P. A. C. No. 271

PUBLIC ACCOUNTS COMMITTEE (1969-70)

(FOURTH LOK SABHA)

HUNDRED AND THIRTEENTH REPORT

[Appropriation Acccounts (Civil) 1967-68 and Audit Report (Civil) 1969 relating to the Ministry of Transport and Shipping and Audit Reports on the Accounts of Calcutta and Bombay Port Trust 1963-64 to 1967-68 and Cochin Port Trust for 1964-65 to 1967-68]

LOK SABHA SECRETARIAT
NEW DELHI

April, 1970/Vaisakha, 1892 (Saka)

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Page	Para	Line	For	Read
Intro-duction	-	3	to	do
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(1969-70)

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Shri A. L. Rai—*Deputy Secretary.*

Shri K. Seshadri—*Under Secretary.*

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*Ceased to be Member of the Committee w.e.f. 3rd April, 1970.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee to present on their behalf this Hundred and Thirteenth Report of the Public Accounts Committee (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1967-68 and Audit Report (Civil) 1969 relating to the Ministry of Shipping and Transport and Audit Reports on the accounts of Calcutta and Bombay Port Trusts 1963-64 to 1967-68 and Cochin Port Trust for 1964-65 to 1967-68.

2. The Appropriation Accounts (Civil) 1967-68 and Audit Report (Civil) 1969 was laid on the Table of the House on the 18th April, 1969. The Audit Reports on the accounts of the Port Trusts were laid on the Table of the House as given below :—

Calcutta Port Trust	1963-64	29-3-66
	1964-65	1-11-66
	1965-66	4-7-67
	1966-67	7-3-69
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	1965-66	28-3-67
	1966-67	6-12-68
	1967-68	25-7-69

The Committee examined paragraphs relating to the Ministry of Shipping and Transport at their sitting held on the 15th July, 1969 and the Audit Reports on the Accounts of the Port Trusts at their sittings held on the 4th and 5th December, 1969. The Committee considered and finalised the Report at their sitings held on the 10th April, 1970 (AN) and 28th April, 1970 (AN). The Minutes of these sittings form part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to this Report. For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of these accounts by the Comptroller and Auditor General of India.

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

5. The Committee would also like to express their thanks to the officers of the Ministry of Transport and Shipping for the cooperation extended by them in giving information to the Committee during the course of their evidence.

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI;
April 28, 1970.
Vaisakha 8, 1892 (*Saka*).

I

MINISTRY OF TRANSPORT & SHIPPING
AUDIT REPORT (CIVIL), 1969

Fishing jetty at Kandla

Audit Paragraph

1.1. In order to encourage mechanical fishing in the Gulf of Kutch and in the sea beyond, a fishing jetty was constructed (at the instance of the former Kutch Government in February, 1956) at Kandla port at a cost of Rs. 5·14 lakhs and opened for traffic in July, 1965. The expectation was that with the installation of an ice plant with cold storage capacity of 15 tons and allotment of a trawler and six motors etc. to Kutch, the fishing operations would increase and at least 10 tons of fish would be handled daily at the jetty. The ice plant with that cold storage capacity was established by the State Government in 1962-63. The jetty has not handled any fish traffic so far (January, 1969).

1.2. The Ministry have stated (May, 1968) that steps are being taken by the Department of Agriculture and the State Government for stationing some trawlers at Kandla and they hope that traffic in fish will be attracted to Kandla in the near future.

[Paragraph 59—Audit Report (Civil), 1969.]

1.3. During evidence, the Secretary, Ministry of Transport and Shipping stated that the proposal for construction of a fishing jetty at Kandla was put forward in 1956 by the then Kutch Government. "The sea round about", he said, "is supposed to be one of the best fishing grounds in the world." The Port Trust took over the work and completed it in 1965. The Jetty was meant of fishing trawlers of 50' and above. However, the efforts of State Government and Food Ministry to get trawlers had so far "not been fruitful". The shipyards acquired necessary knowhow for the construction of these trawlers in 1968.

1.4. The representative of the Ministry of Food and Agriculture, explaining the position, further stated that "this problem of trawlers is a general one which is not really confined to Kandla or any particular area. During the Third Plan we had expected that we would be able to introduce a certain number of larger fishing vessels in the country as a whole. The foreign exchange difficulties stood in the way and we were not able to get foreign exchange allotted for importing trawlers and the only trawlers which we got during the Third Plan were through the American technical cooperation arrangement. They were just a few trawlers and they were allotted to the deep sea fishing stations, that is the Central Government Organisation for Survey and Exploration. We have stations all round the coast and there were some trawlers operating from Bombay, Cochin and some of the more important places...." The witness added: "So far as the private trade in fishing is concerned, it was extremely difficult for them to get any trawlers at all. There was one company which was started with its headquarters in Bombay.... It is the only fishing company in existence of any size. During the Third Plan it was not possible to get foreign exchange for trawlers and we did not develop the capacity for construction of fishing trawlers in the country....We placed an order on the Mazagon Docks. They also were not able at that time to supply trawlers. After two or three years they constructed only one trawler. Certain attempts were made to import trawlers through credit arrangements from other countries. We had credit arrangements with.... (a foreign country). But as we were about to import trawlers, the....(foreign firms) almost doubled the price of the trawlers. So the arrangement fell through....we entered into an arrangement with the Government of Sweden. The agreement was entered into and as we were about to import the trawlers the question of production of the indigenous trawlers came up." The witness further added: "This came up in 1966-67....We were anxious to introduce the trawlers as quickly as possible to do fishing. From the side of the Department concerned with the development of the indigenous ship building industry, the emphasis was on the production by the industry. This problem was resolved in 1967-68 when it was decided that we should place orders for 40 vessels and out of the 40 vessels, four or five have already been launched and are under trial. Two out of these 40 vessels are meant for Government of Gujarat. The Government of Gujarat have informed us that they are basing these trawlers at Kandla."

1.5. The Committee enquired whether, before constructing the jetty, any consideration was given to the question whether trawlers will be available or not and whether the Ministry of Food and Agriculture was consulted in the matter. The Committee also enquired when did it come to the notice of the Ministry that trawlers would not be available. The Secretary, Ministry of Transport and Shipping stated: "In October, 1956, Kutch Government told the Kandla Port about the outturn of 14,000 tons of fish annually and that they want the jetty....Estimates of Rs. 4,87,000 was sanctioned in March, 1956......In 1962-63, an Ice Plant and cold storage were installed......In July, 1965, the fishing jetty was ready and opened. When no traffic was coming our Chairman wrote to the Kandla Government asking about the prospects of future fishing. He wrote back that the fishing in Kutch and Balaganj is scattered over the whole sea coast. Fishermen are migrating. The prospects cannot be ascertained. In 1967, the Department of Agriculture intimated that the proposal for intensive fishing and acquisition of trawlers was under consideration in consultation with the Ministry of Finance....Government of Gujarat intimated in November, 1967 that fishing traffic will develop on establishment of the broad gauge link and other facilities. In 1969, Government of Gujarat writes that it is not possible for small boats to use the fishing jetty during low tide......"

1.6. The Committee enquired whether the question of providing a trawler for the Kandla Port was examined by the Government. The representative of the Ministry of Food and Agriculture stated: "The question of providing a trawler was examined by the Ministry......We had a limited number of trawlers. It was a question of deciding from where to operate them. We had to operate a few from the more important places and we had to operate some from the Bay of Bengal and some from Cochin....So far as Gujarat is concerned we did not have any trawler there." The witness added: "So far as the Ministry of Food and Agriculture is concerned, the location of trawlers on the coast is for the purpose of exploration and survey. So far as fishing industry is concerned, that is for the private sector......It is our job to provide the infrastructure, that is, to provide the harbours, jetties or other landing facilities, shore facilities etc......It is not our job to provide trawlers to the fishing industry, except to make it possible for the private industry to purchase trawlers." The Committee enquired whether the Government of Gujarat had asked for the trawlers and whether they were told that it was not the job of the Ministry of Food and Agriculture to provide the trawlers. The witness stated: "It is our job to provide the trawlers to the Gujarat Government. They had asked for trawlers....The Gujarat Government's request for trawlers has been included in our order for forty trawlers."

1.7. The Committee desired to know when the Government of Gujarat made a request for the trawlers and when the demand was included in the order for 40 trawlers placed in August, 1968 on Mazagon Docks Ltd. In their written reply, the Ministry of Transport and Shipping have stated that "the Ministry's record does not show that any demand as such was received from the Government of Gujarat for trawlers for Kandla Port." In a meeting held in the Ministry of Food and Agriculture on the 4th July, 1966, the Directors of Fisheries, Governments of Kerala, Madras, Gujarat, Andhra Pradesh and Maharashtra gave the following assessment of the requirements of fishing vessels during the Fourth Five Year Plan in the State, Corporate, Cooperative and Private Sectors:

	55 ft.	90 ft.	Total
Kerala	20	5	25
Madras	6	4	10
Gujarat	6	8	14
Andhra Pradesh	9	..	9
Maharashtra	13	2	15
TOTAL	54	19	73

Subsequently in August, 1966, during discussions on the progress of fisheries schemes with State Governments it was indicated by the Departments of Fisheries, Kerala, Madras and Gujarat that they would take 6 Nos., 4 Nos. and 2 Nos. of 55 ft. vessels respectively for meeting their immediate requirements. It was proposed that half of these numbers would be from Sweden and the other half from indigenous sources. Maharashtra, Mysore and Goa also wanted two trawlers each.

At that time negotiations were in progress for import of twenty-five trawlers from Sweden under Swedish credit. But it was decided on 19th August, 1967 that no trawlers would be imported from Sweden. Steps were then taken to organise consortia of ship building firms for construction of trawlers. The immediate requirements of the State Governments concerned were decided to be met from indigenous sources only and were included in the orders for 40 trawlers placed with the Director General, Supplies and Disposals on the 18th March, 1968."

1.8. The Committee desired to know the number of trawlers that were available in 1965 when jetty was opened for traffic at Kandla and their portwise allotment after the construction of jetty was taken in hand and after it was opened for traffic. In a note, the Ministry of Transport and Shipping have stated: "Three trawlers were received in 1966 in the Indo-Norwegian Project for use at the project and are based at the project headquarters in Ernakulam. Apart from this two gift vessels were received from Sweden in 1968. These vessels were designed for use as training vessels and are allotted to the Central Institute of Fisheries operative at Ernakulam and Madras. . . .The number of vessels available to this organisation is indicated in the following table:

DISPOSITION OF VESSELS OF THE DEEP SEA FISHING STATION

	1965		1966		1967		1968	
	Deep Sea Vessel	Coastal Vessel	Deep Sea Vessel	Coastal Vessel	Deep Sea Vessel	Coastal Vessel	Deep Sea Vessel	Coastal Vessel
1. Visakhapatnam	2	1	2	1	2	1	2	..
2. Tuticorin	1	1	..	1	2	1	2	1
3. Cochin	1	2	1	4	1	4	1	3
4. Mangalore	..	3	..	..	..	..	..	..
5. Bombay	5	..	4	2	2	2	2	2
6. Veraval	..	2	..	..	..	..	..	..
TOTAL	9	9	7	8	7	8	7	6

Noted 'Deep Sea Vessel'—Vessel above 45-ft. in length.
'Coastal Vessel'—Vessel below 45-ft. in length.

Deep Sea Fishing Station has now only 7 deep sea vessels as against 9 in 1965."

1.9. To a question by the Committee as to when the trawlers were expected, the representative of the Ministry of Food and Agriculture replied: "We placed orders in August, 1968 for 40 trawlers and according to the agreement, they were required to be delivered within 18 months in batches. Three trawlers on the west coast have already been launched and they are undergoing trials now.... These 57 feet—fairly large vessels." The witness added: "We had a programme during the Fourth Five Year Plan of introducing 300 large trawlers in the country. Out of this we expected that at least 20 to 30 or perhaps more will operate from Gujarat. Now, they should normally operate from Kandla or Veraval and from other ports but these trawlers will be operated in the private sector and they should operate commercially....There are two purposes why we operate the trawlers: they are, firstly, to locate the fishery resources and secondly to demonstrate to the private industry where the fish can be caught and how much of it and so on."

1.10. The Committee wanted to know whether the trawlers could not be manufactured in the country itself and whether placing of an order for 40 trawlers now being constructed in the country could not have been done earlier The representative of the Ministry of Food and Agriculture stated: "We placed orders on one of the Indian firms in 1961 or 1962. At that time the capacity of the Indian boatyards was being utilised for construction of other ships. We did not have enough capacity for fishing trawlers. They took about two or three years to construct one trawler.... Now things have changed...The orders were placed in 1968 and some trawlers have come into water now. Some have been launched."

1.11. The Committee note from copies of correspondence exchanged between the Government of India and the Government of Gujarat the following position about the traffic prospects at the jetty:

"8 out of 9 local boats in Kutch which were mechanised under the programme of mechanisation of fishing crafts in Gujarat State are operating. They were operating in 1968 also. Three out of these were operating from Tuna. Two from Mota Salaya and one each from Sangud Modwa and Nana Lajja. None of these fishing crafts was operated from the aforementioned fish landing jetty at Kandla Port.

The aforementioned mechanised boats have not been availing of the aforementioned fish landing jetty facilities at Kandla Port, because though, there is provision for landing fish by smaller boats on the steps provided on the side of the jetty, the steps during low tide remain so high that the smaller boats cannot reach them to utilise them for fish landing. So is the case with small sailing boats (about 15 in number) which have to land their catches at Kandla not at the jetty but at suitable places on the shoe of the creek due to same difficulty.

It would appear that the jetty could be useful only for larger fishing crafts than those used in the Gulf of Kutch. The State Government have recently initiated steps to foster modern methods of fishing in Kutch. Three Government trawlers of the survey and Research Unit of the State Fisheries Department have been moved from Veraval to Kutch-Mandvi and so has the fishermen's Training School. With the development of modern fishing techniques, larger craft are expected to come into use, and the jetty is then likely to be utilised more."

"Two 17.5 m. steel trawlers which are at present launched at Bombay are expected to be delivered in about four months time and these are scheduled to be used at Kandla. Side by side one 17.43 m. Departmental vessel which is under construction for Survey-*cum*-Explanatory work is also scheduled to be based at New Kandla. In addition to this, two to three larger vessels will be stationed by the Government of India, Ministry of Food, Agriculture, Community Development and Cooperation, at New Kandla for explanatory purposes. Three survey vessels have already been based in Kutch and the fisheries Training School has been started by the State Government at Mandvi in Kutch as indicated earlier.

From the above, it will be seen that the modern fishing methods are being fostered in Kutch and bigger crafts are expected to come into use in larger numbers so that jetty could be utilised to the fullest extent."

1.12. The Committee consider it unfortunate that a fishing jetty built at a cost of Rs. 5.14 lakhs in what has been described as "one of the best fishing grounds in the world" has not been used by a single fishing vessel, though nearly five years have passed since the jetty was constructed. The jetty was constructed with a view to providing "infrastructure" facilities to the fishing industry based on the Gulf of Kutch: the Deep Sea Fishing Organisation was also expected to deploy their vessels in that area to demonstrate to the industry its potential. However, the fishing industry has not been able to use the jetty as trawellers of the size which could use the jetty are not now being plied by them. The Deep Sea Fishing Organisation has also not used the jetty so far, as they are handicapped by lack of trawlers, which are at present mostly imported.

The Committee note that the construction of 40 trawlers has now been taken up in the Mazagaon Docks. They hope that out of these an adequate number of trawlers would be made available both to the fishing industry as well as the Deep Sea Fishing Organisation, so that the fish in abundance in those waters is caught and the jetty put to productive use.

DOCKYARD OF MARINE DEPARTMENT ANDAMANS AND NICOBAR ISLANDS

Audit Paragraph

Introduction

1.13. Marine Department, Andamans and Nicobar Islands, maintains a dockyard which provides navigational aids and undertakes survey, repair and construction of sea-craft, buoys and lighters. It also undertakes, on payment, jobs on behalf of other Government departments, commercial undertakings and private parties.

Working results

1.14. Working results of the dockyard for the three years ending with 31st March, 1966 are given below (*pro forma* accounts for 1966-67 and 1967-68 have not been finalised).

	(Rupees in lakhs) 1963-64	1964-65	1965-66
Government capital at close of the year	16·60	10·32	13·71
Expenditure	8·22	10·51	9·04
Income	7·38	7·93	6·83
Loss	0·84	2·58	2·21

1.15. It will be seen from above that losses increased from Rs. 0.84 lakh in 1963-64 to Rs. 2.21 lakhs in 1965-66.

1.16. The Ministry have stated (September, 1968) that "the labour hour rates are being revised from time to time......The overhead harges have also been revised periodically. Increasing the centage (overhead) charges to completely wipe off the loss is not considered practicable as such a step is most likely to avert private/department jobs resulting in much heavier loss."

Sundry debtors

1.17. A total sum of Rs. 10.02 lakhs was outstanding for recovery from Government Departments and private parties as on 31st March, 1966.

The Ministry have stated (September, 1968) that "steps have already been taken with the authorities concerned to accept the debits. The balance of sundry debtors up to 1965-66 in respect of Government Departments is Rs. 2,13,724 only. These will also be adjusted as early as possible.

1.18. Recoveries from the private parties are also in progress."

[Paragraph 115—Audit Report (Civil), 1969.]

1.19. According to information furnished to the Committee, the following were the results of the working of the dock-yard during 1966-67 and 1967-68:

"Year	Expenditure	Income	Loss
1966-67	13,89,594	10,76,607	3,12,887
1967-68	15,81,950	13,87,910	1,94,040

(Figures for 1967-68 are provisional)"

1.20. The Committee drew attention to the continuous losses incurred by the dockyard. They were apprised of the following reasons for losses in the course of evidence and through notes which were subsequently submitted:

(i) The dockyard did not have a competent marine engineer after the incumbent of the post died in January, 1966. It was only in December, 1969 that the Andaman and Nicobar Administration could obtain the services of a Marine Engineer from the Navy.

(ii) The dockyard had difficulties in procuring spares and equipment required by them. A Committee appointed in 1962 pointed out that this resulted in labour being rendered idle and had recommended priority for their procurement, apart from suggesting action for advance indenting. Through coordination with the Director General, Supplies and Disposals and Iron and Steel Controller, which had nominated liaison officers for helping the Andaman Administration, this difficulty had been sorted out.

(iii) The dockyard was not in a position to utilise its labour fully, particularly during the rainy season when out-door work was not possible. The Committee appointed in 1962, which considered this problem, suggested a number of measures which had been implemented.

(iv) Overheads of the dockyard were not being fully recouped. The Director of Commercial Audit had at one stage pointed out that overhead charges were 94% of the direct labour. The Committee appointed in 1962 went into this question and suggested that the rate of centage should be revised. The rate of centage was accordingly revised from 50% to 60% with effect from 1st September, 1967.

1.21. The Committee wanted to know whether the idle labour during rainy season was employed to manufacture articles for sale to public as recommended by the Departmental Committee. In a note*, the Andamans and Nicobar Islands Administration had stated: "Even though monsoon in this area last 6 to 7 months in a year it has been our experience that even during this period certain amount of work could be carried out as the rains do not persist for long periods". Owing to this peculiarity the labourers have been utilised for working under cover during the periods of rain and outside whenever rain ceases. It has not been possible to detail labourers for executing other private work as the weather here is most unpredictable and cannot be foreseen. However, certain amount of private work such as manufacture of utensils etc., has also been undertaken and the following statement gives the proceeds from such jobs:

1958	1959
Rs. 13,783.00	Rs. 8,733.00

1.22. The Committee enquired whether any action had been taken on the suggestion (made by the Departmental Committee set up in 1962) that there should be a regular programme for survey and repair of all the vessels owned by various departments in Andamans. The Committee set up in 1962 had in fact pointed out that some of the Forest Department boats "were due for survey and repairs as far back as 1954." The Chief Commissioner, Andaman and Nicobar stated: "The report was considered and a phased programme framed for the boats coming in the Dockyard for repairs". As I see, after taking over now, the Forest Department did not send boats on time due to work load. In a note* the Administration have apprised the Committee of the following position:

"With the one available Dry Dock it has not been possible to refit and survey all the vessels belonging to Government Departments in Port Blair. Schedules for refitting and survey have been drawn up; but since refitting and survey had to be carried out on the ferry vessels carrying passengers on priority basis it has not been possible to accommodate cargo vessels belonging to other departments once in a way. However, whenever the Dry Dock was available the Forest Department vessels have also been taken in for refit and survey. List of vessels which have not been surveyed during 1968-69 is given below:

1.	M. L. 'Sag r Dulal'	All these boats belong to Forest Department".
2.	'Sagar Ratna'	
3.	'Sagar Ganga'	
4.	LCT 'Sagar Kanya'	

"Vessels which have not been surveyed for long time are not permitted to proceed out of harbour limits till the time proper repairs, docking and survey are carried out thereby ensuring safety of life and material at sea. All the vessels belonging to

*Submitted to Study Group 'A' of P.A.C. which visited Andaman and Nicobar Islands in January-February, 1970.

the Marine Department utilised is passenger ferry service have been regularly docked and surveyed annually. Even though schedules for refitting and survey of craft belonging to other Government Departments have also been drawn up it has not always been possible to stick to this schedule as priority had to be given to vessels employed in public utility service. Further most of the vessels belonging to the Forest Department are very old requiring very major hull repairs and these vessels occupy the Dry Dock for more than 3-4 months. This being the case, whenever Dry Dock was available for longer periods only vessels of this nature were accommodated. With the addition of the second Dry Dock and the construction of a marine railway type slipway it will definitely be possible to meet the requirements for survey of vessels belonging to Government Departments in this area."

1.23. The Committee pointed out that the Expert Committee came to the conclusion that no correct advance estimates were made of the jobs. The witness stated: "That is right." During the proceedings of the Committee, it was also recorded by the then Marine Engineer that it would be difficult for him to prepare advance estimates. "They are doing it wherever it is possible." The Secretary, Ministry of Transport and Shipping added: "The difficulty is that we cannot get really very accurate advance estimates for repairs. They have to assess the damage. They have to know what has to be replaced. Only then, they can tell about estimate." The Committee enquired whether the repairs job could be done in the mainland. The Chief Commissioner, Andaman and Nicobar Islands stated: "Large ones going to the mainland would present difficulties. Time taken in mainland is considerable. Overall expenditure would not be a saving. A damaged vessel all the way to go to Calcutta would be a hazard. It is desirable to have a good dockyard in Port Blair. We have expansion programme in the Fourth and Fifth Plans for expansion of this dockyard."

1.24. The Committee asked whether it was true that there was no standardisation of jobs in the dockyard. The Chief Commissioner, Andaman and Nicobar Island, stated: "That was gone into detail and it was felt that standardisation would not be possible." The Committee pointed out that the Expert Committee was not convinced by the argument. The witness replied: "If you are going to carry on repair, the standardisation is not possible. This report is prepared by and large by the people who knew very little about marine work." The witness added: ". . . .on final review of the case, they accepted this case."

1.25. The Committee enquired what proportion of these jobs were being done for other Government Departments and what proportion was really private jobs. The Chief Commissioner, Andaman and Nicobar Islands replied that most of the jobs were really done for Government Departments and private jobs might come to 5 to 10 per cent. In a note, the Ministry of Transport and Shipping had furnished the following information in regard to the repairs jobs undertaken by the Dockyard and the revenue realised during the five years from 1963-64 to 1967-68:

Year	GOVERNMENT DEPARTMENTS				PRIVATE PARTIES		
	Construction job		Repair jobs		Construction jobs	Repair jobs	
	No. of jobs	Revenue Rs.	No. of jobs	Revenue Rs.		No. of jobs	Revenue Rs.
1967-68	..	..	1545	11,75,791	..	603	15499 (Approximate)
1966-67	1	29,042	1815	10,31,252	..	625	16,313
1965-66	5	1,22,665	1529	8,18,449	..	666	23,170
1964-65	5	1,59,797	1805	6,86,553	..	480	38,486
1963-64	19	1,64,528	1511	6,91,656	..	354	25,665

1.26. The Committee desired to know the reasons apart from the non-availability of spare parts which were responsible for decline in the construction jobs of Government Departments from 19 in 1963-64 to nil in 1967-68 and for the decline in the revenue in the case of private jobs although the number of jobs increased from 354 in 1963-64 to 603 in 1967-68. The Chief Commissioner, Andaman and Nicobar Islands stated: "Earlier all the boats were not coming in for repairs....one of the reasons could be that some of the boats of the Forest Department which had not been brought in for repairs earlier may have been brought in now for repairs and they may have been kept in the workshop for a longer period". As regards the reasons for decline in the revenue when the number of repair jobs of private parties had increased from 354 in 1963-64 to 603 in 1967-68, the witness stated: "They may be petty jobs."

1.27. In a note* the Committee were informed, "A master Plan for development of Phoenix Bay as an Inter-Island ferry vessels Terminus as well as a fishing harbour is included in the Fourth Five Year Plan. These development activities include construction of a larger dry dock capable of accommodating vessels upto 400′ length and 16′ draft. In addition to this a Marine Railway Type Slipway for taking in smaller craft for under

*Submitted to Study Group 'A' of PAC which visited Andaman and Nicobar Islands in January-February, 1970.

water repairs, a jetty of 30 metres length with a draft of 16' alongside and proper concrete jetty along the Dockyard side of Phoenix Bay for berthing of inter-Island Ferry vessels have been included. These plans are at present receiving the attention of the Ministry of Food and Agriculture and the Ministry of Transport and Shipping and it is expected that approval for implementing this scheme will be forthcoming in the very near future."

