.85 MCM of spoils were pumped ashore in 186 days at 2.7 loads per day.

CPT reviewed (September-October 1979) the performance of the system and found that the shore disposal system with inherent heavy cost was not an efficient system and did not add any resultant benefit to navigable depth. Accordingly, CPT informed (January, 1980) the Ministry the desirability of suspending the scheme in order to reduce the expenditure on dredging considerably. However, in a meeting (February, 1980) with the Ministry, it was decided to pursue the shore disposal scheme after some modification so as to make it more effective. No shore disposal was, however, carried out during the period from 1st February, 1981 to 31st May, 1982 due to non-availability of terminal vessel and again from 1st April, 1983 to 31st May 1986 due to repair to pipe lines and vessels, deployment of dredging dredger elsewhere and difficulties in mooring the terminal vessel at the new location.

The scheme was abandoned in June, 1986 as the land at the disposal site could not be acquired. CPT also decided (March, 1987) to dispose of the materials/accessories of the shore disposal system through auction which was yet to be held (October, 1987). During the implementation of the scheme, 2.5 MCM spoils was pumped ashore at Jellingham up to May, 1986 at the cost of Rs. 786.60 lakhs (excluding cost of dredging).

Thus, in spite of ineffectiveness of the scheme CPT incurred an expenditure of Rs. 786.60 lakhs (initial capital cost : Rs. 130 lakhs, conversion cost of mothballed dredgers : Rs. 14.60 lakhs, laying of pipe lines: Rs. 16.85 lakhs, operation cost: Rs. 238.34 lakhs and maintenance cost of dredgers as terminal vessels: Rs. 386.81 lakhs) on continued operation of the scheme upto May, 1986. The objective of the scheme viz. a draft of 12.2 metres by 1980 was not achieved (actual draft during 1982-83 to 1986-87 ranged between 5.72 metres and 5.22 metres) and a major portion of expenditure of Rs. 786.60 lakhs proved to be unfruitful.

CPT stated in August, 1987 that the limited morphological assessment done argued in favour of continuing the shore disposal scheme. The old dredgers were used as berthing terminal pontoon on consideration of heavy berthing force of the dredger during South-West monsoon. CPT also stated that 100 per cent removal of spoils ashore was necessary to make the scheme effective. Besides, sufficient number of loads could not be lifted due to time consuming work of coupling|decoupling arrangement.

The case was referred to the Ministry in July, 1987; the reply had not been received (November, 1987),

APPENDIX II

Statement of conclusions and recommendations

Sl. No.	Para No.	Ministry/Deptt. concerned	Recommendations and conclusions
1	2	3	4
1	11	Ministry of Surface Transport	<p>The Committee note that a Study team envisaged in 1965 substantial increase in sea traffic of salt from the then existing level of 50 per cent of total traffic in the region as transport of salt by sea was expected to be cheaper than rail transport with reference to the relative costs of operations. The then policy of Government was also stated to be to augment salt traffic by sea and to discourage it by rail. In the circumstances the study team recommended a salt jetty with facilities for bulk handling of salt at Haldia Port. the jetty was also expected to handle entire traffic of sulphur in bulk. The Committee have also been informed that by 1971 due to substantial hike in oil prices, the cost of operations of salt by sea became costly whereas due to a policy decision, the freight by Railways for salt has been placed at the lowest classification for freight charges; as a result transport of salt by sea became more and more uneconomical as compared to transport by rail with the result that transport by sea started dwindling and is now reported to be almost nil even at Calcutta as against 50 per cent of total salt traffic having been effected</p>

by sea in the 1960's. The Committee are unable to understand why Government have not considered it necessary to arrange to maintain a comparably lower freight rate for transport of salt by sea by arranging carriage by Government owned shipping companies or suitable arrangement of subsidies of carried by private carriers by sea including concession to the Port Trusts in determination of the port rates for salt traffic. The Committee recommend that the present policy of allowing the Railways to carry salt traffic at highly concessional traffic obviously involving a large amount of internal subsidy but denying the facility of similar concessional carriage by sea including charges levied by the Port Trust may be reviewed and the Committee may be apprised of results of the review.