1.28. The Committee desired to have information about the amount of debts outstanding for recovery as on 31st March, 1969 in respect of Government Departments and private parties and the reasons or their non-recovery. In a note, the Ministry of Transport and Shipping had furnished the following information:

"The total amount of debts outstanding for recovery (in respect of debts arising upto 31st March, 1968) as on 31st March, 1969 was as follows:

	Rs.
Government Departments	7,30,257
Private parties	8,579

The large outstandings against the Government Departments are due to the preparation of Recovery Claims after the jobs are completed, acceptance thereof by the concerned Departments and adjustment of the same through the Accountant General; these take considerable time in the process. However, steps are being taken to expedite settlement of old debts.

1.29. As regards old debts of the private parties, efforts are still continuing to effect recoveries as far as possible. In some cases, however, the whereabouts of debtors are not available and some of them have expired. In cases where prospects of recoveries are bleak and debts appear to be irrecoverable orders for write off are being resorted to."

1.30. The following information in regard to the present position in respect of the outstanding debts has also been furnished:

Government Departments		*As on 31-3-1969* Rs.
Upto	1965-66	2,45,876·00
	1966-67	81,855·00
	1967-68	3,58,615·00
	Private Parties (73)	8,579·00
	TOTAL	6,94,925·00

An amount of Rs. 43,911/- (Rs. 7,30,257+Rs. 8,579—Rs. 6,94,925) was accepted by the Departments for adjustment during 1968-69. Out of the outstanding dues from private parties amounting to Rs. 8,579/- an amount of Rs. 2,533/- outstanding against these parties for a period ranging from 6 to 21 years is proposed to be written off by the Ministry of Transport and Shipping as stated by that Ministry.

1.31. The Committee are concerned to find that the Marine Dockyard at Port Blair has been continuously running at a loss since 1963-64. The loss which was Rs. 0.84 lakhs in 1963-64 jumped to over Rs. 2 lakhs in the subsequent two years and further increased to Rs. 3.13 lakhs in 1966-67. There was, however, reduction in the loss in 1967-68 when it amounted to Rs. 1.94 lakhs.

While it is true that about 90 per cent of the work done in the dockyard is on Government account, the Committee cannot for that reason take a complacent view of the losses.

1.32. The primary reason for the losses would appear to be that the dockyard is not fully used. This keeps the labour and equipment idle over long periods which makes difficult for the dockyard to recoup its overheads. The situation could be substantially remedied by ensuring that vessels belonging to various Departments of the Andaman Administration, notably Forest Department, are periodically surveyed and repaired. At present this is not being done, with the result that it has become necessary to confine vessels which have not been surveyed to harbour limits. The Committee recognise that adequate dry dock facilities are at present not available, but a properly laid-out programme for survey and repairs would definitely help optimum utilisation of available facilities in this regard, which are not being fully utilised.

1.33. Apart from measures to increase work-load it would also be necessary for the dockyard to adopt commercial practices, particularly in the matter of estimation of cost of jobs, standardisation of work etc. As labour is at present not being fully utilised, particular efforts will be necessary to ensure that establishment expenses are kept under constant watch and check.

1.34. The Committee understood that a Master Plan for development of the Phoenix Bay which inter-alia provides for the construction of a larger dry-dock, is pending approval with Government. The Committee feel that this Plan ought to be approved and implemented very early for the following reasons :

(1) The inter-island ships and others which were being sent to the mainland for repairs etc. would be surveyed and cleared quicker if a larger dry-dock was available at Port Blair.

(2) All the Government boats would be annually surveyed and repaired. This is not being done at present owing to lack of adequate facilities which endangers life and cargo at sea.

(3) Quicker repairs would lead to better utilisation of ships.

(4) It would also provide facilities to the Navy in these waters.

(5) It would increase empolyment opportunities for the islanders.

1.35. The Committee note that the dockyard has to recover dues aggregating Rs. 6.95 lakhs. The fact that these have been allowed to accumulate from 1952-53 onwards in some cases shows that the dockyard has paid little attention to their recovery. The bulk of the dues (Rs. 6.86 lakhs) relate to various Government Departments and it should not be difficult to get them adjusted within a period of six months or so. The Committee would like the Andaman Administration to ensure that this is done.

Loss of bridging components

Audit Paragraph

1.36. In July, 1963 two bailey bridges were erected by a workshop and Park Company but they were not formally handed over to the unit in whose custody the bridges were ordered to remain. In August, 1963 issue vouchers for the bailey bridge components were forwarded by that Company to that unit which did not, however, accept these vouchers, and consequent on its move from the sector it returned the vouchers in August, 1964 to the Company on the ground that the bridges were not under its charge. Another unit which took charge of this sector found in August, 1964 deficiencies (Rs. 0.84 lakh) in these components.

1.37. In July, 1965 the Chief Engineer ordered a Court of Inquiry which assembled in May, 1966 and found that the deficient items were mostly components left surplus after construction of the bridges and held that the loss was mainly due to administrative and accounting lapses of the Workshop and Park Company. As most of the persons involved had already been discharged and one of the main witnesses had died, no individual has been held responsible for these lapses.

[Paragraph 62—Audit Report (Civil), 1969.]

1.38. The Committee wanted to know when the report of the Investigating Officer appointed by the Government to investigate the aspects of the matter reported in paragraph 62 of Audit Report (Civil), 1969 is likely to be made available to the Government. In a note, the Ministry of Transport and Shipping (Border Roads Development Board) had stated: "The Investigating Officer has been directed to submit the proceedings of the investigations to the Director General, Border Roads by the 30th September, 1969. The proceedings of the Investigating Officer together with the comments of the Director General, Border Roads are, therefore, expected to be available to Government in October, 1969." A further report to the Committee in this regard is awaited.

1.39. The Committee note that bridging components worth Rs. 0.84 lakh have not been accounted for by a Workshop of the Border Roads Organisation and Part Company which constructed in July 1963 two baily bridges. The matter is reported to be under examination by an Investigating Officer. The Committee would like to be appraised of his findings and the action taken thereon.

Loss due to purchase of materials for road construction

Audit Paragraph

1.40. For improvement of national highway No. 2, 7.39 lakh cft. of stone metal and 33,134 cft. of stone chips were purchased in 1965 by the Coal Road Construction Division No. 1 for Rs. 6.11 lakhs. The work for which the materials had been purchased has not yet started (July, 1968). In December, 1966 it was detected that the stone metal contained about 10 to 70 per cent earth and decayed sandstones and that all the stone chips were decayed sandstones which would break even with the slightest pressure between fingers. Purchase of sub-standard material has resulted in loss of about Rs. 2.47 lakhs.

1.41. Responsibility for purchase of sub-standard material has not been fixed so far (October, 1968).

1.42. The case was reported to Government by Audit in November, 1968; their remarks are awaited (February, 1969).

[Paragraph 70—Audit Report (Civil), 1969.]

1.43. The following facts emerge from the evidence tendered before the Committee and the data subsequently furnished by Government.

1.44. The material reported defective was procured for the Coal Road programme which was taken up as an emergency project. Tenders for supply of this material were called for on 18th December, 1964 and 5th January, 1965. The material was excavated by the contractors, with whom orders were placed, from the Maliara quarry "wherefrom extensive stone materials have been collected for different roads in that area." The supply of material was completed by November, 1965. The material was accepted after test-check by the Assistant Engineer. Besides, three samples drawn from the quarry were also tested by the Road and Building Research Institute, Alipore in March, 1965—May, 1965.

1.45. The decay in material was first reported by an Assistant Engineer who took over charge of his sub-division from his predecessor in June, 1966. In mid-July, the Executive Engineer had asked him to submit a verification report in respect of all stock of material in the sub-division. In January, 1967, the Assistant Engineer rendered the following report to the Executive Engineer:

"On inspection it was found that the quantity of cement, steel materials and bitumen in the stock, physically tally with that shown in my charge paper. Regarding the materials lying in the sites, I am to state that it was not possible for me to measure or count each and every stack, only some were checked and found correct. But the most serious point I like to mention in this connection, is regarding the quality of stone metal and ¾" stone chips, which are collected in advance for the improvement of N.H. 2. Almost the entire quantity of stone materials mentioned above, is decayed sand stone which breaks even with the slighest pressure between fingers. Moreover, it contains considerable quantity of earth and dust of decayed sand stone.

In my opinion materials of such worst quality, can, in no way be used for road construction work." The Executive Engineer thereafter made the following report to the Superintending Engineer in the same month:

"The Assistant Engineer, Coal Roads Construction Sub-Division No. 1 was instructed to verify all stock materials and especially the stone metal and stone chips stacks under his Sub-Division. A copy of his report, which has also been verified partly by the undersigned and found to be true is enclosed."

1.46. His detailed assessment of deficient material was as under:

Total Quantity	Rate	Total value	Voucher No.	Percentage bad	Value
	Rs.	Rs.			Rs.
99,161·09 Cft. . .	77% Cft.	76,354·03	23,dt. 9-9-65	10%	6,735
51,786·61 Cft. . .	82% Cft.	42,465·02	Do.	20%	8,493
93,566·04 Cft. . .	77% Cft.	72,045·85	11, dt. 10,7,68	70%	50,432
41,573·66 Cft. . .	82% Cft.	34,090·40	Do.	70%	23,863
180,973·39 Cft. . .	76% Cft.	137,539·77	8 dt., 7-12-65	10%	13,754
98,629·39 Cft. . .	80% Cft.	78,903·91	Do.	10%	7,890
114,415·39 Cft. . .	80% Cft.	91,532.31	7, dt. 11.11.65	70%	64,073
59,020·62 Cft. . .	86/24% Cft.	50,899·38	Do.	70%	35,630
33,134·62 Cft. . .	109% Cft.	36,116,73	37 dt. 26.5.65	100%	36,117
					2,46,987

1.47. The Executive Engineer also made a suggestion in April, 1967 that testing of the material be done at the Alipore Test House to "establish the genuineness of the case." Samples were accordingly sent to the Road and Building Research Institute in August, 1968. That Institute gave the following report in Sepetember, 1968:

"In order for a course aggregate to perform satisfactorily in a pavement, it must be tough enough to withstand the action of roling during construction and the action of traffic without breaking up under the imposed leads. The test used for evaluating this property is the Los Angeles Abrasion Test (AASHO, T-96). The test results are appended below:

Sl. No.	Samples details	Percentage wear in Los Angeles Abrasion Test
1.	Stack No. 1¾" size chips (local quality-Maliara)	58·0%
2.	Stack No. 2¾" size chips (local quality-Maliara)	57·6%
3.	Stack No. 24, 1" size stone metal	53.5%
4.	Stack No. 17, 1½" size stone metal (Maliara)	36·4%
5.	Stack No. 20, 1½" size stone metal (Maliara)	46·2%

Stone used in an asphalt mix may be softer than that used as cover stone for surface course. It is suggested that the cover stone should not exceed a wear of 35 per cent in the Los Angeles Abrasion Test. Aggregates with a wear of over 50 per cent are usually unsatisfactory for use in any being of asphalt pavement.

It has been gathered from office record that the Executive Engineer, Coal Roads Construction Division No. 1, Durgapur had sent to this Institute at least three samples of stone metal from local quarries of Maliara, Bankura (vide his No. 613 dated 5th March, 1965, 792 dated 20th March, 1965 and 1280 dated 3rd May, 1965) and the percentage wear value in Los Angeles Abrasion Test were reported to be of the order of 29.8 per cent, 43.6 per cent and 9.35 per cent. It was recommended that the second samples can only be used in base-course and not in surfacing course whereas the other two samples could be used any where.

If it is assumed that the samples tested and the samples collected are of same variety, it can only be concluded that the materials have progressively deteriorated in their qualities due to prolonged weathering."

1.48. In December, 1968, the State Government made, *inter alia,* the following report to the Government of India:

"The report of the local Executive Engineer that the materials were 10 per cent—70 per cent bad as ascertained on eye-estimation only has not been borne out by subsequent results of scientific test conducted by the Road and Building Research Institute. The Director, Road and Building Research Institute has put forward certain suggestions for utilisation of these materials and the same are being adopted on being accepted by the State Chief Engineer. It cannot, therefore, be said that the amounts spent on these materials has turned out to be a loss to Government." As, at the time of taking delivery of the materials, the same were not considered to be of unacceptable quality, as established by scientific test, the question of the fact of the deficient quality of the materials coming to the notice before payment to the suppliers and fixation of responsibility for any loss consequent thereon does not arise."

The State Government also took the view that the observation of the concerned Executive Engineer "on the basis of visual estimation about the poor quality of the materials was irresponsible and unfortunate."

1.49. In July, 1969, random samples from different stacks were again sent for test. Simultaneously the Chief Engineer made the following report to the Government of India:

"I have myself inspected the stacks of metals and chips and found the metal even after weathering for the last 4 years at par with good quality local variety and suitable for use in base course as suggested in my note. The chips are inferior and should not be used in the top course but may be conveniently used in the base course as suggested just above."

1.50. During evidence before the Committee, The Director General, Roads Development stated: "The State Government reply and the Chief Engineer's own inspection of the entire site revealed that the report of the local Executive Engineer about the deterioration in the quality of stone chips which forms the basis of the Audit Report was based merely on visual examination and no reliance can be placed on that."

1.51. The Committee wanted to know whether any body from the Centre examined the material. The witness stated: "Normally it is not done. We go by the report of the Chief Engineer......Because of the test results and the report of the Chief Engineer, who has inspected the site, we had no occasion to challenge the report."

1.52. The Committee pointed out that the Audit paragraph was based on the report submitted by an Executive Engineer and enquired whether it was not possible to have got the information from the Chief Engineer in regard to the sub-standard material before the paragraph was finalised. The witness stated: "We had a report from the State Government, covering only certain aspects, which itself was based on a report by the local officers concerned indicating that the material collected was not bad

........On this report we asked for certain clarification to which we used to get replies from the State Government. Then we requested the Chief Engineer to verify himself personally by inspecting the material and give up a report. On the 7th July, he came here with this report that he has inspected the material and this is the position. The State Government themselves have stated earlier that the material collected was not sub-standard."

1.53. When the Committee enquired why the Chief Engineer's inspection was not done earlier, the witness replied: "There has been delay in getting inspection done by the Chief Engineer. We knew of it only when we got the Audit paragraph, we did not know it earlier........Unfortunately there was a change in the incumbency of Chief Engineer and for three or four months......nothing could be done."

1.54. The Committee enquired whether there was any special reason for the material being collected many years before they were actually used. The witness stated: "These materials were collected in pursuance of certain decisions taken in connection with the programme drawn up by the Planning Commission's Working Group on Coal Production and Transport for the improvement of roads with a view to move coal by road. That was with a view to relieve pressure on railways and ensure supply on regular basis to industries. Later on, however, this scheme had to be curtailed and finally in 1965 in view of the constraints on resources it was decided that only to the extent of commitments made liabilities need be incurred and no further expenditure need be incurred on this work........In 1965-66 we had thought that by taking this work in our Fourth Plan we could make use of it for strengthening the existing road crusts. The question of the relation between the State and Central Government in connection with the execution of N.H. work is governed by the National Highways Act and the rules made thereunder."

1.55. In their subsequent written note, the Ministry of Transport and Shipping have furnished the following information with regard to the financial position and the commitments:

	Rs. in lkhs
Expenditure in 1963-64	6·00
Expenditure in 1964-65	85·00
Expenditure between April and June, 1966	24·60
Further commitments July, 1965 to March, 1966	24·60

1.56. During the course of evidence, it was stated that on the 25th May, 1965, a decision was taken by Government not to proceed with the construction of road for want of resources and the Government of West Bengal was informed of the decision. At the instance of the Committee, the Ministry of Transport and Shipping have furnished the following information about the quantity of material collected before or after the date of decision to suspend the work:

S. No.	Material	Materials collected upto 25-5-65 (The date on which decision was conveyed to State Government not to proceed with the work)		Materials collected after 25-5-65 (The date on which decision was conveyed to State Government not to proceed further with the work)		The dates between which the materials were collected
		Quantity (cft.)	Value of materials (Rs.)	Quantity (cft.)	Value of materials (Rs.)	Materials
1.	Stone metal	5,04,664·78	3,99,367·79	1,35,361·78	1,05,964·56	26th May, 1965 and 29th November, 1965.
				46,971·70	27,595·93	26th May, 1965 and 31st July 1965.
				52,527·93	41,902·40	26th May, 1965 and 31st May, 1965.
2.	Stone Chips	92,555·33	1,04,450·54	..	..	..

1.57. As regards the quantity of material used, the quantity which is lying unused and the extent to which there has been further deterioration in the material and the cost involved, the Ministry of Transport and Shipping in their written note have furnished the following information:

"Only small quantities of materials (8,300 cft. of 1 in.—1½ in. size metal and 3,900 cft. of stone chips) have been used to lay 3 in. thick base course on National Highway No. 2 for a length of 1,200 ft. as an experimental measure. Some quantity (exact figure not available) of weaker varieties of stone materials has also been used in the diversion for the National Highway where fly-over was to be constructed and which does not seem to be part of either of the two sanctioned estimates in question. Some quantities (4,716 cft.—stone metal and 3,171 cft. of stone chips) have also been transferred to some other divisions after screening the substandard materials.

1.58. So far as the stone metal is concerned, the State Chief Engineer did not find any visible deterioration and in his opinion deterioration is not significant and such metal may be used and has been used on other roads. There is no loss involved. In case of stone chips, however, the various stacks are not of uniform quality. While some deterioration under weather has been noticed in some stacks of material, other stacks have stood it and have a quality which may be used without any detriment to work. Taking an overall view, the whole quantity of stone chips may be used without any detriment to work in the base course of dense mecadam. There will be no monetary loss in such use as these stone chips are much cheaper than Pakur stone chips which are normally used in the top course."

1.59. The Committee wanted to know whether the work has since been started and if so, to what extent the material would now be used on this work. In their written reply, the Ministry of Transport and Shipping have stated: "The work with the use of the material in question has not yet been started except laying of an experimental stretch of 1,200 ft......The question of using the remaining materials will be examined in consultation with the State authorities."

1.60. The Committee are not happy about the manner in which this case was handled by Government.

1.61. The materials (stone metal and chips) were collected for the State Public Works Department by different contractors between January and November, 1965 for a road-work which was taken up on behalf of the Government of India, who decided in May, 1965 not to proceed with the work. In January, 1967, an Assistant Engineer reported, after taking charge of the sub-division, that inspection of some of the stacks had disclosed "almost the entire quantity of stone materials" to be "decayed sand stone which breaks even with the slightest pressure between the fingers." This view was also corroborated by the Executive Engineer in a report he made to the Superintending Engineer in the same month, after he had "verified" the position "partly". The Executive Engineer also suggested testing of the material at the Alipore Test House "to establish the genuineness of the case." However, action to send the samples was not taken till Audit became seized of the matter. Samples were then sent to the Test House in August, 1968 which reported in September, 1968 that "if the samples tested the samples collected are of the same variety, it can only be concluded that the materials have progressively deteriorated in their qualities due to prolonged weathering." The State Government thereafter informed the Government of India that the test results did not bear out the observations of the Executive Engineer which it characterised as "irresponsibile and unfortunate." The Chief Engineer, after a personal verification of the position, also gave a report on more or less the same lines in July, 1969.

1.62. It would be difficult to ascertain the facts correctly at this distance of time. For this reason, the Committee do not wish to pursue this case. The Committee however find it difficult to believe that material which had

been earlier reported to be "decayed sand stone which cracks even with the slightest pressure between the fingers" could later have been considered to have deteriorated just "due to prolonged weathering". Had investigations been promptly and properly conducted, the truth of the matter would have been established. As it turned out however the investigations that took place were slow and dilatory. The Government of India also failed to make any verification first hand which it should have done considering the seriousness of the situation as brought out in the Executive Engineer's Report. The Committee hope that there would be no repetition of a case of this kind.

1.63. There is one point which the Committee would like Government to investigate. The materials were collected in 1965, but have not been put to any use so far. The report of the Test House would suggest that they are not capable of being used on pucca works. Even if the work for which the materials were originally meant was abandoned, it is not clear why the Government of India took to steps over a period of five years to ensure that the materials were put to alternative use. The Committee would like Government to examine this aspect of the case and report to them.

II

CALCUTTA PORT

2·1 *Working Results*

Year	Gross Receipts	Gross working expenses	Net earnings + Deficit (—)	
	(In lakhs of rupees)			
1963-64	1771·83	1719·99	(+)	52·74
1964-65	1839·42	1834·26	(+)	5·16
1965-66	1855·74	2030·04	(—)	174·30*
1966-67	2045·46	2357·02	(—)	311.56
1967-68	2434·97	2535·07	(—)	@100·10£

*Deficit met out of appropriation from revenue reserve fund (Rs. 154·45), opening balance in revenue balance account (Rs. 0·35 lakh) and transfer from pilotage account (Rs. 19·50 lakhs).

@Deficit met out of appropriation from revenue reserve fund (Rs. 306·56 lakhs) and transfer from pilotage account (Rs. 5·00 lakhs).

£Deficit met out of appropriation from revenue reserve fund (Rs. 93·04 lakhs) and transfer from pilotage account (Rs. 7·06 lakhs).

[Paragraph 1 and 2 of Audit Reports on Accounts of Commissioners for Port of Calcutta for the years 1963-64 to 1967-68.]

2.2. The Chairman, Calcutta Port Trust stated during evidence that in the year 1968-69, the Port Trust suffered a loss of Rs. 3.83 crores, but that this loss was reduced to Rs. 1.50 crores by a subvention from Government for dredging operations. The witness added that the main difficulty with the Calcutta Port was that it was 125 miles inland and it was essential to keep the sea-line open. The expenditure on dredging was fantastic. The difficulty had been accentuated by the fact that river itself was silting up. Due to a change in work and increase in outfall into the Padma as against the Bhagirathi—Hoogly distributory the Ganga provided water for only 40 days in a year. During the rest of the year the Port has to depend on tide water coming inland from the sea leaving behind a residue of silt in the Port. The dredging expenses which were previously of the order of Rs. 75 lakhs increased to Rs. 7.35 crores in 1963-64. The Government of India were approached to bear a part of this expenditure and, after protracted discussions, a Committee was appointed to go into the matter. Government ultimately agreed to pay 50 per cent of the likely expenditure on river dredging. Out of expenditure of Rs. 7.35 crores, Rs. 5 crores was the amount that attracted the Government of India formula. Out of that they gave the Port Trust about 50 per cent, *i.e.*, Rs. 2·5 crores, although the Committee had recommended that 80 per cent of the expenditure should be met by Government. The witness added that had the recommendations of the Committee been fully acted upon, the deficit of Rs. 1.5 crores which was carried forward from 1968-69 would have been wiped out. The witness further stated that the problem of rehabilitating Calcutta Port had two aspects. One concerned the problem of silting up of the river due to the menace of bore tides from the sea. This had been engaging Government's attention for a long time and various proposals were considered. Ultimately, Government took in hand the Farakka Barrage Project at a cost of Rs. 158 crores for the improvement of head-water supplies to the Port of Calcutta. After the completion of the Project in October next year, the discharge of water into the Bhagirathi—Hoogly would be able to counteract the siltation that was occurring. The witness added that the second aspect of the problem arose out of the need to handle bulk traffic. Government are setting up a modern satellite Port for which Haldia had been selected as the most suitable place from Calcutta, being only about 56 miles from the sea. Once Haldia was opened to traffic, big ships could be received there. With the completion of the Project, the dredging expenses at Calcutta would come down and the traffic would increase. Referring to the present position of Haldia Project, the witness stated that they had already started an oil jetty and they would haxe six berths where very big freighters can be accommodated. It was proposed that Haldia would have a mechanised system where Port authorities would be able to discharge container ships and from Haldia lighters and barges will bring the cargo to Calcutta.

2.3. Asked whether with the setting up of Haldia the Port Trust would have two establishments resulting in increase of establishment expenses, the witness replied that both the Ports would be under one establishment; there would be no establishment at Haldia. Asked whether after setting up of Haldia Port it would be necessary to maintain the Port of Calcutta, the witness replied Calcutta was the consumption centre and would always need the Port.

2.4. The Committee desired to be furnished with a note stating the steps taken to put the finances of Calcutta Port on an even keel. In a written reply the Calcutta Port Trust have stated: "Finance of the Port of Calcutta are in a bad shape primarily due to the declining trend of traffic. Instead of registering the expected increase to permit full use being made of the improved facilities provided, traffic has been falling progressively and has practically gone back to the level prevailing 20 years ago. The limitation in the length of vessels and increasing restrictions on the draft of vessels which can use the Port of Calcutta, in the context of the modern trend to move bulk cargo in large vessels to economise in transportation costs, are the factors inhibiting the growth of traffic. To remove these handicaps, the construction of a new Dock system at Haldia midway between the sea and Calcutta has been planned and undertaken with Government approval. This Dock system which is expected to be completed in 1971 will offer draft to vessels in the region of 40′ to 45′. It will be provided with fast moving mechanical appliances for handling coal, ores, fertilisers, salt etc. to ensure quick turn-round of vessels. The setting up of an oil refinery in the Haldia region will ensure the growth of oil traffic which usually adds to the revenue more than it costs to handle and thereby helps a Port to keep its charges low. This project is estimated to cost about Rs. 53 crores."

"To revitalise the River and to bring back its normal draft, the construction of a barrage at Farakka has been undertaken by Government. This barrage will ensure continuous headwater supply to the River Hooghly and help to maintain improved depths at Calcutta and in the region below."

"An improvement in this Port's finances can be expected only when these two projects are completed, permitting a progressive increase in the traffic handled."

2.5. The Committee desired to know on what basis Government had agreed to meet 50 per cent of expenditure on dredging. In a written reply the Calcutta Port Trust have stated: "On the recommendations of the late Shri P. C. Bhattacharyya, who enquired into the Port finances, the Government of India have accepted liability for 50 per cent of the expenditure on dredging and maintenance of the River Hooghly for a period of 4 years from 1968-69. The expenditure under the head 'Dredging' includes the operating cost of the dredgers employed for dredging the River Hooghly and interest on the Capital cost of the dredging fleet and depreciation. The term 'Maintenance' includes debt charges in respect of works undertaken to train the River Hooghly and the expenditure on River Survey, Hydraulic Studies and miscellaneous items like lighting, buoying, wireless communications etc., which are aids to the Navigation."

"The amount now spent on dredging and maintenance of the River Hooghly is in the region of Rs. 5.2 crores. The amount payable by

Government under the formula mentioned above will account for about Rs. 2.5 crores. This assistance is payable initially for a period of four years from 1968-69."

"According to the arrangements agreed to by Government, advance payment will be made to the extent of Rs. 1.5 crores in two instalments in each half year. The balance due under the arrangement is to be paid after the expenditure on river dredging and maintenance in each year has been certified by the Accountant General, Central. In respect of 1968-69, the Commissioners have received a sum of Rs. 1.5 crores. The balance due will be paid after the audit of expenditure which has been taken in hand by the Accountant General, Central. In respect of 1969-70 the first instalment of Rs. 75 lakhs as advance has been paid and the second instalment is to be paid after the expenditure incurred in 1968-69 has been certified. The total amount so far received from Government is thus Rs. 2.25 crores."

2.6. The Committee observe that a Study Team of International Association of Ports and Harbours which reviewed the dredging operations at Calcutta Port made the following comments:—

> "Of more immediacy, however, is the matter of the utilisation of Calcutta's existing dredging resources. In view of the critical nature of the draft restrictions in the Hooghly, we were most disturbed by the limited utilisation of Calcutta's existing dredging capabilities."

"The Team has examined detailed records of the number of hours that the ten vessels dredging fleet has been operative. Within the dock system, we found that the hours worked during the year 1965-66 totalled only 6,788. Compared with this, the total time available for dredging, after allowing for public holidays, Sundays and refit times, would range from approximately 20,000 dredging hours on a single 8-hour shift basis to approximately 60,000 hours if the dredgers worked around the clock. Therefore, it is clear that, at least within the Dock system, the existing dredging fleet is working far below its capacity. In view of the magnitude of the dredging problems in and around Calcutta, we simply cannot understand why dredgers are restricted to a one-shift per day operation. We urge that a programme be initiated immediately to reorganise and rationalise the dredging potential already available at this Port."

2.7. The following table shows the traffic at Calcutta Port during the period 1966-67 to 1968-69:—

(Tonnage in millions) (Rupees in lakhs)

Revised estimate of tonnage	Actual tonnage	Revised estimate of income	Actual income	Revised estimate of expdt.	Actual expdt.
		(1966-67)			
10·25	10·10	1985·41	2045·46	2296·43	2357·02
		(1967-68)			
10·00	8·99	2451·03	2434·98	2562·23	2535·07
		(1968-69)			
8·04	7·95	2379·63	2346·63	2741·25	2729·72

2.8. It has been further stated, "The traffic handled by the Port of Calcutta has registered a progressive fall since 1964-65 when the Port handled 11.1 million tonnes, the peak figure, in the post-war years. This has accentuated the deficitary trend in the budget. The decline in traffic is attributable to several factors. One is the recession in trade, the effect of which is more pronounced in the eastern region where there is a heavy concentration of engineering industries. The loss in foodgrain traffic takes the second place and is the direct result of good monsoons and the improved crop position in the country. Another contributory factor is the decline in the oil traffic as a result of setting up of refineries which utilise local and imported crude thus contributing to a fall in import of petroleum and allied products through this Port. Fourth in order comes the decline in the shipments of coal which has been priced out in foreign markets on account of competition from Australia, South Africa etc. The adverse effect of these factors on the traffic handled by the Port would have been neutralised and additional traffic built up, if the Haldia Dock with a refinery and other industries had come up earlier so that draft restrictions would not have stood in the way of bulk carriers trading with the Port to carry larger shipments of iron ore as in Mormugao and Visakhapatnam and of giant tankers entering the Port with crude as in Bombay, and contributing substantially to the Ports earnings. The draft at Haldia is now in the region of 32 ft. and it will eventually go up to 45 ft. on completion of dredging. On the completion of this Dock system, bulk cargo in oil, coal and ore will be diverted to Haldia from Calcutta as also phosphate and salt. Improved and modern facilities available here would pave the way for a progressive growth of traffic and bring prosperity to the Port."

2.9. The Committee desired to know the steps proposed to be taken by Government to increase the volume of traffic in Calcutta Port. In a written reply the Calcutta Port Trust have stated "The fall of traffic is most noticeable in foodgrains and petroleum under imports and coal and ore under exports. In case of foodgrains, the fall in traffic is due to improved production in the country. The drop in petroleum traffic is due to the setting of refineries in other parts of the country and increased production of local crude contributing to less import of processed oil. Exports of coal have fallen on account of the loss of foreign markets, and also fall in coastal traffic as coal intended for the consumption of the Railways in the south is increasingly moving by rail and industries in southern and western regions of the country are switching over to oil. In respect of ore, although adequate facilities exist at Calcutta for effecting shipments, allocation to this Port have been cut down by Central authorities. It is within the power of Government to allocate a greater quantity of ore to this port as fall in traffic in this commodity accounts for nearly half a million tonnes."

2.10. The Committee asked whether any action has been taken to effect economy by the Port authorities. The witness stated during evidence that they had effected economy to the extent of about 15-16 lakhs. But unfortunately the establishment expenditure had gone up from Rs. 9 crores in 1963-64 to Rs. 16 crores last year, due to labour getting Rs. 6 crores worth of additional concessions during the last six years. The witness added that as a result of implementation of the recommendations of the Central Wage Board there would be further commitment of Rs. 4 crores. The main difficulty was that while the income would be about Rs. 23 crores the liability towards labour and establishment would be of the order of Rs. 20 crores. This did not leave a large balance to meet dredging expenses, debt charges etc. The income had increased from the level of Rs. 17.7 crores in 1963-64 to Rs. 23.46 crores in the present year because of raising of Port charges six times during these years. The witness added that Calcutta was the highest charged Port in India. The traffic had fallen mainly because big ships did not come into Calcutta Port for want of draft. But the traffic in Calcutta had a tremendous advantage as the cargo had not to be brought to sea covering a distance of 125 miles. The witness added that the user perhaps did not suffer on an overall view because if the Port did not impose these charges to meet the expenses, the importer or exporter would have to incur additional expenditure for going right upto the sea to get his goods. The witness further stated that the Port charges at present were roughly Rs. 22 per tonne which were not high as compared to those in other international Ports. In reply to a question the witness stated that the volume of traffic in 1968-69 was 7.9 million tonnes.

2.11. In a written reply the Calcutta Port Trust have stated that the balance standing to the credit of a Revenue Reserve Fund as on 31st March, 1970 was Rs. 39.04 lakhs.

2.12. The Committee desired to know whether with the decrease in the volume of traffic, the Port Trust have considered the question of making a proportionate reduction in the establishment and whether any incentive scheme for retirement of staff had been considered. In a written reply, the Port Trust have stated "A scheme for the premature retirement of staff attached to the Dock Labour Board Establishment where there are pronounced excesses, has been approved by Government. So far as the Port of Calcutta is concerned, excesses are not so pronounced and introduction of a scheme for retirement of the marginal surplus personnel will only lead to labour unrest. Fresh recruitment has been in abeyance for the last three years. Apart from the normal wastages, it is anticipated that the transfer of bulk traffic in oil, ores, foodgrain, coal and fertiliser to Haldia, the ageing labour force may be inclined to accept the introduction of such a scheme, particularly if the Dock scheme turns out successful. It may be pointed out that in Port industry, bulk of the expenditure incurred are in the nature of fixed charges and hence appreciable economy is not possible either by retrenchment of staff or slowing down expenditure on other items when traffic registers a fall."

2.13. The Committee are concerned about the deteriorating financial position of the Calcutta Port. The Port suffered losses amounting to Rs. 1.7 crores in 1965-66, Rs. 3.11 crores in 1966-67, Rs. 1 crore in 1967-68 and Rs. 3.83 crores in 1968-69. As a result, the Port has not been able to contribute to the Revenue Reserve Fund since 1957-58.

2.14. The Port is faced with this position despite the fact that its charges are the highest amongst the Ports in the country. The charges were increased six times since 1963-64. The gross receipts of the Port consequently increased from Rs. 17.71 crores in 1963-64 to Rs. 24.35 crores in 1967-68, but the expenditure outstripped the receipts, since it increased from Rs. 17.19 crores to Rs. 25.35 crores over the same period.

2.15. In the Committee's assessment, this situation has arisen due to two inter-related factors. The Hooghly has been silting up over the years, necessitating progressively heavier expenditure on dredging. The dredging expenses have increased about ten-fold from Rs. 15 lakhs to Rs. 7.35 crores. With restrictions on the size of vessels navigating the Hooghly and on draft, the Port has progressively lost traffic, which is now being carried the world over in bulk carriers which require large drafts. How steeply the traffic has plummeted would be evident from the fact that it was 11 million tonnes

in 1964-65, 9 million tonnes in 1967-68 and 7.5 million tonnes in 1968-69. According to the Port Trust the traffic has gone back to the level that prevailed 20 years ago. What a long way the Port has to go would be clear from the estimate given to a Study Group of the Committee that the Port would need over 15 million tonnes of traffic, if it is to 'break even'. This calls for more than a doubling of the present level of traffic.

2.16. A first pre-requisite for rehabilitating the Port's position is to improve navigational conditions in the Hooghly and enable the Port to handle traffic coming in bulk carriers. From this point of view, the expeditious completion of the Farakka barrage, which will help to keep the Bhagirathi—Hooghly waterway well flushed and the Haldia Port, with its facilities for handling bulk traffic, is imperative. Steps in the following other directions are also called for—

(1) The establishment expenses of the Port need to be very vigilantly watched, as they have eroded the margins hitherto available. This will call for a tight control on the size of the Establishment and payments like overtime allowances which, as later pointed out by the Committee, have increased, despite the fall in traffic.

(2) Dredging expenses will also have to be closely watched. Though the completion of Farakka Project should reduce the quantum of dredging now being done in the Port area, it has to be borne in mind that there is a proposal to extend the jurisdiction of the Port Trust upto the outfall of the Feeder Canal from Farakka barrage. This, coupled with the fact that Haldia will require maintenance dredging, might tend to push up the dredging bill. The expenditure on this account will have, therefore, to be strictly controlled and the Port should explore avenues for economies, through better maintenance, improved dredging techniques etc. It is of particular importance that the existing dredging resources are put to optimum use. A Study Team of International Ports and Harbours had pointed out that the existing dredger fleet "is working far below its capacity" and that there is need to organise and rationalise the dredging potential already available in the Port.

(3) There are certain areas of operations like Port Railways, which now cause substantial losses. These should be streamlined and made to work more efficiently.

(4) A close supervision has to be kept over the progress of construction at Haldia so that it is completed not only according to time schedule but also there is no snag in the construction works. The Study Team of International Ports and Harbours

had drawn attention to the fact that "the Chief Engineer in charge of this mammoth project keeps in touch with construction progress by means of a once a week trip to the site from Calcutta." The Team pointed out that "considering the magnitude and importance of this project and the fact that it is already two years behind schedule, we do not feel that this degree of supervision is adequate". The Committee are constrained to note that such a glaring deficiency was overlooked by the Port Trust and it had to be pointed out by a foreign Team. They trust that every effort will be made to catch up with the schedule.

Recurring losses in working of Port, Commissioner's Railway

Audit Paragraph

2.17. The Port railways incurred a loss of Rs. 1.60 crores, Rs. 1.89 crores and Rs. 2.19 crores in the three years ending 1967-68.

(Paragraph 5 of Audit Report 1966-67 and paragraph 4 of Audit Report 1967-68).

2.18. The Committee desired to know the reasons for the losses and steps taken to eliminate them. The Chairman, Calcutta Port Trust stated that the Port Railway was very old, the port itself being 100 years old. There had not been much improvement of the railway tracks, rolling stock etc. In olden days it was very convenient to bring the sea-going vessel near the railway-yard of the city so that they could load/unload easily but that practice no longer existed. It was easier now for many of the users to change to road traffic. The witness added that the Railway could not be completely dispensed with as the vessels were received all the 24 hours in a day and lorries and trucks were not always available. As the vessels were to be cleared or loaded quickly, the Railway had to be maintained to some extent. Referring to a view that the Railway should be self-supporting the witness stated that it could have been so 20-25 years ago, but now it was difficult to say which particular section of the Port Trust must be self-supporting. They had to take an overall view. Since the Railway could not be dispensed with, it was proposed to rationalise the present arrangement. For this purpose an officer from the Indian Railways was entrusted with the task of suggesting some kinds of improvements and remedies in pursuance of the recommendations of late Shri P. C. Bhattacharyya. The Officer had divided the Railway into four sections and had suggested closing down of the sector and disposal of about 700 old wagons. The witness added that it was possible that implementation of these suggestions might lead to some improvement. The witness added that the quantum of the present loss would disappear if the Railway Board agreed to give the Port additional terminal charges. The Railway had raised the supplementary charge on terminal charges but they were not passing on the proportionate benefit to the Port Trust.

2.19. Explaining the position further the witness stated that the losses were mainly due to two factors. Firstly it was difficult for the Port to raise its Railway charges because this would result in tremendous pressure on lorries. Secondly, the Railway was old. The witness added that some re-arrangements were necessitated in keeping with the needs of the Docks and Berths. This would lead to considerable reduction in establishment expenses, but this aspect was connected with labour problem as the Railway staff was also port staff and it could not be shifted to any other work. Therefore, it was in the interest of Port Trust that the Railway continued to run.

2.20. The Committee are dissatisfied with the working of the Port Railways. This section of the port's operations suffered a loss of Rs. 1.60 crores in 1965-66, Rs. 1.89 crores in 1966-67, Rs. 2.19 crores in 1967-68 and Rs. 1.25 crores in 1968-69. The railway line is very old and no improvement has apparently been made in tracks and rolling stocks for a long time. According to the Port Trust, sizeable traffic of Port Trust has been diverted to road transportation but the Railway cannot be dispensed with nor its charges be increased in order to avoid pressure on trucks. The Committee have been informed that a Railway expert has made certain suggestions to improve the working of the Railways. The expert has advised the division of Railway in four sections, closing down of one section and disposal of about 700 old wagons. The Committee would like action to be expeditiously taken on these suggestions and the affected staff gainfully employed elsewhere. The Committee need hardly stress that if the Railway is to be continued by the Port Trust it must be, as far as possible, self-supporting. The Committee hope that necessary steps would be taken by the Port Trust to rationalise the present arrangements and modernise the Railway to the extent possible.

2.21. The Committee were given to understand that the deficit of the Railway can, to a certain extent, be off-set if the Railways pay the Port Trust their full share of proportionate terminal charges levied by them. The Committee desire that the question of payment of additional terminal charges should be vigorously pursued.

Pilferage of Tea

Audit Paragraph

2.22. On an average 8 to 13 per cent of wagons received by the Port authorities in good condition were tampered with in 1966-67 and 1967-68. The estimated value of loss of tea pilfered in transit sheds, warehouse and wagons in those two years was Rs. 35.74 lakhs and Rs. 6.89 lakhs respectively. Although the quantum of loss showed reduction during 1967-68, the actual loss during 1967-68 was still heavy.

(Paragraph 8 of Audit Report 1966-67 & Paragraph 5 of Audit Report 1967-68).

2.23. The Committee asked how the pilferage took place. The Chairman, Calcutta Port Trust stated that goods wagons were kept at the siding. Pilferers opened them and sealed them again. Very frequently there was a collusion between the railway staff and the pilferers. With the help of informers, the Port Trust had been able to recover stolen property from apparently respectable persons and prosecute some of them. The witness added that although the value of goods pilfered was insignificant from the traffic point of view, it was a serious matter. The witness added that before the hostilities with Pakistan in 1965, they had almost a cast iron system for transportation of tea. The Assam tea was brought over by steamers right up to the warehouse by the river bank and nothing was pilfered. With the closing of the river route, tea was transported by rail etc. resulting in losses. Explaining the remedial measures taken to reduce the loss, the witness stated that a Committee with the representatives of Police, Railways, Port Trust and Tea Board had been set up to look into it. The Committee had weekly sittings. The witness added that the difficulty was that the demand for tea in the country was increasing very rapidly. On the other hand export market was not responding to that extent and it occasionally helped even the Tea Garden owner to get a part of the quantity that he was under obligation to export diverted to the Indian market. Somehow it was pilfered on the way to Port and then diverted to Indian market.

2.24. Asked whether any assessment had been made as to the quantity of tea pilfered from the custody of the Port Trust, the witness stated that the value of tea pilfered was large but the share of the Port in making good the damage was not very large. According to a formula, the loss was shared by Railways and Port Trust on mileage basis. The witness added that consignments of tea were being diverted from Calcutta to Kandla mainly on this ground that pilferage was not organised on that side. This was a serious matter for the Calcutta Port Trust who did not want this kind of diversion. Asked whether there was a general tendency to divert it to Kandla, the witness replied "not yet".

2.25. In a written reply the Calcutta Port Trust have stated that the quantity of tea pilfered during 1968-69 was 57,767 kilograms, the approximate cost being Rs. 5.78 lakhs (at the rate of Rs. 10 per Kg.). It has been stated that the east of junction where wagons are inter-changed with trunk Railway, is under the control of Watch and Ward. The wagons containing tea are removed from this junction in convoys to the points of placement and invariably guarded by the Armed Police personnel. This has to some extent minimised the loss.

2.26. The Committee are unhappy about the pilferage of tea from the railway wagons received by the port authorities. The estimated value of tea pilfered was Rs. 35.74 lakhs in 1966-67, Rs. 6.89 lakhs in 1967-68 and Rs. 5.78 lakhs in 1968-69. It has been reported that because of pilferage, tea consignments are getting diverted from Calcutta to Kandla. The Committee consider this to be fraught with grave risks, as this is bound further to decrease the port traffic. The Committee are concerned that the pilferage are taking place in some cases due to the railway staff colluding with tea interests who find it more attractive to divert these export consignments to Indian markets where they fetch a good price but result in loss of foreign exchange. The Committee note that a departmental Committee consisting of representatives of Police, Railways, Port Trust and Tea Board have been set up to look into the matter. The Committee hope that this matter will be examined in all its aspects and constant vigilance will be maintained so as to minimise pilferage of tea from railway wagons.

Unclaimed Cargo

Audit Paragraph

2.27. The following unclaimed goods and goods which could not be connected to any consignee or vessel were lying undisposed in the Port (some of these goods were unloaded as early as in 1957-58) :—

Position as on	No. of items	Total tonnage
November 1966	1800	763
October, 1967	600	500
November 1968	5664	944

(Paragraph 8 of Audit Report 1964-65, Paragraph 9 of Audit Report 1965-66, Paragraph 13 of Audit Report 1966-67 and Paragraph 11 of Audit Report 1967-68).

2.28. During evidence, the Chairman, Calcutta Port Trust stated that the quantum of unclaimed goods as compared to the total goods traffic (8-9 million tonnes) was not much. Explaining the reasons for accumulation of unclaimed goods, the witness stated that the auctions had to be arranged in consultation with the Customs, because Custom duty had priority over the Port charges. Usually the representatives of the Customs wanted to ensure that nothing was sold unless the Customs charges were at least recovered.

2.29. The Committee note that there has been delay in disposal of unclaimed cargo lying in the custody of Calcutta Port Trust. The quantity of such cargo was 762 tonnes in November 1966, 500 tonnes in October

1967, and 944 tonnes in November 1968. The disposal of the cargo has been stated to have been delayed due to difference of opinion between the Port Trust and customs authorities as to whether the price of goods should cover the customs duty chargeable on the goods or not. The Committee desire that these matters should be quickly settled by the Port authorities and Customs, and necessary steps taken to dispose of the cargo, as delay in the disposal of the cargo not only results in deterioration of goods but also blocking of valuable accommodation in the Port area.

Outstanding dues

Audit Paragraph

2.30. The outstanding dues at the end of successive years were as follows :—

	(Rupees in lakhs)
1963-64	34·92
1964-65	48·95
1965-66	76·66
1966-67	107·17
1967-68	134·17

(Paragraph 6 of Audit Report 1963-64, Paragraph 9 of Audit Report 1964-65, Paragraph 7 of Audit Report 1965-66, Paragraph 11 of Audit Report 1966-67 and Paragraph 9 of Audit Report 1967-68).

2.31. Dues against rent and buildings on 31st March, 1969 were Rs. 29.79 lakhs including Rs. 12.77 lakhs for which suits had been filed. In a written reply the Calcutta Port Trust have stated that a suit for recovery of rent outstanding in respect of land and buildings is filed only when there is no likelihood of the tenant concerned paying the amount involved without resorting to litigation. It is not, therefore, necessary in every case to file a suit. Moreover, the tenants keep as security with the Commissioners amount equal to six months' rent if the monthly rent is Rs. 500 or below and three months' rent if the monthly rent is above Rs. 500. In view of this practice, the Commissioners can afford to wait if dues are not paid in time and fall into three or four months' arrears.

2.32. The Calcutta Port Trust have indicated the latest position in regard to the outstanding dues as follows :—

"(a) In respect of rent of land and buildings, the bills outstanding in November, 1969 totalled to Rs. 47.01 lakhs. Collections made had reduced the amount to Rs. 25.16 lakhs.

(b) As regards miscellaneous bills, total amount outstanding now is Rs. 10.7 lakhs against Rs. 13.54 lakhs outstanding in November, 1969.

(c) The total amount of marine bills outstanding in November, 1969 was Rs. 20.73 lakhs. This has now come down to Rs. 13.07 lakhs.

Steps are being taken to contact parties and collect other outstanding bills which do not run into large figures."

2.33. During evidence, the Chairman, Calcutta Port Trust stated that the increase in the outstanding dues in respect of other items was not too much as compared to dues relating to rent of buildings and land. The reason for increase in outstanding was that the rent bills had increased to Rs. 2.10 crores from Rs. 1.20 crores. Usually 3 to 6 months' rent had to be deposited by the lease holders as advance. While the outstanding rent at the end of 1967-68 ran into Rs. 36 lakhs there were deposits of the order of Rs. 23 lakhs. The witness stated that considering the increase in the rent bills and credits received from the parties, the picture of outstanding dues was not bad.

2.34. The Committee desired to know the steps proposed to be taken to ensure that dues, especially from private parties and statutory bodies, do not accumulate in future. In a written reply, the Ministry have stated: "It is difficult to avoid altogether the accumulation of dues. In all cases where service is to be rendered, a deposit is taken to cover the charges that are likely to be raised. In spite of this safeguard, actuals exceed the estimated amount and parties do not clear the outstandings in time. As regards statutory bodies, the position is worse as they usually follow elaborate procedures before sanctioning payment. However, the Port authorities do not think that in these cases pertaining to statutory bodies there is any likelihood of non-payment of Port dues."

2.35. The Committee find that the outstanding dues of the Port Trust have been increasing from year to year. The outstanding dues which at the end of 1963-64 amounted to Rs. 34.92 lakhs have increased to Rs. 134.17 lakhs at the end of 1967-68. The Committee suggest that some positive measures should be taken to realise these dues especially from the private parties and statutory bodies and to prevent their accumulation in future. The Committee note that suits have been filed for dues against rent of land and buildings amounting to Rs. 12.77 lakhs against private parties. The Committee desire that Port Trust should examine the question of taking some action against other parties from whom dues are long over-due.

Expenditure on works in excess of sanctioned estimates

Audit Paragraph:

2.36. The expenditure incurred in excess of sanctioned estimates (and awaiting regularisation) from year to year is shown below:—

March 1966	Rs. 128 lakhs
March 1967	Rs. 960 lakhs
March 1968	Rs. 1137 lakhs

Nine of these works (where expenditure had exceeded the estimates) were estimated to cost more than a crore of rupees and the excess in some of these works was as much as 58 per cent.

(Paragraph 15 of Audit Report 1964-65, Paragraph 14 of Audit Report 1965-66, Paragraph 18 of Audit Report 1966-67 & Paragraph 12 of Audit Report 1967-68).

2.37. The Committee desired to be furnished with information on the following points:—

(i) Whether financial stock taking of big works (costing more than Rs. 50 lakhs) is not done (to correlate the physical progress of work with the progress of expenditure and to assess whether the project would be complete within the original estimate).

(ii) Difficulty in revising the estimates as and when excess was anticipated.

(iii) If financial stock taking is not carried out how the Port Trust decided that the project would be continued in spite of expenditure exceeding the estimate and that such works are still economical.

(iv) Latest position about regularising the excess expenditure over the estimates:—

2.38. The Calcutta Port Trust have furnished the following information seriatum:—

(a) In respect of all large projects, the expenditure incurred is compared against the provision in the estimate from time to time and the original estimate is revised as soon as it is clear that the provision will be exceeded even after taking into account the provision for contingency. Where expenditure is likely to exceed the amount provided in the estimate by a small margin, the actual expenditure is reported to the competent authority for sanction as soon as the project is completed physically.

In the cases of most of the works referred to in the audit para, excess expenditure was due to devaluation of the rupee. In these cases, exercise of the type mentioned above to get excess expenditure sanctioned through a revised estimate, was not considered necessary.

(b) There is no difficulty in getting an estimate revised when excess expenditure is anticipated. This adds to clerical work and should be avoided if excess stems from factors like devaluation or is small.

(c) The financial stock-taking envisaged is being done.