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Ministry of Surface
Transport

The Committee note that though in 1965 the handling of salt traffic was economical by sea, due to increase in prices of petroleum and coke in 1970-71, sea freight rates went up very substantially and it was clear to the Port authorities in 1971 that traffic by sea would no longer be economical. Disappointingly, in total disregard of the changed situation, no review of the continued feasibility of salt traffic was conducted. On the other hand in 1976 the Port authorities, with Government approval, sanctioned, provision of a bulk conveyor system of finger jetty for handling salt and sulphur and spent a sum of Rs. 124.38 lakhs. It is disquieting to note that when the work on conveyor system for salt and sulphur had already made substantial progress, the Ministry realised the lack of salt traffic at Haldia and

constituted in July 1979 another committee to review the use of the jetty. It was decided in 1980 to put the jetty to alternate use. This resulted in an investment of Rs. 41.55 lakhs out of total investment of Rs. 124.38 lakhs to be infructuous causing drain on the scarce resources of the Government. Even the estimated traffic projections of sulphur at the above port did not materialise. In the opinion of the Committee the above infructuous expenditure is clearly indicative of lack of foresight in the planning and execution of this project. Had there been an exercise to constantly monitor the effectiveness of the scheme particularly in view of the large time lag between the original decision and the actual sanction of the project, the above loss could have been easily avoided. At this stage the Committee can only express the hope that the Government would draw a lesson from this unhappy experience and would strengthen their planning, implementation and monitoring machinery to obviate recurrence of cases of this type in future. They would like to be apprised of appropriate remedial measures taken in this direction.

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The Committee also note that an arbitration award amounting to Rs. 41.63 lakhs is overdue for recovery by the Port Trust from public sector undertaking since the last 8 years and the delay in recovery has been attributed to the cash flow constraints of the undertaking. It is desirable that the matter should be finalised expeditiously at an

appropriately higher level to get the amount of claim recovered from the undertaking. The Committee would like to be apprised of the results.

14. The Committee also note with dismay that as a result of dispute between the Port Trust and the contractor regarding removal of the crane, traffic hazard at the jetty was allowed to continue for about 2 years. Since both the parties were under the control of the Government it should have been possible to resolve the unusual stalemate swiftly. The Committee recommend that in future such inter-Ministry disputes particularly those having wider ramifications should be resolved with due promptitude.

4.23 Ministry of Surface
Transport

The Committee note that fertilizer handling project sanctioned in March 1972 at a cost of Rs. 3.31 crores revised to Rs. 13.95 crores in February 1975 was taken up for execution in 1978 and an expenditure of over Rs. 15 crores has so far been incurred although the work still remains incomplete. The expenditure includes a sum of Rs. 4.28 crores towards provision of fertilizer handling equipment, work on which commenced in September, 1976 with a targeted schedule of completion by September, 1978. Lamentably, this work has not yet been completed and there are no immediate plans for the completion of the residual work. This is clearly indicative of total failure of planning, coordination and implementation machinery. There were incessant wranglings over petty disputes without any decisive will to solve them. The Committee deprecate that such an unpleasant situation

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Ministry of Surface
Transport

should occur when the contracting party happens to be a public sector unit under another Ministry. This is clearly a bad example of lack of coordination between the two Ministries of the Government.

The Committee also note that the Port Trust has decided for the time being not to go ahead for completion of the facilities on the ground that the expected traffic in fertilizer is not materialising. Since the planned completion of the project was as far back as 1978, the Committee cannot comprehend as to why the Ministry of Surface Transport and the Port Trust did not take stock of the progress of trade facilities instead of allowing it to linger for a period of 10 years at the stage of planning itself. Even now a final decision in the matter has not yet been taken. Had there been a constant and proper review of the project, the present situation could have been easily avoided which has sadly resulted in creation of idle assets. At this stage the Committee only hope that the Ministry would not dilly-dally on this issue any more and avoid take a final decision regarding the completion of the work relating to fertiliser handling equipment so that further time and cost overruns are avoided. It is also imperative to ensure that adequate care is taken by the Government in future in planning, coordination and implementation of projects of huge financial value involving inter-Ministry coordination and latest appraisal of trade trends so that Government is not subjected to avoidable expenditure due to lack of proper planning and coordination and there is optimum utilisation of meagre resources in the country. It is desi-

rable that the work of preparation of contract documents is done with precision, care and proper scrutiny so that there is no ambiguity resulting in disputes of the type that had sadly arisen in the case under reference.