(d) On 47 Capital works, actual expenditure has exceeded the sanctioned amounts, the impact of devaluation of rupee amounts to Rs. 7.85 crores. On 11 Capital works the excess expenditure does not exceed Rs. 2,000 in any case. In 17, out of 47 cases, revised estimates have been received. They are under scrutiny now.

2.39. The Committee observe that expenditure has been incurred on works substantially in excess of sanctioned estimates and that this excess expendiutre is awaiting regularisation. The excess expenditure rose from Rs. 128 lakhs in March, 1966 to Rs. 1137 lakhs in March, 1968. It has been stated by the Port Trust that in most of the cases the excess was due to devaluation of rupee. The Committee consider that, estimates of the various works involving foreign exchange should have been revised and due sanction of the competent authority for the revised estimates obtained. The Committee desire that in future the Port Trust should devise necessary checks to ensure that expenditure does not exceed sanctioned estimates without a revised estimate being prepared and approved.

High incidence of overtime:—

Audit Paragraph :

2.40. The overtime paid to the employees of certain departments/sections bore a high proportion to the salaries of these departments/sections as shown below:—

1965-66	Ranged between 28 to 72 per cent
1966-67	Ranged between 26 to 66 per cent
1967-68	Ranged etween 29 to 64 per cent

[Paragraph 6 of Audit Report 1965-66 Paragraph 10 of Audit Report 1966-67 & Paragraph 7 of Audit Report 1967-68]

2.41. In a written reply, the Calcutta Port Trust have stated :

"The work done on overtime is generally supervised by a superior officer. A brief idea of the work to be done on overtime is given before the staff are put on overtime. This helps the officer concerned to guage if overtime paid is commensurate with the volume of work done. In cases of outdoor staff who have to be booked on overtime, such a check is not possible nor is it necessary, the reason being that they do either stand-by duty or work if an emergency materialises. Similar is the case of certain staff like crane drivers etc. who received fixed overtime for extra hours of work.

The position in other Ports in more or less the same but effective control is possible in Ports where the number of staff employed, is small. In the prevailing atmosphere of labour unrest, payment of overtime frequently becomes unavoidable in the interest of the work."

2.42. The Committee are concerned to find that, in spite of fall in traffic at Calcutta Port, the overtime allowances paid to the employees of certain departments continues to be on the high side. In 1967-68, the overtime ranged from 29 per cent to 64 per cent of the salaries of certain departments/sections. The Committee recognise that this impinges on the delicate problem of labour relations but would like the Port Trust to find out ways and means to minimise the expenditure on this account.

III

BOMBAY PORT TRUST

Working Results

Audit Paragraph

3.1. The gross receipts, working expenses and net earnings of the Bombay Port Trust for the five years ending 1967-68 were as follows:

	Gross receipts	Working expenses	Profit/ Loss	Percentage of net return on mean capital
	(In crores of rupees)			
1963-64	15·98	14·67	1·31	2·6
1964-65	17·08	15·77	1·31	2·6
1965-66	20·35	16·76	3·59	6·6
1966-67	20·48	18·64	1·84	4·0
1967-68	24·31	21·86	2·45	3·2

3.2. The improved working results in 1965-66 were mainly due to tightening of demurrage rules and levy of 5 per cent additional surcharge on all docks, bunders, dry dock and port charges with effect from 1st April, 1965. After 1965-66 the working results are showing a downward trend.

3.3. Receipts from demurrage form a substantial portion (about 15 to 20 per cent) of the total receipts from year to year as shown below:

(Rs. in crores)

1963-64	1·95
1964-65	2·18
1965-66	4·88
1966-67	4·44
1967-68	4·45

(Paragraph 1 and 2 of Audit Report 1963-64 to 1967-68)

3.4. During evidence, the Committee enquired about the reasons for the fall in net earnings of the Bombay Port Trust in relation to the mean capital. The Chairman, Bombay Port Trust stated that if certain adjustments of income and expenditure were taken into account the working results would disclose a different picture. The Port Trust had adopted the commercial and management accounting system under which they were trying to determine the percentage of the operational surplus, to the capital employed. The percentage of net earnings to the capital to employed would be 8 per cent in 1964-65, 7.7 per cent in 1966-67, 5.7 per cent in 1967-68 and 10.20 per cent in 1968-69.

3.5. The witness added that their ultimate aim was to get a return of not less than 12 per cent on the capital employed. From that point of view the present return did not indicate any cause for alarm. The Committee desired to be furnished with a note indicating the system of calculating the working results on the basis of commercial practice followed by the Port Trust. In a written reply the Bombay Port Trust have stated:

3.6. "The difference between the Government Auditors' and our computations of the Return on the Mean Capital at Charge is mainly due to the exclusion by us of 'Interest and Miscellaneous' from the gross earnings and that of the annual contribution of Rs. 2 crores to the General Reserve Fund for financing the projects covered by the IDA Credit, 'Contribution for Depreciation' and 'Intermediate Renewals and Replacements and Special Repairs' and 'Debt Charges'. The modified basis was adopted by us, having regard to the commercial practice and in order to make our working results comparable to those of other Ports, where the contributions from Revenue for depreciation and development were not being made on an appreciable scale."

3.7. The Port Trust have furnished the following statement stating the Mean Capital at Charge and the return thereon for the years 1963-64 to 1967-68:—

I. Mean Capital at Charge (Rs. lakhs)

Year	Total Mean Capital At Charge According to the Audit Report	Mean Capital as in Column (2) *less* expenditure on works like Housing, Hospital etc. which are not expected to yield revenue	Mean Capital as in Column (2) *less* expenditure on Project Works in the process of completion & which take time to yield Revenue	Mean Capital as in Column (2) *less* expenditure referred to in Column (3) and (4)
1	2	3	4	5
1963-64	4,976·01	4,941·03	4,962·98	4,927·99
1964-65	5,157·63	5,131·55	5,127·83	5,101·75
1965-66	5,419·02	5,392·56	5,304·75	5,278·28
1966-67	5,814·35	5,776·24	5,611·83	5,573·72
1967-68	6,294·91	6,249·30	6,039·38	5,993·76

II. Return on Mean Capital At Charge :

	Net earnings Rs. (lakhs)	Return on Mean Capital At Charge			
		as shown in Column(2) above	as shown in Column (3) above	as shown in Column (4) above	as shown in Column (5) above
	%	%	%	%	%
	(a) According to the Audit Report				
1963-64	130·57	2·6	2·6	2·6	2·6
1964-65	130·56	2·5	2·5	2·5	2·5
1965-66	359·41	6·6	6·7	6·8	6·8
1966-67	234·37	4·0	4·1	4·2	4·2
1967-68	200·41	3·2	3·2	3·3	3·3
	(b) According to B.P.T.				
1963-64	429·37 (231·54)*	8·6 (4·7)	8·7 (4·7)	8·7 (4·7)	8·7 (4·7)
1964-65	414·89 (193·92)*	8·0 (3·8)	8·1 (3·8)	8·1 (3·8)	8·1 (3·8)
1965-66 . . .	613·26 (121·06)*	11·3 (2·2)	11·4 (2·2)	11·6 (2·3)	11·6 (2·3)
1966-67	448·73 (0·55)*	7·7 (0·01)	7·8 (0·01)	8·0 (0·01)	8·0 (0·01)
1967-68	357·71 (—95·29)*	5·7 (..)	5·7 (..)	5·9 (..)	6·0 (..)

Note .—The difference between the Audit and our computations of the Return on Mean Capital at Charge is mainly due to the exclusion by us of "Interest and Miscellaneous from the gross earnings and that of the fixed annual contribution of Rs. 2 crores to the General Reserve Fund for financing the projects covered by the IDA Credit, "Contribution for Depreciation and" "Intermediate Renewals and Replacements and Special Repairs" (Since such contributions were not made by other Major Ports) and "Debt Charges".

3.8. In the above statement, the Mean Capital has been alternatively shown after excluding expenditure on Works like Housing, Hospital, etc., which are not expected to yield revenue and excluding expenditure on Project Works in the process of completion and which take time to yield

*The figures in brackets represent the working results after excluding demurrage fees from the receipts.

revenue. The Revenue Account for 1968-69, compiled under the revised system of accounting, disclosed an operating surplus of Rs. 3.43 crores. If this surplus is expressed as a percentage of the Capital Assets at original cost less depreciation and Works-in-Progress (Rs. 38.63 crores), the return would be 10.2 per cent. If demurrage fees on general cargo are excluded from the Operating Income, there would be an operating deficit of Rs. 0.33 crore and the return would be nil or negative.

3.9. The Bombay Port Trust have furnished a note to the Committee on the Accounting system introduced by them. It has been stated:

"An undertaking was given to the International Development Association in connection with the Project Agreement (for grant of a loan to Government for financing the foreign exchange expenditure involved in the Dock Expansion Scheme of the Bombay Port) that the Port's accounting system would be modernised so as to—

(i) reflect financial results in accordance with generally accepted commercial accounting principles; and

(ii) enable the costs of providing principal services and operations being determined, more readily and quickly, as a tool of management for

(a) the control of expenditure;

(b) the establishment of reasonable rates; and

(c) the adjustment of rates, from time to time, in accordance with significant cost changes.

A firm of Chartered Accountants—M/s. Price Waterhouse, Peat & Co.—was appointed as consultants to study our then existing eystem of accounting and to make recommendations for its modernisation. On receipt of their final report, in December, 1967, a small cell was created in the Chief Accountant's Department for implementing their recommendations which were accepted by the Board. The revised accounting system, which was introduced from 1st April, 1968, is generally in keeping with their recommendations. The work of revising the system was done in consultation with M/s. Price Waterhouse, Peat & Co., and the Officer on Special Duty in the Ministry of Transport, who represents the Comptroller and Auditor General of India and has been generally co-ordinating the work of revision at all the major Ports. The Revised Estimates, 1968-69, and the Budget Estimates, 1969-70, were compiled under the revised system. The Accounts of 1968-69 were also compiled on the revised basis.

3.11. The salient features of the revised system are as detailed below:

(i) The main heads and sub-heads of Accounts for both income and expenditure have been regrouped and re-classified on a functional or activity-wise basis so as to reflect correctly the financial position in regard to each service or operation. The principal activities on which the Accounts and the Budget are now based are:

(a) Cargo Handling and Storage,

(b) Port and Dock Facilities for Shipping, including Pilotage,

(c) Railway Earnings Workings,

(d) Estate Rentals/Rentable Lands and Buildings; and

(e) Management and General Administration.

A separate account is also kept of the 'Finance and Miscellaneous Income' and 'Finance and Msicellaneous Expenditure' as they do not pertain to any particular activity or operation. With the revised classification, the financial position in regard to each principal activity and sub-activity is readily available. The revised classification of all operating, maintenance and administrative expenditure is made in three parts denoting, respectively, the 'Budget Centre', the 'Type of Expenditure and the 'Cost Centre' for which the expenditure is incurred. The allocation of expenditure to Cost Centres facilitates the compilaion of direct expenditure on each activity or sub-activity or operation and with the addition of appropriate overhead charges, the cost of carrying out the different operations can be easily arrived at for the purpose of reviewing the adequacy of the existing rates.

(ii) In place of the cash basis of accounting under the old system, the accrual basis has been adopted under the revised system in respect of income and expenditure in order that a realistic appraisal of the financial results of the Port's working may be possible.

(iii) The Budgeting and recording of expenditure is done according to mangerial responsibilities as also under various activities. This facilitates the planning of expenditure and control of costs through analysis of variance.

(iv) A system of Management Accounting has been introduced. Quarterly statements showing the results of each of the principal activities and sub-activities and other useful financial information are prepared and submitted to the Chairman and the Board. For the purpose of comparison, the statements include.

(a) the actual results of the corresponding period in the previous financial year, and

(b) the proportionate budget provisions.

The variances of the actuals from the budget provisions are also indicated and, hence, it is possible to take timely and suitable action regarding our operations.

(v) The defects regarding depreciation in the old system have been removed in the new system. Depreciation is now charged in the accounts (primarily on historical cost basis) with reference to the cost and the estimated service life of each of the capital assets, excluding land, by the straightline method. Additional depreciation is also provided, as appropriation from the surplus, on the basis of the current replacement costs of certain categories of assets, as approved by the Board. On the basis of the physical verification of assets carried out, detailed Capital Property Registers, in the form of sortable asset cards, are being maintained. This facilitates the allocation of the total annual charge for depreciation to various operations or sub-activities for which the assets are used and, hence, proper costing of services is possible.

(vi) A revised form of Balance Sheet based on the principals generally followed by commercial undertakings for reporting their assets and liabilities has been adopted."

3.12. "A Costing Cell has been established and cost statements are prepared and submitted quarterly to the Chairman and the Board for considering the question of rationalisation and revision of our rates. Government have recently agreed to create a post of Cost Accounts Officer (Ports) in the Ministry of Transport and to spare the services of an experienced officer from the Cost Accountants Pool in the Ministry of Finance for manning the post. The function of the Cost Accounts Officer (Ports) will be to give guidelines for detailed cost accounting work and generally to supervise and co-ordinate the work done in that behalf at the various major Ports, including Bombay.

The small Cell created in the Chief Accountant's Department has been continued for a further period upto October, 1970 to carry out further refinements in the revised accounting system in collaboration with the Officer on Special Duty, Accounting Cell, Ministry of Transport."

3.13. The Committee drew attention to the fact that receipts from demurrage formed a substantial portion of the income. The Chairman, Bombay Port Trust stated: "I have always been propounding at the Board meetings that demurrage should not be taken as a normal source of income. As a matter of fact, our policy is to de-congest our dock areas and to take action for expeditious clearance. The ideal should be no demurrage at all......But what happens is that when we come up with a proposal for increasing the rates, the Trustees, representing the business interests, say that we must not completely ignore the demurrage revenue because some demurrage is always incidental to the dock operations and to that extent they try to reduce the rates. I think it is a very good idea that demurrage should not be taken as a normal source of revenue and that has been my attitude throughout in the Port Trust."

3.14. The Committee asked about the basis on which demurrage was being charged. In a written reply, the Bombay Port Trust have stated: "Demurrage fees at this Port are charged on the basis of the rate of wharfage applicable to the commodity in question. Prior to April 1964, demurrage fees were charged from the day following the Last Free Day of the vessel at half the rate of wharfage for every two days or part thereof upto thirty days from the General Landing Date of the vessel which brought the goods and thereafter at the full rate of wharfage for every two days or part thereof, on all goods except cement and scrap or waste film. On the latter goods, the rate of demurrage fees was one full wharfage for every two days or part thereof right from the day following the Last Free Day of the vessel upto 30 days and thereafter at double that rate. In the case of iron and steel, the first demurrage fee (at the rate of half the wharfage) was for seven days instead of for two days, as these consignments required sorting according to marks and thereafter the rate was as for goods other than cement and scrap or waste film.

With effect from 16th April, 1964, the period of 30 days from the General Landing Date of the vessel, referred to above, was reduced to 16 days for all goods, but no change was made in the rates either for the curtailed period or for the succeeding period. This measure and the succeeding measures to tighten up the demurrage rules were undertaken in order to bring pressure on importers to clear their goods promptly.

With effect from 15th July, 1965, the rate of demurrage fees was raised to the full rate of wharfage for every day from the date of expiry of the Last Free Day of the vessel, which brought the goods, on all goods except transhipment cargo and goods to be railed outside Greater Bombay. This meant an increase of 400 per cent for the first 16 days from the General Landing Date of the vessel and thereafter an increase of 100 per cent. In the case of transhipment cargo and all goods to be railed outside Greater Bombay, the old rates of demurrage were continued. The effect of the further tightening of the rules was apparent from the rise in the collection of demurrage fees from Rs. 2.17 crores in 1964-65 to Rs. 5.12 crores in 1965-66."

"In order to prevent malpractices, with effect from 7th December, 1967, the concession of the lower rate of demurrage fees on cargo to be sent out of Bombay by rail was made applicable only from the date/s of the requisition/s for the wagon/s and provided that the goods were to be despatched beyond a distance of 60 Km. The concessional rate of demurrage fees was also increased to one wharfage for every two days from the date of placing the requisition/s for wagon/s upto the date of loading instead of at half wharfage for every two days upto 16 days. The concession of the first demurrage fee of seven days instead of one day was continued in the case of iron and steel weighing singly upto 1½ tonnes but the rate for that period was raised to one full wharfage. It was also decided to withdraw the concession allowed on transhipment cargo and goods to be despatched by rail in the case of cement and scrap or waste film."

3.15. The Committee asked whether it was not possible to fix tariff rates in Indian Ports on a uniform or more or less a uniform principle. In a written reply the Bombay Port Trust have stated:

"The wharfage or shipping charges on export sugar, in August 1969, were as under:

Bombay	Rs. 2·50 a tonne
Calcutta	Rs. 4·90 a tonne
Madras	Rs. 9·00 a tonne
Cochin	Rs. 5·50 a tonne
Vishakhapatnam	Rs· 4·25 a tonne
Kandla	Rs. 3·95 a tonne
Mormugao	Rs· 5·87 a tonne

The tariffs in force at the various major ports are not uniform due to the varying local conditions and patterns of traffic. At Bombay, we had previously been handicapped in framing and reviewing rates by the fact that our accounting system was not on commercial lines and the costs of the principal activities and various services were not readily available. Even then, we were framing new rates after taking into consideration all the costs involved, including depreciation and overheads, and taking into account the value of the service and the capacity of the traffic to bear the charges. For the purpose of reviewing rates, we were preparing ad hoc performa accounts by extracting the figures of income and expenditure from the published accounts. Under our revised system of accounting, the classification of income and expenditure is related to activities or functions. We have also established a Costing Cell and cost statements for the various unremunerative services have been compiled and submitted periodically to the Trustees for consideration.

"At Bombay, the basis for charging demurrage is wharfage. The free period in the case of imports is 4 days following the General Landing Date and for exports, the free period varies from 7 to 10 days. There is no uniformity in the major ports as regards either the method of charging demurrage or the free days allowed. In some of the ports, specific rates on tonnage or unit basis have been provided for levying demurrage, while at other ports, it is levied as a proportion of the landing charges. The free days allowed vary from 2 to 7 days. It will be appreciated that comparison of the rates of demurrage obtaining at the various ports is, therefore, not possible. The question of rationalising the system for charging demurrage at the various major ports has not been considered, but this may become possible with the modernisation of the accounting systems and the introduction of the costing procedures. It is felt that the basis obtaining at Bombay of linking demurrage directly to wharfage is the best and may be adopted uniformly at the other ports, since the intention is that demurrage should operate as a deterrent against tardy clearance of cargo."

3.16. During evidence, the Chairman, Bombay Port Trust, referring to handling charges stated: "In Bombay we have been trying to reduce them as far as possible. But as far as wages are concerned, they are inevitable. We will have now the Wage Board recommendations and we shall have to pay out more wages and allowances. But you may be interested to know one thing. Formerly we used to have over two thousand rates in our schedule in Bombay. We have rationalised these rates. We have simplified them by bringing them down to 93 categories. While we did so we also took the opportunity of seeing that the revenue that we would get out of the new wharfage system would meet at least our direct handling cost. The direct handling cost is Rs. 5 per ton for cargo at the Bombay Port."

3.17. The Secretary, Ministry of Transport and Shipping stated: "So far as the charges are concerned these are dealt with for each port separately. In the case of Calcutta enormous amount is spent—about 9 crores on dredging the river. Cost in Bombay is comparatively much less—only a fraction of it. Then for instance, Calcutta has a huge surplus labour force. Every place has got its own pecularity. The cost structure varies and what the traffic can bear has to be borne in mind also."

"Rationalisation has been on the same principle of Bombay, cutting down miscellaneous items, bringing them under broad categories. Then there is a considerable amount of discussion in the Port Trust itself, with all the commercial and other interests, to arrive at reasonable rates keeping in view the cost to the port and what the traffic can bear. There is considerable difference between charges on export cargo and import cargo at Calcutta—import cargo rates are very much higher. After all this is done, it comes to the Ministry which scrutinises with the Finance Ministry and ultimately in important cases it is again vetted in the Secretaries Committee and then it is finalised. If we analyse everything carefully, evolve something, some broad range can be fixed within which the port charges vary; but I doubt, Sir, if we can have uniform charges, uniform demurrage rates and everything, because conditions vary so much from port to port. Take for instance Marmugao Port. Capital at charge has been only four to five crores. With the new project that we are taking up, it would increase its capacity and modernise the cargo handling facilities. The capital at charge will go up by 28 to 30 crores. So there will be very heavy depreciation charges to be met and these will be reflected in the port charges. Of course there will be larger quantity of traffic handled. That will be a sort of certain limit to the individual rates. Similarly Vizag will cost us 30 crores to develop. Of course it will handle 10 to 12 million tonnes of iron ore through that port. So these are the conditions varying in every port. Now Calcutta has some sort of stable thing. Haldia is coming. We can probably work out slabs within which it varies. But it will be a very difficult task to lay down uniform rates as qualities of different commodities handled differ very considerably." The witness agreed that they would have a detailed study.

3.18. The Committee referred to a number of cases reported in the Audit Reports of non-recovery of rentals, rates, etc., at correct rates, non-revision of rent of land, rates of wharfage and rates of charges for other services rendered. The Committee asked whether it was not necessary to tap all resources of revenue to meet the growing expenditure and whether a review should not be undertaken of the present tariff structure in various departments. In a written reply, the Bombay Port Trust have stated:

"We have been making an annual contribution of Rs. 2 crores from revenue to the General Reserve Fund for financing development works. This provision, which has been made since 1963-64, was possible because of the large surpluses we were able to realise. On account of these surpluses and the prudence exercised by us of making adequate provision for depreciation of about Rs. 2 crores per annum (including Rs. 40 lakhs for intermediate renewals and replacements and special repairs, we were able to fortify our finances by accumulating substantial reserves. These aggregated to about Rs. 40.50 crores as on 31st March, 1968. Under the revised accounting system, the Renewals and Replacements Fund and the Pilotage Depreciation Fund have been dissolved with effect from 31st March, 1969 and their balances represent part of the accumulated provision for depreciation. As on 31st March, 1969, our revenue reserves amounted to about Rs. 27.50 crores and the Provision for Depreciation to about Rs. 16.28 crores. However, due to the fall in receipts resulting from a decline in traffic and increase in establishment expenditure, brought about by the successive increases in the rates of dearness allowance, grant of interim relief and other fringe benefits and the further substantial increase of about Rs. 1.5 crores per annum in such expenditure that will result from the implementation of the recommendations of the Wage Board for Port and Dock Workers in accordance with the decision of the Government, our financial position has been adversely affected. We are likely to have deficits during 1969-70 and we may not be able to make any transfer from revenue to the General Reserve Fund for development works. The position, however, will be known definitely after the accounts for 1969-70 are closed some time in June/July, 1970.

3.19. It may be mentioned that we have revised our Railway rates in two stages. The first stage approved in June, 1965, was sanctioned by the Railway Board in August, 1966, and brought into effect thereafter, the additional revenue involved being about Rs. 14 lakhs per annum. The second stage, involving the rationalisation of our rate structure on the basis of the I.R.C.A. classification was sanctioned by the Trustees with effect from 1st April, 1968, but the same could not be implemented till September, 1968 for want of the Railway Board's sanction. The expected additional revenue was Rs. 45 lakhs per annum, but due to certain modifications effected by the Railway Board, the estimate was placed at about Rs. 39 lakhs. As regards rents from lands and buildings, so far as leases are concerned, the Trustees have laid down certain policies for charging enhanced rent on renewal. In regard to new plots, or where circumstances so warrant, the market value is usually charged. In regard to monthly tenancies and 15 monthly leases, the Trustees effected a revision with effect from 1st October, 1968, after careful consideration of all the factors involved. The increase in rent varies from 33 1/3 per cent to 75 per cent, depending on the user. The revision is subject to review after three years.

3.20. We have kept the question of revising our Port rates constanly under review. The adoption of our simplified and rationalised Dock Wharfage Rate Schedule, in which opportunity was taken to make the rates on dry cargo traffic generally economic, was sanctioned with effect from 1st April, 1969. The revision was expected to bring in an additional revenue of Rs. 1 crore from wharfage, but this expectation has not been realised due to a fall in traffic. As stated earlier, we have been preparing quarterly Cost Statements of the un-remunerative services, most of which pertain to shipping. It was recently proposed in connection with our Budget that the rate schedules pertaining to cranage, towage, berthing and mooring at the Ducks and Bunders, and dry docking should be revised so as to recoup the large deficit of about Rs. 2 crores incurred in respect of direct expenditure alone on these services. The Trustees, however, decided to raise an additional revenue of Rs. 1 crore by levying, as an *ad interim* measure, a surcharge of 50 per cent from 1st April, 1970, on rates, charges, etc., payable by shipping. It was also agreed that a review of the financial position would be made after the closure of the accounts for 1969-70 in June or July, 1970 to decide on a further increase in the rates of unremunerative service to shipping and to eliminate the uncovered anticipated deficit of Rs. 40 lakhs for 1970-71."

3.21. The Committee find that according to the accounts as recast on the basis of the advice of consultants, the Bombay Port Trust had a net income of Rs. 6.13 crores in 1965-66, Rs. 4.48 crores in 1966-67 and Rs. 3.57 crores in 1967-68. These figures include income from demurrage derived by the Port Trust which was quite substantial. If this item, which should not strictly be considered a normal source of income, is excluded, the earnings would be Rs. 1.21 crores in 1965-66 and Rs. 0.55 lakhs in 1966-67. For the year 1967-68, there would actually be a deficit of Rs. 95.29 lakhs. The revenue accounts for 1968-69 would similarly show an operating deficit of Rs. 0.33 crores if demurrage is excluded. As for 1969-70, the Committee note that the Port Trust authorities themselves anticipate a deficit, even after taking credit for demurrage.