6 25 Ministry of Surface
Transport

The Committee are pained to know that an unrealistic time-schedule of 8 weeks to provide foundation designs for 231 foundations was provided for in the contract and agreed to by GRSE, whereas in actual execution it took a period of 98 weeks for completion. While on the one hand it is clear that the initial time limit was too short, on the other hand, the time taken in practice was too long, with the result that a situation was created for both the parties to blame each other and get out of their responsibilities. It is also disquieting to note that whereas the drawings of Port Trust were to have the continuous bagging shed under the bagging bin, the tender document were not at all clear and the parties raised disputes and delays occurred in implementing the contract for a period of 7 years. While it is desirable to take remedial action with due promptitude in cases of this type, it is also essential to analyse such problems critically from the system angle so that root causes resulting in such failure are nipped in the bud.

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The Committee note that out of two mechanical handling plants installed at a total cost of Rs. 15.30 crores, one plant intended for

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8	32	Ministry of Surface Transport	<p>iron ore was not utilised at all due to lack of traffic. While at the time of planning and execution of the project it was hoped that improved drafts would be obtained over a period of time in the Hooghly estuary, in actual practice this was not achieved, with the result that the above plant had remained grossly idle to the extent of 99 per cent during 1980-81 to 1984-85 and completely idle since 1985-86. As per audit, the idleness/under-utilisation of the plant during 1980-81 to 1986-87 resulted in loss of revenue of Rs. 4889.15 lakhs. The Committee are to conclude that the planning machinery of the Ministry are sadly out of gear and steps should be taken to institute an effective planning machinery so that scarce resources are not spent on infructuous projects.</p> <p>The Committee note that during 1980-81 to 1986-87 the coal handling plant handled only a total of 102.56 lakh tonnes of coal and the plant remained under-utilised to the extent of 41 per cent to 80 per cent of its capacity (35 lakh tonnes). The Calcutta Port Trust stated that the coal handling plant was built with indigenous know-how and was not free from defects. Coals of different shapes and sizes and foreign material in coal wagons had an inevitable effect on the throughout of the plant and had made it prone to breakdowns. These factors are stated to have contributed to the low output of the plant. As per Audit, calculated on the basis of handling capacity and the actual tonnage handled the under-utilisation of the coal handling plant during 1980-81 to 1986-87 had</p>

resulted in a loss of revenue of Rs. 4985.60 lakhs. The traffic in 1987-88 has, however, been reported to have increased to 26.2 lakhs tonnes and even this is short of the handling facility of the plant. The Committee view the above episode as extremely unfortunate and deprecate that there has been a total lack of planning and coordination right from the inception of the project. That this should happen after the PAC in their 33rd Report (6th LS) had commented on delay and its effect on capacity utilisation on ore and coal handling plants and had called for speedy remedial action at higher level to ensure traffic load for efficient and economic utilisation of the capacities, is all the more regrettable. The Committee hope that at least now the Government would take effective remedial measures by revamping and activating the planning, implementation and monitoring machinery so that there is optimum utilisation of capacity and no loss of revenue to the State Exchequer.

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Ministry of Surface
Transport

The Committee are concerned to note that whereas the coal handling plant has handled hardly on an average 15 lakh tonnes per annum till 1986-87, against its annual rated capacity of 35 lakh tonnes, it has been considered necessary to augment the capacity for handling coal upto 24 lakh tonnes by converting the ore handling equipment and for this purpose so far an additional investment of Rs. 1.28 crores has been made. The work of conversion of the plant which was taken up in May 1983 is still to be completed by May, 1989. The Ministry should continuously monitor

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the completion of the project so that there are no cost and time overruns. The Committee desire that the Ministry should set up a technical committee to critically analyse the reasons leading to the dismal failure of the coal handling plant in reaching its rated capacity and take effective remedial measures with due promptitude to remove the slippages. They would like to be apprised of further developments in this regard.

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Ministry of Surface
Transport

The Committee note that substantial expenditure is incurred by the Port Trust for meeting the hire charges for retention of wagons in port areas beyond the permissible free time allowed. Chronic detention of wagons within the port area is mainly responsible for high quantum of hire charges payable to Railways. The increased detention of wagons also results in reduced utilisation of the scarce stock of wagons with the Railways which, but for the detention, could have been profitably utilised elsewhere. From the statistical data on number of wagons handled, the Committee note that on an average the Port Trust detained 4 times its daily handling capacity and that there has been a steady fall over the years in the handling capacity of the port in that the port hardly handles 50 per cent of the wagons handled 5-6 years back. The Committee desire that detailed reasons for chronic detention of wagons at ports, viz., inordinate delay in placement of wagons at sidings, repair of

damaged wagons, large scale thefts and pilferage for wagon fittings inside the port area, deteriorating conditions of railway tracks, poor availability of locomotives for traffic use etc., should be investigated and effective remedial measures taken with due promptitude so that there is proper overall utilisation of wagons and payment of hire charges to railways by the Calcutta Port Trust is avoided to the barest minimum.

11 43 Ministry of Surface
Transport

The Committee also note that amounts due for recovery from Government Departments and private parties stood at Rs. 66.22 lakhs and Rs. 13.21 lakhs respectively as on 31-12-1988. The Committee cannot comprehend the logic behind the port trust allowing credit facilities for long periods because in respect of such transactions the proper course would be for the concerned parties to keep adequate deposits with the Port Trust for periodical replenishment and adjustment. The Committee recommend that the feasibility of collection of advance deposits may be explored by the Port Trust to safeguard its financial interest. They also note that there has been no upward revision of demurrage charges leviable by Calcutta Port Trust since May 1983 though the Railways keep on revising hire charges for wagons frequently. They are of the opinion that this aspect needs expeditious and rational consideration after inter-Ministry consultations. The Committee would like to be apprised of further developments in this regard.

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12	49	Ministry of Surface Transport	<p>The Committee note that at Kantapukur the port trust holds prime land of about 49 acres which contains sheds in a covered area of 10.16 lakh sq. metres. Because of unremunerative operations of a railway station along with the sheds, Government recommended their closure as early as 1976 but lamentably action was taken by Port Trust only 5 years after another committee reiterated the earlier recommendations.</p>
13	50	Do	<p>While the Port Trust faced problems till September 1984 for letting out the sheds due to inability to withdraw labour force, it is disquieting to note that the land use plan prepared by June 1984 was not put in operation in Kantapukur though it was brought in operation in other areas. The Committee deprecate that even though a period of 4 years has elapsed after preparation of land use plan the revenue potentials of 24 out of 34 sheds have not still been utilised in total disregard of the financial interests of the Calcutta Port Trust. It has been brought out by Audit that had the unutilised shed space of 6.79 lakh sq. feet. been let out, a revenue of Rs. 3.94 lakhs per month could have been collected and CPT could have earned a revenue of Rs. 263.98 lakhs during 1981-82 to 1986-87 (upto October 1986) resulting in a profit of Rs. 144.53 lakhs instead of accumulated loss of Rs. 119.45 lakhs during the above period. In the opinion of the Committee the above situation is indicative of a total lack of foresight and non business like approach of Calcutta Port Trust in not</p>

making optimum use of its assets. They recommend that detailed reasons leading to this situation should be properly investigated by the Ministry and effective steps taken to maximise revenue potential of Calcutta Port Trust. The Committee would like to be apprised of further progress of the case.