3.22. The foregoing data would show that there is substantial scope for improving the working results of the Port. This deterioration in the working results is partly a reflection of the fact that traffic at the port has been falling. The cargo handled at the port which increased from 14.73 million tonnes in 1960-61 to 18.12 million tonnes in 1965-66 has since declined to 16.4 million tonnes in 1968-69. It is evident that a radical change is taking place in the composition of traffic handled at the port (both imports and exports). The trends in this regard should be closely studied and appropriate adjustments made in the facilities provided at the ports.

3.23. In the context of the trends of traffic at the port, it is obvious that it will have to take steps to rationalise the expenditure on its principal activities. The Port has switched over to the management system of accounting to enable it to assess the cost of each service or operation. This should help it to identify the areas of operations which are at present proving expensive and to take steps to economise on the expenditure incurred on these operations. The Committee would like the Costing Cell set up in the Port to undertake an analysis of the cost of some of the

major operations like cargo handling and port and dock facilities. Based on their findings, suitable measures to streamline these operations should be taken.

No less important is the need to overhaul the rate structure of the Port. The Committee have later in this Report referred to a number of instances where the Port Authorise failed to revise rates in time and thereby lost revenue. The Costing Cell should be given a phased programme to analyse the rate structure and formulate proposals for overhauling them.

3.24. One point that the Committee notice is that there is no uniformity in the shipping charges levied by the various Ports. In August, 1969, shipping charges per tonne on sugar exports for instance were Rs. 2.50 in Bombay, Rs. 4.90 in Calcutta, Rs. 9.00 in Madras, Rs. 5.50 in Cochin, Rs. 4.25 in Vishakhapatnam, Rs. 3.95 in Kandla and Rs. 5.87 in Mormugao. The rates of demurrage also differ from port to port. The Committee recognise that, in view of local conditions, an absolute uniformity is not possible. They feel, however, that the Ministry of Transport should make a study of the basis on which shipipng charges and demurrage are levied by the various major ports and take steps to rationalise them thereafter.

3.25. The Committee also feel that other major ports should be asked to reorient their system of accounting on the lines of the Bombay Port Trust. Apart from bringing about some uniformity, this would help the ports to identify the cost of their operations on a functional basis, facilitating better management control.

Working Results of Port Trust Railway.

Audit Paragraph.

3.26. The working results of the Port Trust Railway according to the proforma accounts show a deficit of Rs. 46.61 lakhs during the year 1965-66 as against Rs. 38.85 lakhs during the year 1964-65. In arriving at the above net deficit the Port Trust has taken into account certain adjustments which have no direct relevance to the working of the Railway as indicated below:

(Rs. in lakhs)

(1) Proportion of Dock wharfage	12·69
(2) Adjustment to cover cost of railway revenue arising out of the diversion of oil traffic on the establishment of refineries in Bombay	11·00
(3) Proportion of ground rent derived from Rail-served plots	2·28
TOTAL . .	25·97

3.27. These adjustments do not represent real or actual earning of the Port Trust Railway. The actual deficit after omitting the above adjustments works out to Rs. 72.58 lakhs during the year 1965-66 as against Rs. 63 lakhs during the year 1964-65. The increased rates of Railway charges on freight, wharfage, siding charges etc. sanctioned by the Trust in June, 1965 have been brought into effect from 1st October, 1966. The Port authorities have estimated that these measures would bring in an additional revenue of Rs. 14 lakhs per annum.

(Paragraph 7 of Audit Report, 1965-66)

3.28. Referring to the adjustments taken into account in computing the railway accounts, the Chairman, Bombay Port Trust stated during evidence that: "We have taken credit for 5 per cent of wharfage because, after all, our Railway is also contributing to the quick clearance of both imports and exports. We also take credit for 5 per cent of the rent earned from the plots in our Estate which are rail served, and we take credit for the Rs. 11 lakhs of rupees of oil revenue because of the diversion after the setting up of the refineries. The Board considered this matter and they felt that it would be legitimate to take this into account, because the Railways do contribute to the traffic, the earning of the rents etc. We are aware that our Railway has been a losing proposition; and we are not very happy as a matter of fact, for some years about this position. We have taken steps to increase our revenue. For instance in 1965, we increased our railway rates by about 20 per cent, which brought us an annual increased revenue of Rs. 14 lakhs from the Railways. In 1968, we adopted the IRCA Tariff under which we have clasified various commodities. Formerly our railway rates had not taken into account such classification of commodities. Due to that revision, we would get Rs. 40 lakhs extra revenue."

3.29. The witness added that "on the expenditure side, the amount has been increasing because of wage awards. From time to time interim relief has been given and also increased D.A. One thing I can say is that overtime can be strictly controlled. But, unfortunately, when we did this once we had strikes. The trouble is that when we have strikes, they may last for five, six or seven days, and we lose our income. It is not worthwhile doing that. Overtime is an element in the expenditure which one feels can really be curtailed but unfortunately it has not been possible for us to do so. I have now appointed a Committee which went into the question of how we can reduce the expenditure. They have suggested some ways of reducing the expenditure by about Rs. 10 lakhs. But there again the question of labour unrest may come in. So, we are doing all that we can reasonably do without creating labour unrest or loss of working days in the port. But, still our railway it continues to be a deficit concern." The defiicit in 1966-67 was Rs. 60.34 lakhs and Rs. 68.64 lakhs in 1968-69. In a statement furnished by the Bombay Port Trust it has been stated that excluding the adjustments on income side in regard to loss of estimated revenue of Rs. 11 lakhs due to diversion of oil traffic on the establishment of refineries and credit of 5 per cent of Docks wharfage and 5 per cent of revenue derived from rail-served plots the deficit, worked to Rs. 72.58 lakhs in 1965-66, Rs. 85.79 lakhs in 1966-67 and Rs. 95.09 lakhs in 1967-68 and Rs. 91.53 lakhs in 1968-69.

3.30. The Committee asked whether it had been examined whether the expenditure on staff could be reduced. The witness stated: "The Committee of Officers consisting of the Railway Manager, Chief Engineer and Chief Accountant have suggested some ways by which we can perhaps reduce the staff here and there. But the question always is one of implementation. When we reduce this expenditure and have stoppage of work we lose our revenue also. Our deficit increases further. That is my difficulty. The witness agreed that "if there is an ascertained surplus of labour and that surplus is being carried on, it could be reduced by voluntary retrenchment and avoidance of Government recruitment. If there is agreement on that with labour I think we can do that. But we will have to take the labour into confidence. If we do that unilaterally there will be trouble. They should not feel that they are exploited. We are taking them into confidence. We do resort to voluntary retirement. Wherever possible we do not fill up the vacancies after retirement. Unfortunately my hands are tide regarding overtime. I do feel frustrated that it cannot be reduced. But still I do continue to attempt it wherever possible with some success." The witness added: "The man who is to come in the next shift sometimes remains absent. The whole gang will not work there unless that post is filled. Therefore, if the man from the earlier shift comes to the second shift he gets the overtime."

3.31. In a written reply the Bombay Port Trust have stated as follows:

> "We have been fully alive to the need for reducing the establishment charges and simultaneously improving the efficiency of the Port Railway with a view to reducing the existing gap between its income and expenditure. The result of the steps, which are proposed to be taken to reduce the establishment charges, will, however, depend on the extent to which it is possible to enlist cooperation of the various staff Unions concerned. They do not seem, at present, disposed to agree to our reasonable proposals. The measures we have in mind to reduce the establishment charges are as under:
>
> (a) Abolishing different categories of staff and introducing two or three unified categories in Class IV establishment to avoid wastage of labour and payment of unnecessary

wages for idle working arising from the practice resorted to by the staff to work according to the duties allotted to each category.

(b) Posting of staff to be done at two or three specified points instead of the present method of posting at different stations, which also leads to wastage of man-power.

(c) Providing leave reserves according to the category instead of providing them in the lowest category as at present. This would also enable full utilisation of the leave reserves and save infructuous expenditure.

(d) Introducing stricter control on overtime working by permitting it for essential work with a view to minimising expenditure on this account.

(e) Amalgamating stations to manage the work economically with reduced strength of staff.

(f) Stabling diesel locomotives at stations to avoid wasteful running of engines and unnecessary utilisation of loco staff.

(g) Closing down of the Bombay Port Trust wagon repair shop establishment and transferring part of the work to the Central Railway. This will incidentally release a certain amount of capital.

(h) Bringing about a reduction in the Railway Engineering staff establishment by removal of unused and unproductive railway tracks.

In addition to the above steps, which are proposed to be taken to bring about a reduction in establishment charges, the following further measures have also been recommended:

(i) Abolishing cabins and introducing movement of trains under pilot system.

(ii) Maintaing minimum number of railway tracks in the docks and developing the Sewree Goods Terminal.

(iii) Discontinuing private siding facility and introducing dealings at nominated siding or at the general siding.

(iv) Undertaking a detailed survey of the railway tracks and doing away with such tracks as are unproductive or scarcely used.

3.32. The Consulting Engineers have submitted a Master Plan for the development of the Port. The Trustees, vide T.R. No. 856 of 1969, accepted these recommendations, which lay down that there should be immediate partial elimination of the railway tracks in the Docks, the construction of a link road between the Docks and Sewri and the development of a Goods Terminal at Grain Depot. In the second phase, only one railway line connecting the Docks with the Sewri Goods Terminal should be retained, if so required by the Indian Navy. If not so required by the Indian Navy, only one railway line connecting the Alexandra Dock with Carnac Bunder Goods Depot across P. D'Mello Road should be retained.

Our Railway Department, while forwarding its remarks on these recommendations, had brought out how adversely the recommendations would affect the Department and had suggested the following alternative courses of action;

(1) To review the decision arrived at under T.R. No. 856 of 1969.

(2) To go ahead with the proposal, as approved by the Trustees and accept a definite financial setback and recurring future deficits.

(3) To divest ourselves of the responsibility of the ownership or operation of the Port Railway and request the Railway Ministry to take over, or to dismantle all the railway lines in and around the Port area and lease suitable land to the north of Wadala to the Railway Board for construction and operation of a third Goods Terminal.

3.33. The Trustees, after considering the above suggestions, appointed a Sub-Committee (including the General Managers of the Central and Western Railways) to re-examine the question thoroughly and to make recommendations, vide T.R. No. 1313 of 1969. The report of the Sub-Committee is awaited."

3.34. Referring to the question of settlement of terminal charges, the witness stated: "We have represented to the Railways. Actually, the agreement with them was only upto 31st March 1966 and from 1st April 1967 we told them that for the whole terminals we would require 100 per cent increase as the cost of handling the Railway wagons in the port had doubled. If we get that then I think to a large extent our deficit would be wiped out....from the Railways. On an average the extra terminal revenue will be about Rs. 50 lakhs....If we get that then the sum of Rs. 50 lakhs will be an extra income, which will wipe out our Railway losses."

3.35. Asked whether the matter had been taken up at the Ministry's level, the Secretary, Department of Shipping and Transport stated: "We are taking up the matter with the Railways over the terminal charges. The latest position is that they have promised to do something. A reply is under issue. The same is the case with Calcutta. Whatever agreement is acceptable will be from 1966. We are continuously reminding them. But the railways have been sitting on it for over three years in spite of continuous reminders."

3.36. The Committee desired to know whether the Port Trust had examined the question of becoming a Member of Wagon Pool in order to augment the revenue of Port Railways. In a written reply, the Bombay Port Trust have stated as follows:

"*The principal features of the arrangements entered into by the* Calcutta Port Commissioners are as under:

To achieve better wagon *turn-round time by introducing flexi*bility in operation by reducing movements within the port area and for facilitating the transfer of stock from one Railway to another as required, the Commissioners agreed to join the B.G. Wagon Pool even though there were some disadvantages to the Calcutta Port Commissioners' Railway.

Since the C.P.C. Railway did not contribute any wagon to the Pool, a theoretical ownership was fixed, which is represented by zero balance figure. If the holding of wagons is more than the zero balance of that particular day, a debit is created upon which payment of hire charge by C.P.C. Railway is effected. If the holding of wagons is less, a credit is created upon which the Calcutta Port Commissioners is due to receive hire charge."

3.37. The following free-time is afforded to the C.P.C. Railway:

(a) 12 hours as junction allowance on each wagon interchanged with the C.P.C.

(b) 48 hours on each wagon reaching the Port loaded and empty which is not loaded in both directions plus an additional 24 hours on wagons loaded in both directions.

Zero Balance is calculated at midnight at the end of the interchange transaction for the date on the basis of the following formula:

Inward load .	x 2·5
Inward empty;	x 1·5
Outward load	x 1

The sum represents the zero balance from the date of the transaction.

The principal advantages have been as under:

(1) The wagons can be indiscriminately back loaded.

(2) Contrary to the view of the Trunk Railways that the C.P.C. Railway should pass on to the three Railways, all demurrage received by them in excess of hire paid and no hire charge credit should be granted to the Commissioners, the Railway Board had accepted the principle that the C.P.C. should retain the entire amount of demurrage collected by them and would also be eligible for credit.

(With the recent increase in the rate of hire charge from Rs. 2.50 to Rs. 7 for a 4-wheeler, the benefit derived so far from this arrangement has diminished).

The main disadvantages have been as under :—

No exemption of hire charge is give on—

(i) Trains put back due to Railways failing to clear the train before midnight from C.P.C. Railway junctions, since all goods wagons are considered to be interchanged on arrival at, and departure from, C.P.C. junctions.

(ii) Wagons misdespatched to C.P.C. Railway.

(iii) Inward loads received against restrictions or in excess of limitations imposed.

(iv) Empties received without indent or in excess of demand excepting tank wagons.

(v) Inward unconnected wagons.

(vi) During monsoon season (1st June to 31st October) empties detained for Damage by Wet examination and repair.

(vii) Wagons received in damaged condition or damaged after arrival and detained for repairs at Sick Line jointly controlled by C.P.C. Railway, Eastern Railway and South-East Railway.

(viii) Outward loaded wagons with oversize consignments awaiting clearance by Railways.

The C.P.C. Railway is liable for hire for the period occasioned by events beyond their control, viz., Acts of God, Strikes, Riots, etc."

3.38. "The desirability of the Bombay Port Trust Railway joining the Wagon Pool was suggested by the then G.I.P. Railway in May, 1945. The salient features of the arrangements under which the Bombay Port Trust Railway would be brought into the Wagon Pool were that the hire charge per wagon day would be reduced from Rs. 4.8 as. to Rs. 2.8 as per wagon-day if the average detention exceeded 36 hours for one-way traffic and 48 hours for two-way traffic, as against the free period of 48 hours then in force. The B.P.T. Railway was not required to contribute any wagons to the Pool. The sole object of this arrangement was to encourage the quick turn-round of wagons. This arrangement was agreed to by the Chairman, subject to an increase in the free hours for two-way wagons to 54 hours. The General Manager of the G.I.P. Railway, while agreeing to the increase in the free period to 54 hours, stated that it was not considered necessary to bring the B.P.T. Railway into the Wagon Pool for the reason that the wagons brought to Wadala for interchange by the B.B. and C.I. Railways were also taken on the G.I.P. Railway account and the later bore the entire credit for both railways. This arrangement was approved by the Trustees under T.R. No. 366 of 1946 (the free periods were reduced to 32 and 50 hours in 1962, vide T.R. No. 869 of 1962)."

"The question of the Port Trust retaining the demurrage was raised by the then Chairman with the Railway Board in May, 1951, and after discussion, the Chairman proposed that, after adjustments had been made for net hire debits and hire credits, the foreign demurrage collected should be shared by the Port Trust and the Central Railway on a 50:50 basis. It appears that although Shri Vasist of the Railway Board had verbally agreed to this distribution, it was afterwards turned down. The matter was brought before the Trustees, vide T.R. No. 432 of 1952, and it was decided that the Railway board should be officially approached for a division of the foreign demurrage collected on the basis proposed by the Chairman. However, the matter could not be purused to a successful conclusion."

"The salient features of our arrangements with the Trunk Railways for interchange of wagons are as under:

(a) 32 hours and 50 hours of free time for one and two way wagons, respectively.

(b) Payment of hire charges at the rate of Rs. 2.50 for every 4-wheeler wagon for every 24 hours.

(c) Exemption in respect of detention for various reasons like strikes, misdespatch of wagons, special stock, etc.

(d) Foreign demurrage to be credited to the Trunk Railways' revenue."

"In the light of previous experience regarding our efforts to obtain concessional terms regarding the interchange of wagons, it is doubtful whether we would be allowed, by the Railway Board, the same free time and the concession of retaining the entire foreign demurrage charges. as obtaining at Calcutta, while our present hire rate would probably be raised to Rs. 7 or more. In the circumstances, it does not seem worthwhile to take up the issue again with the Railway Board."

3.39. In a note furnished to the Committee, the Bombay Port Trust have stated the position regarding diversion of traffic from B.P.T. Railway to road as follows:

"Details of traffic diverted to road are not readily available. There is, however, no doubt that certain traffic is in fact being diverted from our

Railway to road. Inward cotton and outward petrol, oils and lubricants, in small containers, are the two main commodities, the traffic in which on our Railway has been affected as a result of diversion. Most of the incoming cotton to Bombay area used to be received at B.P.T. Depot.

Inward Cotton.

According to the representative period of three years from September to August, the traffic to Bombay in terms of cotton bales received by rail and road is as follows:

Year (September to August)	Traffic to Bombay (by bales)	
	Rail	Road
1965-66	517057	302705
1966-67	353217	663024
1967-68	373231	853147

It will thus be seen that substantial cotton traffic has been diverted to road. The same trend continues. The Trunk Railways are making some special efforts to attract this traffic, back to rail by offering them special rates, quick transit service, etc. The results will have to be watched.

Outward P.O.L. Traffic.

This traffic has been continuously on the decline. The decline is attributable to several factors like establishment of refineries in different parts of the country, rationalisation of supply, shortage of tin-plates for making small containers and so on. Marketing studies undertaken by the Trunk Railways indicate that about ten wagon-loads are diverted from our Railway to road every day.

In addition to the above commodities, the traffic in short distance industrial raw materials has been diverted to road to the extent of about five wagons a day.

In short, the total diversion of traffic from our Railway to road is roughly as under:

S. No.	Commodity	Approximate No. of wagons a day
1	Income cotton	15/16
2	Outgoing P. O. L.	10/12
3	Outgoing short distance industrial raw material	7/8
4	Outgoing miscellaneous cargo like rubber tyres, soap, small machinery, etc., and including sundry goods	13/14
	TOTAL	45/50

Asked about the condition of the rolling stock, the Chairman, Bombay Port Trust stated: "Some of the wagons are not in good repairable condition. We are converting some of them to Rail flats. Some others we are converting for fertiliser handling. For such wagons which are drawn along side the ships, we have got opening on the four sides so that labour can fill up bags with discharged fertiliser very easily. There are some wagons—in good repairs—we use them for taking cargo from the dock area to the buffer site—Haji Bunder."

3.40. The Bombay Port Trust have furnished the following information about the state of wagons:

"The book balance of B.P.T. wagons is 628. 184 wagons, however, are not in use and are beyond economic repairs. The effective wagon stock is 444, consisting of 396 open and 48 covered wagons, *vide* the details given below:

Wagons			
Open		Covered	
'A' Class	206	'Z' Class	30
OY	71	Vigilance Vans	18
OZ	88		
Hopper (for fertilisers)	6		
'B' Class	9		
'C' Class	8		
KL	8		
	396		48

With the decrease of iron ore and manganese ore export from this Port for which B.P.T. wagons are primarily utilised, the existing effective wagon stock of 444 wagons is considered to be more than sufficient. Conversion of some of the existing unserviceable wagons, for transportation of containers and some for use as rail hoppers for the direct discharge of bulk fertilisers and disposal of the other remaining wagons, is under our active consideration."

"As regards the old unserviceable wagons, which are not required for conversion into flats or hoppers, these can only be disposed of in stages since it has been our practice to remove and retain serviceable plates and other valuable parts an only 20-30 wagons can be handled at a time for the purpose in a siding near the wagon repair shop. We had sold 58 wagons in 1967-68 and 9 wagons in 1968-69, the total sale proceeds being Rs. 92,884. A further lot of wagons is being disposed of during 1969-70."

3.41. Referring to the recommendations of National Port and Harbour Study team, the witness stated: "One thing they suggested with which I was more or less in agreement and I have asked my people to examine it further to coordinate repairs to the rolling stock of the Port Railway with the Trunk Railway. It is a very good suggestion. If possible, some coordination can be brought about. There may be lesser cost of repairs on our equipment and Railway wagons. That is what they have suggested coordination between Port Trust Railways and the Trunk Railways. Instead of having separate workshop which we have, we join together and have coordinated facilities. It may be cheaper. It is a suggestion made by the team to which you are referring. They have suggested many other things. The major Port Commission is going into all that. It has also examined whether, for instance, the Port should have railways of their own or whether the trunk railways should operate." Asked whether any Railway experts were associated with the Commission, the witness stated that they have taken evidence of Railway experts. Asked whether it was possible to form a technical sub-Committee of the Commission to go into this question, the Secretary, Ministry of Transport and Shipping stated: "It is a good suggestion. We will do that."

3.42. The Committee are concerned about the increasing losses sustained by the Bombay Port Trust Railway. If certain notional credits taken in the accounts by the Port Trust on account of oil traffic, dock wharfage and revenue derived from railway-served plots are excluded, the deficit in the working of the Railway works out to Rs. 72.58 lakhs in 1965-66, Rs. 85.79 lakhs in 1966-67, Rs. 95.09 lakhs in 1967-68 and Rs. 91.53 lakhs in 1968-69.

3.43. The Committee note that the Port Trust are themselves not very happy about the working of their Railways and propose to take certain measures to reduce establishment charges and also improve the efficiency of the Port Railway with a view to reducing the deficits. But the success of these efforts will be conditioned by the extent to which the Port authorities are able to enlist the co-operation of various staff unions. The Committee would like the Port Trust to enter into a dialogue with the unions for this purpose, so that the Port Railways could be made to work more efficiently.

3.44. The Committee note that the Ministry of Transport and Shipping have taken up the question of settlement of terminal charges payable by the

Ministry of Railways to the Port Trusts. It has been stated that the realisation of these extra terminal charges from the Railways would substantially offset the losses of Port Trust Railway. The Committee would like the question of terminal charges payable to the Port Trust Railway should be vigorously pursued with the Ministry of Railways.

3.45. The Committee find from the data furnished to them that there has been a considerable diversion of traffic from the Port Railways to road in the recent years. Approximately 45 to 50 wagon loads have been diverted from railway to road every day. The entitre question of scope of operations of the Port Railways is stated to be under examination by a Sub-Committee, with which the representatives of the Indian Railways have been associated. The Committee would like to be informed of the Sub-Committee's findings and the action taken to implement its suggestions.

3.46. The Committee have been given to understand that the Major Ports Commission is also examining whether the Ports should have Railway of their own or whether they should be operated as part of the Trunk Railways. The Committee would like to be apprised of the findings of the Commission in this regard as also the action taken thereon.

Outstanding Dues:

Audit Paragraph

3.47. Miscellaneous dues outstanding on 31st October 1968 are shown below:—

(Rupees in lakhs)

Item	Amount outstanding as on 31st March	Amount outstanding for more than 3 yrs (out of col. 2)	Amount outstanding on 31st October, 1968	Remarks
Dock Bills . . .	67·31	[illegible]	10·05	Rs. 3·67 lakhs due from Government Departments and undertakings.
Bunder Bills (including rents from Bunder estates.	7·41	2·23	3·25	Rs. 0·55 lakhs due from Government Departments and undertakings.
Bills rendeed by the Chief Accountant's Department.	27·64	0·21	7·44	Rs. 5·37 lakhs due from Government Department and undertakings

(Rupees in lakhs)

Item	Amount outstanding as on 31st March	Amount outstanding for more that 3 years (out of col. 2)	Amount outstanding on 31st October, 1968	Remarks
Estate Department .	89·86	40·45	62·43	Rs. 42·00 lakhs due from Government Departments and Rs. 20·43 lakhs due from private parties. As against the latter amount Rs. 16 lakhs were held by the Port in Miscellaneous Deposit Account.
Railway Department bills for rents and claims for terminal charges and revenue through credit notes.	25·58	7·98	7·72	Rs. 7·70 lakhs due from Government Departments and undertakings.
Port Department Bills .	18·04	0·15	3·86	Rs. [illegible] lakhs due from Government Departments and undertakings
TOTAL	235·84	53·82	94·75	

NOTE—In the Revenue Account for 1967-68 Rs. 53·83 lakh have been provided for doubtful and disputed debts.

[Paragraph 10 of Audit Report, 1967-68]

3.48. Explaining the latest position of the outstanding dues, the Chairman, Bombay Port Trust stated during evidence: "Out of Rs. 2.35 crores, the outstanding has been reduced to Rs. 67 lakhs as on 31st October, 1969......In the dock bills a sum of Rs. 67.31 lakhs has been shown as outstanding as on 31st March, 1968. That has gone down to Rs. 3.19 lakhs. Of this 90 lakhs of rupees are due from the Government Departments and undertakings. Regarding bunder charges the figure of Rs. 7.41 lakhs has been reduced to Rs. 2.94 lakhs. Of this, again Rs. 30,000 are due from Government Departments and undertakings. Bills rendered by Accounts Departments amounted to Rs. 27.64 lakhs. This figure has also been reduced to Rs. 1.36 lakhs. Of this Rs. 0.65 lakh (nearly half) is due from Government Departments and Undertakings."