14 58 Ministry of Surface
Transport

The Committee note that to achieve a designed draft of 10.67 metres upto Haldia in the estuary, dredging to the extent of 19 MCM per annum is required to be done and that the actual quantity dredged by CPT and Dredging Corporation of India Ltd. during the ten years ended 1987-88 was only 131.75 MCM (about 69 per cent). The Committee have also been informed that as against the dredging capacity of 120.43 MCM available with the Port Trust, the actual performance by the dredgers of the Port Trust was only 78.47 MCM, the shortfall in performance being to the extent of nearly 35 per cent. The Committee note from the reasons given for the shortfall that the dredgers have lost considerable days of operations as a result of time taken for their annual survey, repairs etc. In the opinion of the Committee the inordinate time taken in getting dredgers repaired does not appear to be reasonable and steps are needed to be taken expeditiously for reducing the period of repairs to the barest minimum possible so that dredging operations are carried on more effectively.

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15 59 Ministry of Surface
Transport

The Committee also note in this regard that considerable time has been taken in completion of each of the river training pro-

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Transport

grammes and it appears that had the works been carried out according to the scheduled dates, it would have been possible to adhere to the target of draft of 10.67 metres. They desire that the completion of this work should be watched through a time bound schedule which should be periodically monitored and the Ministry should also coordinate with the Calcutta Port Trust in achieving the targeted results.

The Committee have been informed during evidence that the scheme for dumping dredged materials ashore at Jellingham was taken up in view of the possibility that the fall in draft level could be due to recirculation of the dredged materials and that reliable method for study of recirculation of material has been introduced from 1986 only. Since radioactive tracer studies or other reliable methods must be available even in the 1970's in the advanced countries, the Committee deprecate that without ensuring validity of the basic presumptions the costly scheme was launched which did not ultimately yield any results. In the opinion of the Committee in the context of technological advancement in developed countries it is essential to keep a track of the proven technological changes relevant to Indian environment and adopt them at the earliest so that the research work in such intricate items like dredging being done abroad could be successfully utilised. Since dredging operations are quite expensive, the Ministry should take this aspect in view while planning dredging operations in the country in future. The Committee

also note that despite operation of the scheme since 1977-78, the progress of dredging was very slow and the draft level in the area did not show any improvement even by 1980-81 or 1981-82. The Committee cannot comprehend as to why the execution of the scheme was not reviewed even by 1980 and a fresh study not undertaken so that further expenditure on a scheme that was not capable of achieving the desired results could have been avoided. It is imperative that working and operation of such schemes involving huge expenditure are monitored periodically at an appropriately higher level and technical advice obtained whenever considered necessary so that the Government is not put to ineffective financial expenditure.

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Transport

The Committee note in this regard that the causes for failure of the scheme has apparently been the failure to lift 4 MCM during the prescribed period of 20 months and there was achievement of only 2.4 MCM even after operations for 7 years. Thus there have been in effect no capital dredging. The Committee have been informed in this connection that manual operations for each trip of dredging and dumping ashore took a time of 4 hours as against the anticipated 2 hours and 40 minutes and that the quantities lifted were also not upto the required level in each trip. The Committee consider it unfortunate that even when these problems manifested themselves during operations, steps were not taken to remedy the situation promptly. On the other hand the dredging was allowed to proceed ineffectively, with the result that the scheme on which over Rs. 7

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crores had been spent turned out to be an idle and totally unproductive investment. The Committee desire that appropriate lesson should be drawn from this unpleasant experience and Ministry should strengthen their planning, implementation and monitoring machinery so that there are no slippages in executing such projects of huge financial value.

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Ministry of Surface
Transport

The Committee strongly deprecate that replies to audit paras were not furnished by the Ministry though enough opportunity was given to them to defend their position. Failure on the part of the departmental heads/Ministries to react to the Audit paras in the above manner has been the bane of financial management. It is imperative that the departments must not only react promptly to the Audit paras but must also make prompt investigations in respect of deficiencies mentioned in the Audit para and take remedial measures. The Committee desire the Ministry to streamline their machinery and ensure scrupulous observance of prescribed procedure so that the Committee are in a better position to appreciate the view-point of the Ministry and a lot of their precious time is not wasted in enquiring into details which could have been better sorted out by Audit.

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