"In the Estate Department, the sum of Rs. 89.86 lakhs outstanding on 31-3-1968 has been reduced to Rs. 52.04 lakhs of which Rs. 37.47 lakhs are dues from Government Departments. As regards the due of Rs. 37.47 lakhs due from the Government Departments,....these are mostly dues from the Ministry of Defence. We have been constantly in correspondence with the Ministry of Defence for clearance of these arrears. At one time a compromise was reached and we said that we would scale down our demand while sending bills but at least they must clear them, then. Now whatever has been agreed to by compromise unfortunately that too has not been forthcoming. I am taking up the matter with the Defence Secretary personally."

3.49. Asked about the difficulties in realising the dues from Government Departments the witness stated: "At one time we were asking for certain rates which they were not agreeable to pay. The normal expectation would be that whether it is a public sector undertaking or a Government Department it should pay the normal market rate. All the same, only in order to get the dues owed to the Port Trust by the Government realised quickly, we had agreed to some compromise to scale down the demands. I do hope that we will be able to get these dues. The dues from the Railways have come down from Rs. 25.58 lakhs to Rs. 7.53 lakhs. Of these, Rs. 7.50 lakhs are due from the Government Departmental undertakings. The arrears have been considerably scaled down from Rs. 2.35 crores to Rs. 67 lakhs of which a major portion, that is, nearly Rs. 37.50 lakhs is in respect of arrears due from estate departments and mainly from the Ministry of Defence."

3.50. Asked whether the Port Trust were following a different yardstick for recovery of dues from Government Departments and private parties, the witness stated: "I do not think we should have such a different yardstick. We shall now start demanding interest from Government Departments and public sector undertakings for these huge arrears, I really hope that we are going to recover them."

3.51. The Bombay Port Trust have furnished the following position of outstanding dues recoverable upto 31-3-1968 and outstandings as on 31-10-1969:

"The position of outstanding dues recoverable upto 31-3-1968 and outstanding as on 31-10-1969, is shown in the table below. It may be mentioned that further recoveries continue to be made:

Item	Amount outstanding as on 31-3-1968	Figures outstanding for more than 3 yrs. out of Col. (2)	Amount outstanding as on 31-10-1969	Remarks
1	2	3	4	5
	Rs. (in lakhs)	Rs. (in lakhs)	Rs. (in lakhs	
Dock Bills	67·31	2·80	3·19(a)	(a) Rs. 0·901 lakh due from Government Departments and undertakings.

1	2	3	4	5
		(Rupees in lakhs)		
Bunder Bills (including rents from Bunder estates.	7·41	2·23	2·94(b)	(b) Rs. 0·30 lakhs due from Government Departments and Undertakings.
Bills rendered by the Chief Accountant's Department.	27·64	0·21	1·36(c)	(c) Rs. 0·65 lakhs due from Government Departments and Undertakings.
Estate Department .	89·86	40·45	*52·04(d)	(d) Rs. 37·47 lakhs due from Government Departments and Rs. 14·57 lakhs due from private parties. As against the latter amount, fairly adequate amounts have been held in the Miscellaneous Deposit Account.
Railway Department Bills for rents and claims for terminal charges and revenue through credit notes.	25·58	7·98	7·53(e)	(e) Rs. 7·50 lakhs due from Govt. Departments and Undertakings.
Port Department Bills .	18·04	0·15	0·23(f)	(f) Rs. 0·06 lakhs due from Government Departments and Undertakings.
TOTAL .	235·84	53·82	67·29	

*Figures represents the position as on 30-9-1969.

3.52. It has been stated by the Port Trust that "Our revised system of accounting, under which a Central Sundry Debtors Account and separate section-wise accounts pertaining to bills rendered are maintained enables us to exercise a stricter control over the recovery of dues. Interest on outstanding rent bills is also now being charged and prompt legal action is resorted to, whenever necessary. A monthly statement of outstanding dues is regularly prepared and submitted for the information of our General Manager and Chairman. The Heads of Departments concerned are addressed suitably on the basis of the periodical reviews made."

3.53. The Committee note that the outstanding dues of the Port which stood at Rs. 235.84 lakhs as on 31st March, 1968 were reduced to Rs. 94.75 lakhs as on 31st October, 1968 and Rs. 67.2 lakhs as on 31st October, 1969. The Committee are not satisfied with the progress made in realisation of dues during the period 31st October, 1968 and 31st

October, 1969 : only an amount of Rs. 17.46 lakhs was realised during a period of one year. The Estate Department of the Port has to realise dues amounting to Rs. 52.04 lakhs, out of which Rs. 37.47 lakhs are due from Government Departments and Rs. 14.75 lakhs from private parties. The Committee desire that sustained efforts should be made to realise the dues from Government Departments and private parties to avoid their accumulation in future. The Committee note that it has been decided to recover interest on the outstanding dues both from Government Departments and private parties. The Committee hope that this will be done without delay.

Loss in Revision of Rates of Rent on Renewal of Leases.

Audit Paragraph

3.54. A plot of land was leased for fifteen years to a party in 1951 at Rs. 1,897.75 per month. After expiry of that period, the lease was renewed at the old rate from 17th April, 1966 to 31st October, 1971 and at Rs. 2,673.75 per month from 1st November, 1971 to 31st October, 1986. Since the original agreement did not contain any clause for renewal of the lease at the rate mentioned therein, the renewal should have been made at the prevailing market rate which was Rs. 21 per square metre per annum on which the lease rent was originally granted.

[Paragraph 3(a) of Audit Report, 1967-68]

3.55. The Committee asked why in this case market rent was not charged from April, 1966 when the original agreement did not contain any clause for renewal of the lease at old rates. The Chairman, Bombay Port Trust stated during evidence: "In 1951, the Board felt that we should go in for current market rates and that when there is no clause for renewal of the lease, we should charge current rates. But there was great opposition and the Board passed a Resolution that the renewals may be done on a certain basis. For instance, when the lease is for rent earning and for the first half of the period of renewal, the rent received in the older lease deed was to be increased by 20 per cent, and in the second half by 30 per cent. Similarly, where the leases were not for rent earnings purposes and that means that the lessee was using it for his own use the rent was to be increased by a certain prescribed multiple......This lease was given in 1951 for 15 years. The resolution of the Board is a standing resolution in respect of leases. The Board have passed a resolution in the old days, to the effect that even if there was no renewal clause in the lease and if it expires, the lease should be renewed on the basis of a formula. In this case the rent has been increased during 1971 to 1986 to Rs. 2.673.74 per month. In accordance with the formula, this was a rent earning lease and upto 1971 the rent was to be increased by 20% of the old rent. Then from 1971 to 1986 it was to be raised by 30% on rent earning basis, the lease to be renewed raising the old rent by 2.25 times till 1970, then by 2.80 times till 1980 and thereafter by 3.50 times till 1990. This is the policy of the Board. You can say that this policy needs to be reviewed. What has been done is in conformity with and in implementation of the policy which has been passed by the Board in a resolution." The witness added: "In 1956, the possibility of levying the current market rate was considered. But there was a considerable opposition on the ground that the Rent Control Act did not permit it. Even if the lease expires, it is not easy to increase the rent and resume possession unless and until we go to a court of law and evict a person by taking to eviction proceedings. So, to get over this trouble, the Board by its Resolution adopted this policy....I myself have been considering the possibility whether we should change that Resolution and go over to the charging of market rent. But the practical aspect and difficulties also have to be considered. What has been done is in conformity with the Board's Resolution."

3.56. Asked about the difficulty in evicting the lessees if they were not prepared to pay the market rates, the witness stated: "When the lessee does not quit and after protracted eviction proceedings, we bring a new lessee, he may not pay the arrears. Nor will it be reasonable to make the new lessee to pay the arrears. This is one of the things which lessees in possession bank on. So, we had requested the Government to let us have the benefit of the recent enactment the Public Premises (Eviction) Act which would give us a summary power of eviction. But, then we were told that it would not be applicable to port trust land. If we have such a sort of enactment that would help us. We can certainly make use of that power straightway. That will also help us to levy current market rates after eviction......We cited analogy that under the Bombay Port Trust Act we have got the powers to evict employee occupants of our buildings, we can go to the magistrate for getting them evicted. But these amendments are not applicable to plot holders. We have no such powers." The Secretary, Ministry of Shipping and Transport stated: "The Port Trust did move us when the Public Premises Eviction Act was passed, we took it up with the Works, Housing and Supply Ministry who administers the Act. But they have given a ruling that the Port Trust property does not come under the definition of Public Premises Act....The advice given was that the civil proceedings should be taken up against anyone like other citizen."

3.57. The Chairman, Bombay Port Trust stated: "The Ministry is also considering bringing forward an amendment to the Bombay Port Trust Act for eviction of Port Trust plot holders." The Secretary, Ministry of Transport and Shipping stated: "A Commission on Major Ports is also going into the working of the port administration and we are awaiting the report. They might make some recommendations in respect of this."

3.58. The Committee see no justification in having renewed the lease in this case at the old rate from April, 1966 to October, 1971, particularly in the absence of any provision in the original agreement for its renewal at the old rate.

3.59. The Committee were informed that this was done in accordance with the resolution of the Board of Trustees and that the lease rent for the period 1971 onwards was increased according to the formula approved by the Board of Trustees in 1956. The Committee desire that the formula approved by the Board of Trustees in 1956 should be reviewed with a view to relating it to current market rates so that, as far as possible, the Port Trust does not lose revenue avoidably.

3.60. The Committee were informed that one of the difficulties in charging market rate was that this would entail protracted eviction proceedings, in case lessees were not prepared to pay the market rates. The Port Trust had approached Government for powers to evict lessees under the Public Premises (Eviction) Act, but they were advised that Port areas would not come under the purview of Public Premises (Eviction) Act. Government are now, however, stated to be considering the question of amending the statute to facilitate speedier action for eviction of recalcitrant lessees. The Committee feel that necessary powers should be conferred on the Port Trust to evict lessees in case of default of rent or after the termination of the lease, by means of a summary procedure instead of having to institute a civil suit for eviction.

Loss of Rs. 5.32 lakhs.

Audit Paragraph

3.61. A plot of land was given on lease in 1960 to an individual for fifteen years at Rs. 8.50 per sq. yard per annum for being used for 'godown and industries etc.' One of the conditions governing the lease was that the building to be constructed on the plot would not be let out to outsiders. However, when the building was constructed, the lessee let it out at an annual rent of Rs. 2.54 lakhs from 1st August, 1963 without obtaining the permission of the Port Trust. When the breach of that condition came to light in February, 1965, the Port Trust allowed the lessee to surrender the old lease for the unexpired period and a fresh lease at Rs. 30 per sq. metre per annum for 30 years was granted to him from 1st April, 1967. According to the policy decision (Trustees Resolution No. 964 of 1956), cases of renewal of leases are to be charged rent at 20 per cent of the gross rent received by a lessee from outsider for first fifteen years and 30 per cent of the gross rent thereafter which in the present case worked out to Rs. 36.80 and Rs. 55.20 per square metre from 1st August, 1963 and 1st April, 1982 respectively. Since, technically, it was a case of renewal of existing lease there was hardly any ground for making the terms more generous than those applicable to renewal of the leases. There being no clear orders of Trustees to regulate breaches of such types, the provisions of above Resolution could have been made applicable so that defaulters do not derive more benefits than loyal tenents. On the basis of the formula in the above Resolution the loss on account of the concession is Rs. 5.32 lakhs for the period upto the end of the present lease, *i.e.*, upto 31st March, 1997. Further, although the breach of lease took place from 1st August, 1963, the Port Trust enhanced the rent only from 1st February, 1965. This resulted in an additional loss of Rs. 0.55 lakh during the intervening period.

[Paragraph 3(b) of Audit Report, 1967-68]

3.62. The Chairman, Bombay Port Trust stated that the party had let out the building to the State Government. After this came to the notice of the Port Trust, the lease rent was increased from Rs. 5 to Rs. 30 per square metre which was much higher than the market rate of Rs. 21 per square metre. The witness did not agree with Audit that there was a loss of Rs. 5.32 lakhs. Asked why he was allowed to surrender the original lease in spite of the breach, the witness stated that as the party had let out the building to the State Government, he was not evicted but made to take a new lease with increased rent after surrendering the old one. The enhanced rate was applied from the 1st February, 1965 when the breach was detected. Unless the Port Trust detected it, legally, the party could have got away with it.

3.63. The Committee take a serious view of the fact that the lessee in this case who committed a breach of the lease terms by letting out the building built on Port Trust land was granted a fresh lease. The Committee regret that Port Trust did not take necessary action against the lessee for breach of the terms of the lease agreement, but instead granted a fresh lease at a revised rate. The revised rate did not conform to the formula approved in the Trustees Resolution of 1956 with the result that there was a loss of Rs. 5.32 lakhs for the period of the present lease upto 31st March, 1997. Another unsatisafctory feature of the case is that although the breach of the lease took place from 1st August, 1963, the Port Trust enhanced the rate only from 1st February, 1965 which resulted in an additional loss of Rs. 0.55 lakh during the intervening period.

The Committee hope that cases of this type will not recur.

Rates for Patrolling of Oil Pipe Lines.

Audit Paragraph

3.64. Patrolling of oil pipelines which belong to private oil companies as also those owned by the Bombay Port Trust is being carried out by Port Trust staff for which specific charges (not covered by wharfage) are recovered at the rates prescribed by the Trustees in 1952. Though the cost of services has increased by over 200 per cent since 1952, there has been no upward revision of the rates so far (October, 1968). The loss due to this is estimated to be about Rs. 9.00 lakhs per annum.

[Paragraph 4(b) of Audit Report, 1967-68]

3.65. During evidence, the Chairman Bombay Port Trust stated: "The charge for patrolling oil pipelines at Rs. 25 an hour or part thereof (during the normal working hours) and Rs. 37.50 an hour Part thereof (out side normal working hours) was fixed by the Resolution of 1952. The Average out of pocket expenses required to be incurred for this purpose had been computed by the Engineering Department. In the case of most of the sections the expenses so computed ranged between Rs. 19.00 an hour for the Alexandra Dock, Wadi Bunder Section and Rs. 25.00 an hour for the Hary Bunder (Wadi Bunder Section). The charge was, however, fixed at the higher rounded off figure of Rs. 25 an hour or part thereof outside normal working hours. Labour rates have admittedly risen since then but a part of the increase would be absorbed by the margin that was then deliberately kept while fixing the charge at the higher level. In a big administration like the Port Trust with its varied activities a number of services have to be rendered to trade and shipping interests. It is neither practicable at present nor it is necessary to examine the expenses involved in rendering each and every small service and to go on revising the prescribed charge for such a service the moment the cost of rendering such a service goes up. In working out and fixing the rates to be charged the overall financial position of the Port has also to be kept in view. We are aware of the need to rationalise our rate structure on a scientific basis and active steps have been taken in that direction. Whenever it was necessary to augment revenue for the working requirements of the Port Trust—a surcharge at an *ad hoc* percentage basis was being levied on the rates and charges. The patrolling charges have been subjected to 5 per cent surcharge with effect from 1st April, 1965. It may also be borne in mind that the number of oil pipelines run in parallel and two or more such lines are used simultaneously for different operations by different oil companies and we are charging patrolling charges for each of them although the operation either on foot or by jeep may be a single one. Unless proper costing is done, it cannot be said that the present patrolling charges are unremunerative and there is no basis for the assumption that there has been a loss on this account of Rs. 9 lakhs during the five years 1963—68 as indicated in the Draft Audit Report. All the same, in our costing exercise, we will see if it is susceptible of further increase."

Loss of Wharfage on petrol oil and lubricant products:

3.66. The Committee are astonised to find that since 1952 there has been no revision of rates to be charged from the private oil companies for patrolling their oil pipe-lines, although the cost of services is estimated to have increased by about 200 per cent since then. The Committee desire that this question should be immediately taken up and the rates revised suitably. The Committee also hope that with the setting up of a Costing Cell in the Port Trust the rates for various other services rendered to private parties would be periodically reviewed, in order to bring them up-to-date; Foı this purpose some time-schedule for review should be prescribed.

Audit Paragraph:

3.67. Wharfage on petrol oil and lubricant products was being charged on the volume of the product at the normal temperature as shown in the certified copies of the customs outturn certificates received from the oil companies. With effect from 1st October, 1960, the Central Board of Excise and Customs revised the basis of the measurement of volume of the product with reference to the standard temperature of 15°C instead of the normal temperature adopted till then. The change resulted in a drop in the volume. In order to make up loss due to this change the customs department increased their levy from that very date. The Port Trust, whose revenue was also affected, however revised the rates of wharfage on petrol oil and lubricants products only from April, 1968. The annual loss of revenue to Port Trust due to delay in increasing rate is Rs. 9 lakhs (approx.).

3.68. The Port Trust stated (July, 1968), that the change in the basis of measurement by the customs department came to their notice only in May, 1966 and that some further time was required as the Port Trust had to obtain information which would place them in a position to answer effectively any objection from the oil industry on whom a surcharge of 5 per cent had already been levied from 1st April, 1965.

[Paragraph 4(d) of Audit Report, 1967-68].

3.69. The Committee desired to know the reasons for delay in revising the wharfage rates on oil. The Chairman, Bombay Port Trust stated: "We came to know that the Customs had adopted revised made of computation in May, 1966. Though the Customs Notification said something in 1960, we came to know in 1966. Immediately we started enquiries with the Customs and asked them what is exactly the adjustment because of the different temperature; how much should be assessed how much should be the adjustment according to the new customs procedure. They were not able to tell us anything about this and then we wrote to the

Calcutta Port authorities and asked them what rule they were following and they told us roughly about 2 per cent adjustment was made. So, we followed the same from — 2 per cent adjustment in Bombay. Even before that we had raised the surcharge of 5 per cent on petroleum products. But then we said that we were going to improve the oil handling facilities at the Marine Oil Terminal, because while formally it berthed 48,000 displacement tonnage; in Bombay, the terminal has been improved to berth 70,000 displacement tonnage. It would not be unreasonable to add further 2 per cent increase in our petroleum rates and that is why in addition to the 5 per cent surcharge which we had already levied, we increased it by 2 per cent more."

3.70. The Committee are concerned at the lack of coordination between Bombay Port Trust and the Customs Department which occurred in this case. The Customs Department revised the basis of measurement of volume of petrol, oil and lubricant products with effect from October, 1960. The change in the basis of measurement resulted in a drop of volume, to counteract which the Customs Department increased their levy. However, the Port authorities, who were charging wharfage on the basis of volume came to know about this changed basis only in 1966. Thereafter it took them two years to revise the rates, i.e., April, 1968. This resulted an annual loss of revenue to the Port Trust amounting to Rs. 9.00 lakhs approximately. The Committee desire that necessary steps should be taken to establish better coordination between the Customs and Port Trust in matters of common interest which affect the Port revenues.

Levy of hire charges for a 30-ton 'Lima Crane loaned to a contractor at market rates:

Audit Paragraph

3.71. A heavy lift 30-ton Lima Crane was given on hire to a foreign contractor, executing a week on dock expansion scheme, from 11th May, 1967 at Rs. 270 plus operational charges upto Rs. 150 per diem of eight hours (which is the departmental rate). The contract, however, did not stipulate the supply of the crane to the contractor at the concessional rate, *i.e.* departmental rate. Till 20th August, 1967 recovery was effected on the basis of working one shift (8 hours per day) and from 21st August, 1967 on the basis of two shifts (rent being Rs. 270 plus operational charges of Rs. 150 per shift of eight hours). The market rent for a crane of lower capacity, of 20 tons crane, was about Rs. 1,100 per shift of eight hours in May, 1967. Even on the basis of market rent for single shift working of a crane, the value of the concession from 11th May, 1967 to 31st May, 1968 works out to Rs. 2.60 lakhs. The crane continues to be hired to the contractor (December, 1968). The Port Trust stated that the plant and gear were hired to the users of the Port or to contractors executing construction works in the interest of speedy execution of the work and it was not the practice to charge the market rate in such cases.

[Paragraph 3(c) of Audit Report 1967-68].

3.72. In a written reply, the Bombay Port Trust have stated:

"Under the conditions of contract, the contractors are expected, except where otherwise specified, to supply and provide at their own expense all the constructional plant required both for temporary and permanent works and the conditions of contract do not provide that the contractors would be supplied any item of plant and gear at a rate less than the market price.

As indicated in the departmental reports underlying T. R. No. 645 of 1956, Port Trust plant and gear are usually loaned only to users of the Port or to Port Trust contractors in the interest of expeditious execution of Port Trust works entrusted to them. Loan of such plant and gear is sometimes made to outsiders as well, but such cases arise only rarely. The rate for the loan of each unit of plant or gear is fixed with our Board's approval. We have been adopting certain well-defined principles for arriving at the rate. Factors, such as Interest on Capital cost, Sinking Fund Provision, Depreciation, Intermediate Renewals and Replacements, Running Repairs and Maintenance charges are adequately allowed for, while fixing a hire rate, per diem of 8 hours or part thereof. It may be mentioned that the formula in use has been acquiesced in by the Officer on Special Duty, Accounting Cell, Ministry of Transport. The rates so fixed are also applied for allocating the cost of such plant or gear, when used on Port Trust Capital Works, Works under Special Expenditure (*i.e.*, those financed by withdrawals from Funds including the Pilotage Depreciation Fund) and Works under Pilotage Account. Besides the basic hire rate, the cost of operation of the plant and gear is recovered from outside parties, in addition at actual cost plus adequate 'on-cost' towards leave, Provident Fund Pension Contribution on wages, stores supervision charges on stores/materials required to be used and overall engineering supervision charges at 12½% in respect of the generality of outside parties, *i.e.*, other than Government Departments/Undertakings, etc., in whose case the supervision charge is higher, *viz.*, 25%. The hire rates thus worked out are adequate and do not involve at all any 'loss' to the Port Trust. It has never been our practice to charge the 'market' rates of hire to any of our contractors or to any of the outside parties. The plant or gear is loaned to outside parties only when it can be conveniently spared, *i.e.*, when it would otherwise remain idle or underutilised.

The 'Lima' crane has been given on hire to our main contractors for the Dock Expansion Scheme with the approval of the Board. As explained in the preamble to T. R. No. 1398 of 1967, the rates charged by the Crane Owners' Association for cranes of 20-ton capacity are in the neighbourhood of Rs. 1100 for a shift, Rs. 725 for half a shift and Rs. 240 for an hour. These rates are, however, payable only for the actual period of use, whereas our practice is to charge at the approved rate for the entire period of the loan and, as stated earlier, we recover, in addition, the actual cost of operation with adequate percentages by way of 'on-cost' thereon.

Moreover, the method adopted by the Government Auditors for the calculation of the hypothetical loss is based on certain assumptions. The loss has been worked out by taking the difference between the rate of Rs. 1100 for a shift charged by the private crane owners and Rs. 420 (departmental fixed rate-Rs. 270 plus operational charge-Rs. 150). The operational charge of Rs. 150 per diem is the average of the actual operational charges billed during the period from 14-3-67 to 15-7-67. During the subsequent period, the cost of operation was not required to be billed as the party had made their own arrangements for operating the crane, but in view of the grant of higher dearness allowance and ex-gratia payment, the operational cost during the latter period that would have been billed, would have been in excess of Rs 150 per diem. The crane had worked for two shifts during the period from 21-8-67 to 30-11-67 and hire charges at the rate of Rs. 540 per diem or part thereof have been billed against the contractors. It would not, therefore, be correct to assume the recovery uniformly at the rate of Rs. 270 per diem (plus operational charges). Besides, it is understood that our crane was not utilised by the contractors regularly throughout any shift and, hence, it would be wrong to assume the market rate payable by the contractors as Rs. 1100. In the light of what is explained, the amount of alleged or socalled concession would need to be re-computed and would stand reduced appreciably. Furthermore, it may be pointed out that the 'Lima' crane, which is very old and which was being very rarely used for Port Trust requirements, especially after the commissioning of the Tata P&H cranes, and is not comparable to a crane that might have been supplied by an outside party, would have otherwise remained idle and might have been disposed of. What we have been able to achieve by the loan of that crane to the contractors is to secure some additional revenue. We have also enabled the contractors thereby to execute the work entrusted to them by the Port Trust expeditiously in the larger interests of the Trust itself."

3.73. The Committee regret to point out that the rate of hire (Rs. 420 per shift) charged from the private contractor in respect of 30-ton Lima crane was very much on the low side as compared with the market rate (Rs. 1100 per shift). The Committee desire that rates of hire for machinery and equipment loaned to contractors should be revised periodically so that these are comparable with market rates.

Ground rent of monthly tenancies and 15-monthly leases:

Audit Paragraph

3.74. 4.27 lakhs square metres Port Trust land were let out on monthly and 15 monthly leases (to trade) at the very low rate of annas 2 to 6 per sq. yard per month during 1920. The rates were raised on an *ad hoc* basis for the first time in 1952 (the increase was 81 per cent an on average over the then existing rates). Although the Trustees had decided in 1951 that the need for revision of rates should be examined once in three years, that was not done between 1954 to 1966. In July, 1966, the Chief Surveyor and Land Valuer (of the Port Trust), who was asked to report on revising the rates on a more scientific and rational basis, recommended that the rates might be raised by 200 to 300 per cent over the existing rates. From 1st October, 1968 the Port Trust, however, increased the rates by 33⅓ to 75 per cent of the then existing rates.

[Paragraph 4(a) of Audit Report 1967-68.]

3.75. In a written reply, the Bombay Port Trust have stated:

"The question of revision was considered by the Board from time to time, namely, in July, 1956, March, 1957, May, 1959, February, 1960, January, 1962 and March, 1964. It may be mentioned that shortly after the previous revision was sanctioned in May, 1951, modifications had to be effected in April and July, 1952. Our Estate Manager reported in 1956 that there was no scope for effecting any further revision of the rates in view of the suits pending against some of the tenants, who had refused to accept our revised rates. In 1957 and 1959, he reiterated the same argument, reporting in the latter year that the revision of rates of certain Port Trust structures had also been sanctioned in that year. In 1960 and again in 1962, he reported that the circumstances had not altered sufficiently to warrant a fresh revision of the rates, adding that the then current practice of charging rent at the prevailing market rate as and when an opportunity occurred for regularising a tenancy, where breaches by way of sub-letting, change of user, etc., had occurred, was being continued. In 1964 also, the Estate Manager expressed the view that the question of revision be held in abeyance for a further period of two years in view of the opposition faced when rents for certain godowns were revised.

It was after mature and due consideration of all the circumstances that the Trustees, by their Resolution No. 589 of 28th May, 1968, fixed the percentage increases in respect of monthly tenancies and 15-monthly leases, *vide* the detailed preamble of the copy of the Resolution enclosed. Hence, it would not be correct to say that there is a loss in revenue to the Port Trust due to non-implementation of the suggestions of the Chief Surveyor and Land Valuer of this Port Trust.

No doubt, the Port Trust has been exempted from the operation of the Bombay Rent Control Act but we have to proceed gingerly while stepping up our rates of rent so as to conserve the benefits we have derived from the exemption which might otherwise be withdrawn by the State Government.

The average area shown in the para is that let out in 1966-67; the area, of course, keeps on fluctuating from year to year—in 1953-54, the area was only about 2,92,800 sq. metres."

3.76. **The Committee find it surprising that the rates of ground rent in respect of monthly and 15-monthly leases for lands let out as far back as 1920 (at rates varying from annas 2 to annas 6 per sq. yd. per month) were allowed to hold the field for nearly two decades till they were increased on ad hoc by 81 per cent on an average over the then existing rates. Although the trustees decided in 1952 that the need for revision of the rates should be examined once in three years, no decision was taken to raise the rate till 1968. In 1968, the rates were increased by 33⅓ to 75 per cent, although the Chief Surveyed and Land Valuer of Port Trust, entrusted with working of the rates on more scientific and rational basis, had recommended in 1966**

that the rates might be raised 200 to 300 per cent. The Committee would like the Port Trust to rationalise the basis for fixation of rent in respect of leases of port land so that lessees do not profit at the expense of the Port.

Revision of lease rent on reassignment:

Audit Paragraph

3.77. With a view mainly to prevent trading in Port Trust lands and to derive adequate returns for Port Trust properties, the Board had decided in June, 1965, that on reassignment of existing non-rent-earning leases, the new assignee should normally be charged increased rent at 1.5 times the rent reserved under the existing lease for the first half of the residual period and 1.75 times such rent for the remaining period.

3.78. In connection with the request for the transfer of the lease assignment of a Port Trust land measuring about 1,115 square yards made by the original lessee in November, 1965 for a consideration of about Rs. 28 lakhs payable to him by the transferee, the Estate Manager held that the above formula was on *ad hoc* basis without taking into account the basic principles of valuation and was on the lower side. According to his assessment (February, 1966) the lease rent for this plot on the rateable value of the property was Rs. 2,626.50 per month. The Board however, approved the reasignment in March, 1966 in terms of the formula adopted in June, 1965 the rent being enhanced to Rs. 1,083.12 per month for the first half of the residual period and Rs. 1,263.11 per month for the remaining period against the existing rates of Rs. 722.06 and Rs. 770.22 respectively. By fixing the rent on reassignment in this manner instead of on the basis of rateable value of the property the loss of revenue to the Port Trust in this case works out to Rs. 10.81 lakhs spread over the unexpired period of the lease of 62 years as compared to the assessment of the Estate Manager.

[Paragraph 11(i) of Audit Report, 1965-66.]

3.79. In a written reply, the Bombay Port Trust have stated:—

"Our Estate Manager had himself proposed in connection with the question of levy of fees for assignments and transfers of Trustees' properties, that in respect of both "rent earning" and "non-rent earning" leaseholds, at the time of giving consent to assignments, the Trustees might adopt the same practice as the one followed for renewal of leases, subject to certain modifications (*vide* his report dated 16-4-1965 embodied in the preamble to Trustees' Resolution No. 519 of 1965) and it was only after protracted deliberations and careful consideration of all the aspects involved that our Board finally took a policy decision in the matter as recorded in the

T.R. No. deviation could, therefore, obviously be made from that policy decision so soon after its adoption *i.e.*, without gaining adequate experience, unless the reasons were compelling, which was hardly the case with the proposal sanctioned under T.R. No. 204 of 1966. It will be seen from the preamble to the latter T. R. that the original lessees were Imperial Chemical Industries (India) Ltd. (the lease was effective from 1-10-1929) and the assignees were Larsen & Toubro Ltd. The relative premises were rightly treated as "non-rent earning" on the recommendation of our Legal Adviser and Estate Manager, since almost the whole building was in the occupation of the proposed assignees and it was stipulated as a condition of the assignment that the assignees should, within two years, obtain possession of the premises sublet to an outside party, failing which the rent payable would be suitably enhanced. The party actually vacated the premises in January 1968, *i.e.*, within the stipulated period of two years. At the time the policy decision underlying T. R. No. 519 of 1965 was taken, Counsel's opinion had been obtained. He had explained that the Trustees' standard form of lease contained a covenent assignment without the consent of the lessor and had advised that if a condition were laid down in a lease requiring the lease to pay money for the consent of the lessor, the same would be valid. He suggested that the Trustees could refuse to accord their consent to a proposed assignment without giving any reason. Subsequently, negotiations "without prejudice" could be carried out regarding payment of additional rent or premium for the grant of consent, if the assignor or assignee so desired. The policy decision of the Trustees has not yet been reviewed."

3.80. The Committee note that with a view to prevent trading in Port Trust Lands and to derive adequate returns for Port Trust property, the Board decided in June, 1965 that on reassignment of existing non-rent earning leases, the new assignee should normally be charged increased rent at 1.5 times the rent reserved under the existing lease for the first half of residential period and 1.75 times such rent for the remaining period.

3.81. In view of the fact that in this case, the transferer got from the transferee a consideration of about Rs. 28 lakhs for the transfer which amounted to trading in the Port Trust land, the Committee consider that revision of the lease rent in terms of the Resolution of the Board of June, 1965 was inadequate. The Committee would also like the Port Trust to consider the question of revising decision taken in 1965, so as to secure for the Port a greater share of income arising out of reassignment of leases.

Non-realisation of storage charges.

Audit Paragraph

3.82. Under Section 61 of the Customs Act 1962, the maximum period for which goods may remain warehoused is ordinarily three years which may be reduced or extended at the discretion and orders of the Collector of Customs or Central Board of Excise and Customs, as the case may be Section 63(2) *ibid.* further empowers the Collector of Customs in the event of the warehouse rent not being paid within ten days from the date it becomes due, to ask the warehouse keeper to sell such portion of the warehoused goods as may be necessary to cover such rent.

3.83. A review (made in January, 1968) of the goods in the Trustees' bonded warehouses showed that the above provisions of the Act had not been applied to a large number of packages for which rent had not been paid. 593 packages continued to be stored in the warehouse after expiry of the normal period of bond. Warehouse rent for about 332 packages was not reailsed for over three years.

3.84. Assessment of warehouse rent upto July, 1968 for 250 packages showed that a demand of Rs. 0.51 lakh approximately remained to be realised from the owners of these packages.

[Paragraph 9 of Audit Report 1967-68].

3.85. In a written reply, the Bombay Port Trust have stated as follows:—

> "At a meeting held between our Chairman and the Collector of Customs on 21-6-1968, the Collector stated that he would have no objection to issue the necessary permission, under Section 63 of the Customs Act, 1962, for the sale of bonded cargoes which were lying on the Port Trust premises and in respect of which the Bonders had failed to pay the Port Trust charges. After discussion, it was agreed that the Port Trust should prepare a list of consignments lying in the Bonded Warehouses, irrespective of the period involved; where the Port Trust charges had accured due for protracted periods and the parties concerned have not responded despite letters issued to them for settlement of such charges, a separate list should be forwarded to the Customs Authorities for seeking the requisite permission under Section 63 of the Customs Act. The Collector assured the Chairman, that, on his part, the parties would be called upon to settle the Port Trust charges,

failing which the Port Trust would be given the requisite permission for disposal of the goods, either in whole or in part, to enable them to recover their charges. The required list was sent to the Collector of Customs, who has upto now granted the Port Trust permission to sell six consignments of textile machinery belonging to Laxmiratan Cotton Mills Co. Ltd., including a consignment of 40 cases forming part of the 240 packages referred to in the Audit Report para. One consignment was cleared on 13-8-1969 and the remaining five will be put up for sale on 11-5-1970. The party has also paid about Rs. 56,000/- towards our charges on these consignments. When these were last put up for sale, the best offer was not even sufficient to cover the Customs duty. The offer was, therefore, not accepted. The amount outstanding exceeds Rs. 1 lakh."

"In the case of two consignments consisting of 35 items in the name of the Bank of China, Bombay, orders have been passed by the Calcutta High Court winding up that Bank. The official Liquidator has been requested by our Docks Manager either to clear the goods from our premises on payment of our charges or allow us to sell the goods. In regard to two consignments consisting of 111 crates of glass shell, since the Company had gone into liquidation, the matter had been taken up with the Official Liquidator, Calcutta High Court. It is understood that the Calcutta High Court has directed the Official Liquidator, Calcutta, to adjudicate the dues of the Bombay Customs and thereafter include their dues******** in the list of creditors filed in the Calcutta High Court. Our Docks Manager has addressed the Official Liquidator asking for instructions regarding the further steps to be taken for obtaining payment of our warehouse rental charges. The Official Liquidator has permitted the Customs to sell the goods but Customs have not yet given permission to us to dispose of the goods. The charges upto 22-11-1969 amounted to about Rs. 72,900. In the case of another consignment, consisting of 54 bundles hot rolled sheets, where the amount due is fairly large, the goods have been confiscated by the Customs and not yet released."

3.86. The Committee desire that close coordination should be kept with Collector of Customs so that goods do not continue to be indefinitely in bond when the Bonders have failed to pay rent. In such cases expeditious action should be taken to obtain permission of the Customs Authorities for the disposal of the goods.

Idle Machinery

Audit Paragraph

3.87. The following table gives particulars of Machinery and Equipment of the different Departments of the Bombay Port Trust which were not utilised for periods mentioned against each. The reasons therefor as given by the Port Trust have also been indicated along with their financial implications.

Brief description of material equipment, etc., rendered idle	Reported reasons	Remarks
(a) Seventeen electric wharf cranes costing Rs. 47·65 lakhs purchased during the period from 1963 to 1965 were rendered idle from March, 1966.	The berths on which these cranes are installed are now used exclusively for the discharge of bulk cargoes. These cranes are expected to be out of commission for some more years.	The Port Trust have incurred an extra expenditure of Rs. 57,200 (from April, 1966 to March, 1967) on the surplus crane drivers numbering 65.
(b) Sixteen Hydraulic hoists installed in the sheds of the berths, referred to above, put out of commission from March, 1966.	The sheds are exclusively used for the discharge of bulk cargoes. These hoists are expected to be out of commission for some more years.	The Port Trust have incurred an extra expenditure of Rs. 25,815 on the wages of Hoistmen during the period from March, 1966 to November, 1966 on the surplus Hoistmen. These Hoistmen were retrenched on 30th November, 1966. The Port Trust have stated that they could not be retrenched earlier in the interest of good employer-employee relations.
(c) Two electric ovens costing Rs. 7,560 installed at the Smoke rooms at Butcher Island which were intended for use by the ships crew touching Butcher Island have remained idle from the date of their installation i.e. May, 1965.	The Port Trust have stated that the ovens remained unutilised because sufficient publicity was not given regarding their installation.	
(d) Power House for the Marine Oil Terminal at Butcher Island 2 Generators (out of 3 installed) costing Rs. 4·10 lakhs installed in August, 1957.	On an average only 28·6 per cent of the total capacity was utilised since the commissioning of the Power House till March, 1966 due to change in pumping procedure and in the pattern of oil trade.	Owing to the delay in the commissioning of the Power House consequent on the delay in construction of the building and appointment of the electrical staff, the Port Trust had to spend an amount of Rs. 11,029 on insurance, maintenance and staff.
(e) Coal Barge 'Shanti' purchased at a cost of Rs. 1·10 lakhs in 1965.	The barge went out of commission in December, 1961 and the cost of repairs was expected to be over Rs. 70,000.	The Port Trust sold the barge in May, 1963 for a sum of Rs. 17,000 which was less than the depreciated value by Rs. 60,000.

Brief description of medical equipment, etc., rendered idle	Reported reasons	Remarks
		Apart from this, the Port Trust had also to incur an expenditure of Rs. 22,000 on the operational staff during the period it was idle (December, 1961 to May, 1963).
(f) Eight venturi meters valued at Rs. 22,700 for measuring the flow of petroleum received in May, 1953.	None of the meters could be used from the date of purchase, as a result of significant change in the pattern of oil traffic.	The Port Trust have stated (September, 1966) that they are considering the disposal of the meters.
(g) One 110-Ton Steam Crane costing Rs. 1·13 lakhs purchased in 1946.	Consequent on the commissioning of the floating crane 'Shravan' there was no work for this crane from April, 1963.	A total expenditure of Rs. 60,000 was incurred on the maintenace and upkeep of the machinery out of which Rs. 50,000 was on the staff which was retrenched from Ist January, 1967 when it was pointed out by audit in October, 1966. The Port Trust have however decided in the same month (January, 1967) to retain the crane as a standby.
(h) Motor Tug of the Dredging Section, purchased in 1956.	The tug was idle from February, 1963 to 20th April, 1963 and again from 24th April, 1963 to 6th October, 1964, the first time due to annual overhaul and the second time due to the break down of the gear box.	While the crew of the second shift was diverted elsewhere the crew of the first shift could not be utilised profitably. Their wages aggregating Rs. 49,800 were thus infructuous.

[Paragraph 6 of Audit Report, 1966-67]

3.88. The Committee desired to be furnished with the information on the following points:—

(i) the reasons for continued employment of drivers when the cranes are expected to be out of commission for some more years and whether their retention in services resulted in a reduction of overtime charges in the cranes department.

(ii) whether the Port Trust envisage a profitable use of these cranes and hoists in the near future and has it examined whether it is worthwhile maintaining them in the Port.

(iii) whether coordination is maintained between different major ports to ensure that machinery etc. are not imported by the Ports while similar equipment are lying surplus to immediate requirements in other Ports.

(iv) In case of 110-ton steam crane which became idle in 1963, why this fact was not reported to the appropriate authority immediately for deciding on its continued maintenance and connected staff. Whether the Port Trust have now taken an inventory of such equipment lying idle and reviewed the cases and taken decision about their disposal wherever possible.

3.89. The Bombay Port Trust have furnished the following information seriatim:—

"(i) & (ii). No snap decision could be taken regarding the discontinuance of the services of the drivers, who are trained men and not easily replaceable, in view of the uncertainty regarding the imports of bulk foodgrains and having regard to the fact that some of the wharf cranes have on occasions been put to use at the berths concerned. Some of the drivers would have been absorbed against vacancies and the overtime bill has not been adversely affected by the rentention of the drivers, since only such drivers as are required for operation are called for overtime work. Cannibalising of parts of some of these cranes has been resorted to in order to economise the expenditure on the purchase of new parts for the other cranes in operation, and as a set-off against the expenditure on the upkeep of the cranes, in question, which has necessarily to be undertaken so that all these cranes can be put to future use when necessary. The cranes in question are in the process of being shifted to the new berths in the extended basin of Alexandra Dock; five of the cranes have already been transferred to the new berths and the others will be transferred there shortly.

(iii) The Inter-Port Consultations, the Ports Consultative Organisation and the Ministry of Shipping and Transport do maintain some coordination among the different Major Ports in respect of the matter mentioned.

(iv) A major developing Port like ours has, for the sake of its prestige and in the overall context of traffic, to provide and maintain certain minimum facilities some of which cannot be made self-supporting without raising the charges to such an unduly high level that it would not be acceptable to the interests concerned. The net expenditure on such essential facilities cannot be regarded as infructuous, but has to be treated as a kind of overhead. The crane has been retained as a stand-by. In this connection, it may be mentioned that the Trustees had decided to purchase another heavy fixed crane, but the deal did not materialise, *vide* T.R. No. 1348 of 1966. The figures cited in the para are approximate.

A constant watch is kept regarding equipment, which can be regarded as surplus to requirements and can be disposed of."

3.90. The Committee are not happy over the fact that costly machinery and equipment is lying idle for long periods. The Commmittee would like the Ministry to ensure that proper coordination is maintained between the different major ports so that machinery and equipment are not imported by ports while similar equipment are lying surplus to requirements in other ports.

The Committee desire that the ports should prepare an inventory of the surplus machinery and equipment lying idle and decide about their disposal or transfer.

Infructuous expenditure

Audit Paragraph

3.91. Wire ropes costing Rs. 1.93 lakhs (foreign exchange element Rs. 1.13 lakhs) purchased from a foreign firm could not be used as the ropes were found to be defective. The Port Trust made a second purchase at a cost of Rs. 2 lakhs (approximate), thus rendering the cost of the first purchase (Rs. 1.93 lakhs) infructuous. Failure to include an inspection clause in the contract for which the Department has not yet fixed responsibility, resulted in the recovery not being enforced against the first supplier.

[Paragraph 9 of Audit Report 1966-67]

3.92. In a written reply, the Bombay Port Trust have stated:

"In the case of imported items of stores, we do not arrange for independent inspection in order to avoid unnecessary expenditure, when the manufacturers suppliers are of repute and, in such cases, insist only on the manufacturers' test certificate and/or warranty. The supplies, in question, were duly accompanied by the manufacturers' test certificate, which duly conformed to the prescribed specifications. After our complaint, the manufacturers specially sent out their representative for making an inspection on the spot and, according to his report, the wire ropes were supposed to conform to the specifications. This report was referred to the Chief Mechanical Engineer of the Calcutta Port Commissioners and to the manufacturers of the cranes on which wire ropes were intended to be used. The former have replied that they had no experience and the latter have maintained that the angle of the lead of the hoist rope on the cranes was within the tolerance laid down in the E.S.S. The local agents of the manufacturers have been duly notified that in the event of their not replacing the materials, if ultimately required to do so, our requirements would be purchased from elsewhere at their risk and cost. One coil been recently modified locally at the cost of the suppliers to meet our requirements and the same is under test. The question of any loss has not arisen at this stage."

3.93. The Committee desire that the Port Trust should pursue with the suppliers the question of obtaining satisfactory replacements for the wire ropes (cost Rs. 1.93 lakhs) which have been found defective. Legal advice should be also taken as to the action possible at this stage against the suppliers.

Loss due to non-letting of vacant plots

Audit Paragraph

3.94. (a) Owing to slump in the cotton trade, 22 lettable plots at the Cotton Depot measuring 8.221 Sq. yards, were found to be lying vacant for periods ranging between 2 and 14 years. In 1960, the Trustees took a decision to restrict the scope of the change in user in respect of the Depots, sheds and open plots (Jethas) at Cotton Depot, only to such of the tenants as were members of the East India Cotton Association. This decision (further adversely) affected the Port Trust revenues as the plots could not be let out to outsiders.

The Port Trust could have earned an additional revenue of Rs. 99,000 approximately had these vacant plots been let out.

(b) Ten lettable plots of land (2.249 Sq. meters) which form part of the Trustees' landed property at Mahim Bunder and are ordinarily let out on monthly basis, have been vacant except for casual lettings, ever since the Bunder came under the jurisdiction of Docks Department (1953). In not letting out these ten plots, the Port Trust has lost revenue in the form of ground rent to the tune of Rs. 34,000 (approximately) per annum.

[Paragraph 8 of Audit Report, 1966-67]

3.95. In a written reply, the Bombay Port Trust have stated as follows:—

"(a) There has been no avoidable loss of revenue in the present case since Cotton Depot is primarily intended for the cotton trade and some reservation has had to be made in favour of this trade to provide for revival of the trading conditions Moreover, the vacancies have continued due to the slump in the cotton trade and have persisted despite remedial measures having been taken by the Trustees even prior to 1960, of permitting the storage of non-hazardous goods in godowns, etc., at Cotton Depot, the concession being not restricted to members of the East India, Cotton Association Ltd. *(Vide* to shortage of the cotton crop, a representation was received to permit cotton traders generally to store non-cotton goods of non-hazardous nature in the Port Trust godowns, etc., our Estate Manager had suggested that the facility be restricted to members of the Estate India Cotton Association Ltd., in order to prevent misuse of the godowns, etc., and to ensure that these would be available for storage of cotton when the cotton trade improved. Furthermore, our Estate Manager had expressed difficulty regarding the letting out of Jethas on casual monthly tenancy basis."

(b) "Of the plot referred to in the para, plots Nos. 14, 15, 15A, 15B and 15C, are in an undeveloped area of the Bunder and, being in a depression, get waterlogged during the monsoon."

"Also the heirs to the Kadri Estate to the immediate south of these plots have a right of way over this area. Even since the Mahim Bunder came under the jurisdiction of the Docks Department in 1953, or perhaps even before, there has never been a demand for these plots from the Bunder trade, even though the letting rate during the period 1953 to 1961 was as low as 6 annas (37 paise) a sq. yard per mensem. Only two applications were received for these plots and the adjoining plots Nos. 24, 25, 26 and 27, during the last year. One from a trader in minerals for storing and processing of minerals and clay and the other from the Commissioner of Police, Bombay, for parking and garaging the motor vehicles attached to his motor transport section. The former applicant was informed that the processing of the minerals with electric, power could not be permitted on the Bunder and, thereafter, he himself did not pursue the matter. The latter application was rejected, as our Bunder plots were developed for storage of goods landed at the adjacent quay. As these plots lie immediately behind the wharf, they are almost continuously used for unloading and storage of sand since the landing space at Mahim Bunder is restricted and in insufficient as had been pointed out by the Mahim Sand Merchants' Association. Ground rent, when due, is recovered for storage on these plots beyond the free period."

"As regards plot No. 16, it fell vacant with effect from 16th January, 1961, the tenant thereof having been ejected in a law suit for having been in arrears of rent, and has since been used for the storage of sand, etc., on a casual basis for the reasons stated below:

In the year 1959-60, there was a spurt in the imports of sand, that being the principal commodity landed at this Bunder. The Sand Trade interests, who were experiencing shortage of space for dumping the sand landed from the padays, represented in writing to the Chairman through the Mahim Sand Merchants' Association demanding, *inter alia*, that the central block of land to the immediate east of the wharf area comprising plots Nos. 16 to 23A as also plots Nos. 24, 25, 26 and 27, be absorbed into the wharf area for the dumping of sand. A decision on this issue was fraught with difficulties, as the plots vacated—(i) to offer suitable alternative plots to the existing tenants or (ii) to evict them. The only vacant plots available at the time were plots Nos. 11, 14, 15, 15A, 15B and 15C, but these plots, being away from the main traffic and trade at the Bunder and lying in an undeveloped area and in a depression which, as stated earlier, gets waterlogged during the monsoon, were not acceptable to the tenants. The second alternative course would have meant litigation against the tenants, involving prolonged delay and incurrence of heavy expenditure. In the circumstances, plot No. 16 has been let out only on a casual basis from the date it was taken possession of in partial satisfaction of the demand of the Sand Merchants' Association and as a buffer against any further complaints from them. Recently, it has been considered practicable to let out this plot on a monthly tenancy basis. A point to be borne in mind, in this connection is that Bunder is not an Estate for parcelling and letting out the land freely. The goods in transit at the Bunder have a preferential claim for the land there and no plot can be let out ordinarily for a purpose, which is not connected with the Bunder traffic or trade. The revenue derived from letting out land is also not considered as an essential source of revenue, the Port Trust's objective being to cater to the needs of the Bunder traffic in imports and exports. However, the plots in question are let out on casual tenancy basis, as and when there is demand."

"Besides all the plots in question could have been let out only by denying the facilities, which we have been giving for decades to stall-holders during the Mahim Fair, which is held in the beginning of December every year. The Fair is held from Mahim Bazar to the Mahim Causeway and extents into the Bunder area. If this age-old facility were denied, there was likely to be public dissatisfaction.

In December 1969, there were 26 monthly tenancies and four 15—monthly leases at Mahim Bunder. The total revenue at this Bunder is about Rs. 45,477 per annum."

3.96. The Committee observe that the Port Trust are losing revenue to the extent of Rs. 99,000 and Rs. 34,000 per annum respectively in respect of vacant plots in the Cotton Depot and Mahim Bunder, which have not been let out. The Committee would like the Port Trust to carry out a review of all the plots belonging to them which are lying vacant and the reasons therefor. In the light of the review, efforts should be made to let out the plots and utilise them, so that as far as possible loss of revenue does not occur.

Under-assessment of dues ..

Audit Paragraph

3.97. (a) Wharfage dues on 'Copra' and 'Coconut' consignments passing through the Docks (coastal traffic) is being assessed on the weights declared by the Importers without verifying their correctness. A test check (in April, 1967) of five manifests revealed that the weights were understated by about 1,390 Kgs. and 335 Kgs. per 100 bags of coconut and copra respectively. The loss to the Port Trust by way of wharfage on these two items is estimated at Rs. 46,000 (approximately) for the three years ending March, 1966.

(b) Under-assessment to the extent of Rs. 12,962 on a single consignment (17 drums Diacetone Alcohol) handled at the Haji Bunder was pointed out by Audit (April, 1967). The Port Trust has not recovered the amount, so far. (December, 1967).

3.98. The system of internal precheck by the Chief Accountant which is at present restricted to the Docks cash offices needs to be extended to the Bunder also.

[Paragraph 7 of Audit Report, 1966-67]

3.99. In a written reply, the Bombay Port Trust have stated as follows:—

"The under-assessment in question, was due to an inadvertent arithmetical error. The amount in question has already been recovered. As regards the question of introducing pre-audit working in the Bunder Cash Office at Hay and Haji Bunders on the lines of the Docks Cash Offices, the matter has been examined, but it has been decided not to institute pre-audit at these Bunders, for the present, for want of suitable accommodation and since the revenue collections are not large and have been declining, *vide* the figures of wharfage given below:—

Wharfage Revenue

	1966-67		1967-68		1968-69	
	Imports	Exports	Imports	Exports	Imports	Exports
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Hay Bunder . .	53,700	1,57,600	39,800	1,50,600	52,800	1,23,900
Haji Bunder .	2,04,300	2,200	2,55,000	7,700	1,55,600	7,500
	2,58,000	1,59,800	2,94,800	1,58,300	2,08,400	1,31,400

Year	Total wharfage revenue at both the Bunders
1966-67	4,17,800
1967-68	4,53,100
1968-69	3,39,800

3.100. The Committee consider these two cases of under-assessment of wharfage dues in the bunders as serious. In one case the wharfage dues on Copra and Coconut, were assessed on weights declared by the importers without verifying their correctness. A test-check of five manifests revealed that weights were under-estimated by about 1,390 Kgs. and 335 Kgs. per 100 bags of Coconut and Copra respectively. The loss is estimated at Rs. 46,000 (approx.) for three years ending March, 1966. In the other case an under-assessment of Rs. 12,962 was detected in a single consignment of 17 drums of Diacetone Alcohol. Such under-assessments point to the need of extending internal pre-check by the Chief Accountant to the Bunders. But it has been decided not to institute pre-audit at the Bunders for the present for the reasons that suitable accommodation is not available and that the revenue collections have been declining. The fact that revenue collections of the Bunders is declining, points all the more, to the need for introducing pre-audit so that leakage of revenue could be plugged.

Purchase of Ambassador cars for the foreign experts of the Dock Expansion Scheme

Audit Paragraph

3.101. The terms of agreement with the Consulting Engineers of the Dock Expansion Scheme for the development of the Port Trust *inter alia* provided for free transport to the foreign staff of the Consulting Engineers. Accordingly five Ambassador cars to be operated departmentally were purchased (September, 1964) on a priority basis at a total cost of Rs. 78,538. The Port Trust however, ultimately, decided to entrust the transport arrangements to some transport contractors for reasons of convenience and economy.

3.102. The five new cars rendered surplus were diverted as follows:

(1) One was retained for the staff of the Resident Engineer.

(2) One was retained as a spare staff car for the workshop.

(3) The remaining 3 cars were utilised for replacing the existing staff cars which had outlived their useful lives but for whose replacement no proposals had been made by the Port Trust.

3.103. While one of the existing cars was sold for Rs. 5,300, two are still awaiting disposal (January, 1968).

3.104. The contractors to whom the transport arrangements were entrusted in February, 1965 were paid an advance of Rs. 97,504 against the value of seven cars, on the plea that these formed part of the plant and machinery exclusively for the use of the work. Three cars were surrendered by the Consulting Engineers to the contractors one each in March, September and November, 1967 respectively as the expected staff did not arrive. The 80 per cent advance paid to the contractor on these three cars *i.e.* Rs. 41,799 has also not been adjusted so far (December, 1967).

3.105. The contractors were also paid the minimum amount of Rs. 1,320 per car per month as per the terms of the contract even though the average run of each car was only 1,200 Km. which is less by 800 Km. stipulated in the contract. Proportionate reduction in the payment could not be obtained as there was no specific provision in the contract. The approximate loss on this account works out to Rs. 25,000 per annum on four cars presently in use.

[Paragraph 14 of Audit Report, 1966-67]

3.106. The Bombay Port Trust have stated in a note that:

"Out of the five new Ambassador cars purchased, one was allotted to the Consulting Engineers for the Master Plan work and it was decided to retain the other four for departmental use; for, on a review of the original proposals, it was found that it would be uneconomical and difficult for the Port Trust to meet the requirements of cars for the expatriate staff of the Consulting Engineers, since the cars would be required for use even at night time and drivers would have to be engaged for two to three shifts, which arrangement would not have been convenient and economical. The four new cars were, as stated above, retained for departmental use. The three old cars, which were replaced by new cars, were purchased in 1948-49. Two of them which could not initially be sold as the bids received were not satisfactory, have been sold in May, 1968. One Old Ambassador car purchased in 1958, which was replaced by a new car, was retained for use by the Chief Mechanical Engineer as a stand-by car. We did intend to replace the three staff cars, which had been purchased in 1948-49 and had outlived their useful lives, and our Board's sanction, under Section 68 of the B.P.T. Act, was duly obtained.

3.107. An advance against the cars had to be given to the contractors under the relative tender conditions. Refund of the Advance against cars, among other plant, has commenced from the certificate for July 1969. Advance for one car sold has been separately recovered in the certificate for

August 1969. The cars are requisitioned or surrendered according to the requirements of the engineers concerned. The distance covered by each car would vary according to the state of the work and the non-official use of the car by the engineer concerned. It appears that the average run indicated in the para has not taken into account the running of the cars for non-official purposes, for which we make recoveries."

3.108. The Committee note that a transport contractor, to whom the Port Trust entrusted the transport arrangements for foreign consultants, was paid advances for the purchase of 7 cars. 3 of these cars were surrendered by the consultants, but the advances paid in respect of 2 of the cars are still to be adjusted. The Committee would like this to be done forthwith.

Grant of extra concessions to a private caterer

Audit Paragraph

3.109. (a) The canteen in the administrative office building was let out on a month to month basis to a contractor after calling for tenders from caterers in September, 1961. The Port Trust has been giving certain concessions to the contractor (nominal rent of Re. 1 per month, free electricity and running water and other modern facilities) which are admissible only to canteen run either departmentally or by the employees on co-operative basis. The present caterers, are moreover re-imbursed from 1st April, 1966, half the cost of fuel consumed, valued at Rs. 2,040 per year, a concession specifically prohibited by Government even in respect of departmental canteens.

3.110. The agreement entered into with the caterer stipulated that the contractor should provide, at his own cost, certain facilities for employees who bring tiffin or lunch from home for taking it in the lunch room. No payment for such a service was contemplated or allowed till July, 1966. From July, 1966 however, an additional amount of Rs. 6,000 per annum is being paid to the contractors, on this account.

3.111. The same caterers have also been awarded in September, 1965 the management of the Rest-house without inviting tenders or calling for quotations. Rest-houses are normally run, departmentally. In this case besides free residential accommodation (750 Sq. ft. rental value Rs. 10,800 per annum) the contractors were paid an additional remuneration of Rs. 15,000 per annum for providing canteen facilities and providing hamals for dusting and cleaning.

3.112. No security deposit has been taken from the caterer for the handling of cash and equipment of the Port Trust.

[Paragraph 16 of Audit Report, 1966-67].

3.113. In a written reply, the Bombay Port Trust have stated:—

"The concession of nominal rent of Re. 1 per mensem, free electricity and running water has been allowed in respect of other caterer-managed Port Trust canteens and has not been objected to. If we had not allowed such a concession, the caterers would have stipulated that they would charge higher tariff to the detriment of our staff and, in which case, subsidy in some other form would have had to be given to the caterers. As regards the reimbursement of half the cost of fuel, it may be stated that when the caterers were asked to run new canteen in the Administrative Offices Annexe, it became necessary, in the interests of cleanliness and hygiene, to require them to use bottled gas for cooking purposes instead of the ordinary types of fuel, which they were using in the old premises. Hence, it was decided that half the cost of the gas should be paid for by the Port Trust, subject to the latter's moiety being limited to Rs. 300 per mensem. If the caterers were permitted to use an ordinary type of fuel, such as charcoal or fire wood, expenditure on white-washing the kitchen would have had to be incurred frequently. As regards the payment of Rs. 6,000 per annum to the caterers towards provision of certain facilities for our employees, who bring tiffin or lunch from home it may be stated that a separate special wing has been provided as a tiffin room in the Administrative Offices Annexe and the Union had asked for the provision of at least 100 plates and tumblers and for the appointment of four canteen boys for attending to the staff, who would be using the tiffin room. When the caterers were given charge of the new tiffin room in the Annexe, it was agreed, after negotiations, to pay them Rs. 500 per mensem to cover the additional cost of engaging four additional servants to attend to the staff subject to the condition that the services of the servants would also be utilised to improve the catering arrangements at the old Administrative Offices building.

3.114. It was not necessary to invite tenders or call for quotations from parties interested in managing the Rest House. The caterers, who were then entrusted with the running of the canteen-*cum*-tiffin room on the 5th floor of the new building, were in the best position to manage the Rest House, on the 7th floor *ibid*, and at the least possible cost to the Port Trust, consisting with the standards required to be maintained. Government-owned rest houses may be run departmentally, but we have to contend with various types of labour legislation, notably the Minimum Wages Act, 1948, and it would have been impracticable and wasteful for us to manage, and provide catering services at, the Port Trust Rest House on a departmental basis. We did initially provide porters required for the Rest House on a round-the-clock basis. In the interests of economy and efficient working, it was later decided that the caterers' partner and manager, who was entrusted with the provision of catering services at the Rest House, should provide the required hamals for round-the-clock service and that a contribution of Rs. 650 p.m. should be paid to him therefore, the remuneration for other services such as of round-the-clock stewards being fixed at Rs. 600 p.m. The Manager of the caterers, who was to look after the Rest House, had to be provided with free residential accommodation so that he could deposit from them for the equipment, etc., provided at the Rest House. to the desirable extent. It may be mentioned that our Rest House contains a V.I.P. suite and the Rest House run by Government or by Government Undertakings are also known to have on the staff whole-time residential managers. In view of the repute of the caterers and the precautionary measures taken, it has not been considered necessary to obtain any security deposit from them for the equipment, etc., provided at the Rest House. However, an inventory is kept of the equipment, etc. and the same is periodically checked."

3.115. The Committee feel that substantial concessions have been extended by the Port Trust to the contractor entrusted with the running of the canteen in the administrative blocks. These have been by way of reimbursement of half the cost of fuel; payments towards cost of facilities provided by the contractor for officials bringing their own lunch/tiffin and non-recovery of security deposit. The Committee feel that the Port Trust should call for fresh tenders for running the canteen on these stipulations to ascertain whether the existing arrangement is in their financial interests.

Non-recovery of wharfage charges on Waste Oil pumped from Butcher Island.

Audit Paragraph

3.116. Oil belonging to private companies is pumped from tankers at Butcher Island to the installations of the companies at Pir Pau, etc. through Port Trust pipe lines and wharfage is recovered by the Port Trust. The waste oil remaining after the operations is collected in a tank and then pumped separately on requisitions placed by the companies. No wharfage charges have however, been recovered from the companies in respect of this waste oil even though the Chairman of the Port Trust had directed (July, 1963) that such charges should be recovered.

3.117. The amount of wharfage at the rate of Rs. 5.73 per 1,000 litres on 13,513 tonnes of waste oil pumped during the period from April, 1959 to November, 1965 works out to Rs. 0.91 lakh (approximately).

[Paragraph 12 of Audit Report, 1965-66]

3.118. The Committee have been informed by the Bombay Port Trust in a written reply that:

"Bills were rendered against Oil Companies concerned after it was decided that, although the waste oil, etc. is a mixture of various types of oil and of ballast water, wharfage should be recovered as on crude oil. However, the Oil Companies have raised some technical points, which are under examination. Our claims for wharfage charges will be pursued, if they can be ultimately legally sustained.

At a meeting with the representatives of the Oil Companies, their contentions were elucidated as under:—

(1) As wharfage was paid on oils exported on the basis of the Customs out-turn worked out at the Refinery tanks before the loading operations started, separate wharfage was not due on waste oil resulting from such operations.

(2) Similarly, in the case of imports of oils or unloading operations, no wharfage was due on waste oil collected from such operations, since wharfage was paid on the basis of the Customs out-turn worked out at the tanks located at the Refineries or the Installations. Moreover, waste oil collected out of loading operations exceeded that collected from unloading operations.

(3) When the revised wharfage rates on mineral oils were fixed on the completion of the new Marine Oil Terminal, the entire estimated quantity likely to be imported/exported was taken into account and, hence, there could be no case for levying a separate wharfage charge in respect of waste oil.

(4) The Oil Companies were helping the Port Trust to dispose of the waste oil and incurring some expenses in the process. In consideration of this, no separate wharfage should be levied on waste oil.

Our main arguments in support of our case, as previously intimated to the Oil Companies, were that—

(i) In the case of imported white oil, the draining of the hose contents in the pump and its subsequent transfer to the slop tank did not arise, as it was cleared during flushing operation from Butcher Island to the Company's Installation or Refinery.

(ii) Some quantity of slop, which was collected in the slop tank, was obtained after retrieving the same from the dirty ballast tank and no wharfage was paid on this quantity initially. Some quantity of this slop belonged to other Oil Companies.

(iii) In the case of loading operations, wharfage was initially paid on a fraction of the total quantity of slop from the tankers. However, as this quantity could not be separately accounted for and the two Refineries receive some quantity of oil which was not their own, there should not be any genuine ground for not paying the export wharfage.

Despite further correspondence and discussion, the Oil Companies have remained unconvinced and our Docks Manager and Chief Mechanical Engineers feel that further negotiations would be futile. They have, therefore, recommended the dropping of our claim. The amount of wharfage, computed on the basis of the rate for crude oil, has amounted to about Rs. 1.74 lakhs upto the end of March, 1969. The matter is being placed before our Board."

3.119. The Committee note that an amount of Rs. 1.74 lakhs on account of wharfage on Waste oil pumped from Butcher Island for the period April, 1959 to March 1969 is due from oil companies but that the question of recovery has not been finally settled with oil companies in spite of discussions and correspondence. The Committee would like the Port Trust to have legal position examined without delay and further necessary action taken in accordance with the opinion expressed.

White Oil Flushing Scheme

Audit Paragraph

3.120. The installation work of a white oil flushing Tank and the ancillary equipment was taken up in 1954 as a part of the Marine Oil Terminal Scheme. The installations were intended to economise the use of fresh water, by collecting the fresh water once used, in flushing the white oil lines in a tank to be erected at Sewree, for subsequent similar operations. The Scheme originally estimated to cost Rs. 3.89 lakhs in 1954 was completed in May, 1966 at a total cost of Rs. 27.05 lakhs after a delay of 12 years.

3.121. The delay has been attributed to a change in the site of erection of the tank from Sewree to Pir Pau at the specific request of oil companies (August, 1955) which was accepted by the Board in September, 1956, and to the consequent modification of the installations. The Scheme has not yet been put into operation due to non-finalisation of the operational procedure. The installations and equipments are still lying idle (November, 1966).

3.122. Besides the loss of interest of Rs. 2.06 lakhs on the locked up capital computed with reference to the conventional prevailing rate of interest (3 per cent to 5 per cent) the Port Trust had to incur an avoidable expenditure of Rs. 20,420 on replacement of materials eaten away by white ants and on commissioning of idle parts.

[Paragraph 16 of Audit Report 1965-66].

3.123. In a written reply, the Bombay Port Trust have stated as follows:—

"The Government Auditors had raised certain separate objections regarding the flushing tank, pump sets, outdoor transformers, pump-house, etc. (forming part of the White Oil flushing scheme), which they have combined into the subject para.

The position, as explained to them is, as under:

The White Oil flushing scheme of the M.O.T. Project originally envisaged the installation of two flushing pumping sets, one flushing tank and the necessary electric sub-station for supplying power. Originally, these pumps and the tank were to be sited at Sewri, as desired by the Oil Companies. Subsequently, our Board had approved of the re-siting of the White Oil flushing station at Trombay, instead of at Sewri as originally envisaged, in order to meet the revised requirements of the Oil Companies brought about by the changed pattern of transfers and pumpings of finished products through the 12" White Oil line, which it would not have been possible to meet if the station had been located at the original site, *vide* T.R. No. 857 of 1956. Due to this change, the scheme needed some modifications and the Consulting Engineers for the Marine Oil Terminal scheme were, therefore, requested to redesign the same sometime in the latter half of 1957, taking into consideration the equipment and switch gear purchased earlier under T.R. No. 976 of 1954. The new design was finalised sometime in August 1958, and comprised the following items of work:

(i) Electric sub-station together with the high tension electrical supply and installation of the necessary equipment, such as transformers and the switch-gear.

(ii) Installation of pumping sets.

(iii) Installation of the flushing tank.

(iv) Re-modelling of the manifold constructed earlier.

Detailed information regarding these items of work is furnished below:

(i) *Electric sub-station together with the H.T. electrical supply and the necessary equipment such as transformers and the switch gear.*—After the design of the scheme was finalised in August, 1958, the suppliers of the original switch-gear equipment were requested to quote for modifying the switch-gear supplied earlier and also supply some additional switch-gear to match with the old one. A great deal of correspondence, technical as well as commercial, ensued and the party submitted their final quotation in February, 1960. The proposal was sanctioned by the Board under T.R. No. 833 of 1960. The Government's sanction to the proposal was received in March 1961. Subsequently, there was also some delay in the release of additional foreign exchange, which was received in November 1962. The import licence was received in December 1962, and the equipment was received at site in April 1964. The specification for the new transformer was prepared in October 1959 and the same was received at site in October 1961, but it could not be put into commission until the above switch-gear contract was completed in November, 1964. Also negotiations were carried out with the Bombay Suburban Electric Supply Ltd. for the high tension supply and the supply was made available in time for energising the sub-station in November, 1964.

(ii) *Pumping sets.*—After the White Oil flushing design at Pir Pau was finalised, the order was placed for one new pumping set and making necessary modifications to the two pumping sets already purchased as approved under T.R. No. 490 of 1954. Modifications were necessary, as these pumps were required to perform dual duties, *viz.*, flushing as well as boosting. The contract for this work was placed in August 1960 (*vide* T.R. No. 470 of 1960), the equipment was received in November, 1961 and the work was completed in November 1965 when the manifold connections were ready. The pumps could not be commissioned till 9th November, 1966, as the procedural aspect of the White Oil flushing scheme had to be settled with the Oil Companies.

(iii) *Flushing tank.*—An order for the installation of the While Oil flushing tank and ancillary equipment was placed in October, 1963, *vide* T.R. No. 868 of 1963. The old materials purchased under T.R. No. 287 of 1954 were to be used for this tank and, therefore, sand-blasting and re-conditioning of the same were necessary. The tank work was completed in September, 1965.

(iv) *Re-modelling of the manifold.*—As additional pipes, valves, etc., were to be installed along with the new pumps at Pir Pau, the existing manifold had to be modified to take in these pumps and the ancillary pipelines. In order to meet the revised requirement, the design of the new manifold had to be discussed with the various Oil Companies before finalisation and as the pattern of oil traffic and the requirements kept changing, the plans could be finalised only in February, 1962 after prolonged discussions. Thereafter, the order for making necessary modification to the existing manifold and laying new pipe lines was placed in November, 1963. The tenders for supply of valves and line materials were advertised and a firm order was placed in March 1964. The entire work was completed in May 1966. The value of the surplus materials, which the Oil Companies had agreed to take over, when the Board approved of the resiting of the White Oil flushing station, amounts to about Rs. 40,000.

The main reasons for the delay in the planning and provision of the relative facilities was the changing pattern of oil traffic and the consequential requirements of the Oil Companies. As the cost of the equipment has been taken into account in fixing the revised wharfage rates on mineral oils, which were finally made effective on the commissioning of the new Marine Oil Terminal, the question of any loss of revenue or loss of interest on locked-up capital does not arise. The Oil Companies may have been inconvenienced, but they also cannot justifiably complain because the delay in finalising the Scheme is, as stated above, attributable to their own altered requirements. The Scheme, as a whole, has been in operation since November 1966, the use depending on the volume and pattern of traffic. Normal precautions were taken for storing materials pending installation, and the damage by white ants has to be regarded as an act of God having regard to the site conditions. Such damage would have come to light only when the crates were opened. Some salvage value would have been realised from disposal of the damaged materials."

3.124. **The Committee are distressed over the inordinate delay that occurred in completion of white oil flushing scheme. The site for the project taken up in 1954 had to be shifted to another site in 1956 to meet the changed requirements of oil companies. But even after this, it took the Port Trust 10 years to complete the project (1966). As a result, the scheme which was estimated to cost Rs. 3.89 lakhs in 1954 was completed in 1966 at a cost of Rs. 27.05 lakhs. The Committee consider the delay of ten years in completing the modified scheme as unconscionable.**

3.125. **Another unsatisfactory feature of the execution of the scheme is that proper care was not taken to avoid damage to equipment awaiting installation and [illegible] the Port Trust had to incur an avoidable expenditure of Rs. 20,420 on replacement of materials eaten away by white ants and on com[illegible] of idle parts.**

Excess expenditure on Advertisement in newspapers.

Audit Paragraph

3.126. On the recommendation of the Central Economy Board, the Ministry of Information and Broadcasting took up from June, 1959 the handling of advertisements in various newspapers, of autonomous bodies which are commercially non-competitive. The Directorate of Advertising and Visual Publicity in the Ministry of Information and Broadcasting had secured by arrangement with newspapers, a reduction of 15% in the flat rates for display advertisements routed through them. Out of this 4.80 per cent is retained by the unit which issues the advertisement and the remaining 10.20% is passed on to the Ministry of Information and Broadcasting.

3.127. The Port Trust, however, continued to give their advertisements directly to the newspapers and did not avail themselves of the above concession. The total amount of expenditure on the advertisement from June, 1959 to March, 1965 incurred by the Bombay Port Trust was Rs. 3.68 lakhs. Had the Port Trust routed the advertisements through the Directorate of Advertising, a total amount of Rs. 0.18 lakh would have been saved apart from a saving of Rs. 0.38 lakh which would have accrued to the Ministry of Information and Broadcasting.

[Paragraph 25 of Audit Report 1964-65.]

3.128. In a written reply, the Bombay Port Trust have stated as follows:—

"Our advertisements mainly pertain to tenders for works, sales of goods including uncleared cargoes and vacant posts. Many of the advertisements issued by the Port Trust are meant only for local dealers, from whom satisfactory response is generally received under the existing system, while it is not exactly known in what newspapers the advertisements will appear, if inserted through the Directorate of Advertising and Visual Publicity. Furthermore, it has been apprehended that such advertisements might be published in a condensed form and there might be delay in their publication with the result that they might not bring forth satisfactory response. When this question was considered in 1962, it was not, therefore, thought advisable to have our advertisements channelled through the Directorate of Advertising and Visual Publicity, but it was decided that a copy of each tender notice be forwarded to the Indian Trade Journal and the Director of Advertising and Visual Publicity, New Delhi, for information. As stated in the Para., as much as 10.20 per cent out of the 15 per cent reduction in charges offered by the newspapers concerned would be retained by the Directorate and the benefit of only 4.80 per cent would be passed on to this Administration, which does not appear to be very attractive and may not compensate us adequately for any losses we may suffer through abridgement of our advertisements or through delayed publication.

3.129. The Committee observe that Port Trust have not fallen in line with the general arrangements made by Government for routing of advertisements through the Directorate of Advertisement and Visual Publicity. As a result they are forgoing rebate of 15 per cent which has been secured by the Director of Advertisement and Visual Publicity by arrangement with the newspapers. The main apprehensions of the Port Trust are that by routing the advertisements through Directorate of Advertisement and Visual Publicity, it may not be possible for them to get their advertisements published in appropriate newspapers or that they may be published in a condensed form or might be delayed in publication. While the Committee appreciate that lack of adequate publicity and abridgement of advertisements or delay in their publication might adversely affect the interests of the Port Trust, they feel that these difficulties could have been sorted out with the Directorate of Advertisement and Visual Publicity. The Committee suggest that the matter be discussed by the Port Trust with the Directorate of Advertisement and Visual Publicity and result communicated to the Committee.

Future Development of Bombay Port

3.130. A Study Group of the Committee which visited Bombay Port in September, 1969 were informed that the Port Trust had entrusted to their Consulting Engineers, M/s. Bertlin & Partners, "the preparation of an articulated Master Plan for the future development of the Port, and the Consulting Engineers have recently submitted the draft Master Plan for consideration. Extensive economic, engineering and traffic investigations were carried out to obtain the basic data for forecasting the balanced development of the port traffic during the next 50 years and the extent and type of facilities required to cater for it. The draft Master Plan takes into account, *inter-alia,* the increasing trend for bulk cargo to be transported in larger and standardised unit loads such as pallets and containers. It also deals with the question of remodelling the existing docks for more efficient operations."

3.131. According to the Draft Master Plan "there is little scope for further development in the vicinity of the present docks, which is handicapped by draft limitations and bottlenecks due to saturating traffic. It is, therefore, recommended that future development should be planned on the eastern side of the Bombay Harbour in the Nhava-Sheva area, where natural drafts of 42 to 45 ft. as also a larger area suitable for the development of port-based industries are available. A satellite port located in the Nhava-Sheva area will not only provide substantial relief to the existing docks and the congested road and rail communications in the Bombay Island, but will also serve the dynamic needs of the industry, which is developing rapidly in the neighbourhood of the Thana creek."

"The draft Master Plan is at present under active consideration. It is proposed that in the first phase of development of the satellite port in the Nhava-Sheva area, covering the period upto 1975-76, three berths should be constructed in a tidal basin in the creek between Nhava and Sheva, two berths being designed for handling bulk cargo, such as, fertilisers, rock phosphate, sulphur, sugar, etc., and one berth for handling containerised traffic. It is also proposed that initially only one berth earmarked for handling bulk cargo should be fully equipped with mechanical handling appliances, the remaining two berths being equipped in future as and when required. It is also proposed to remodel the existing docks by partial elimination of the railway tracks and removing the main railway goods terminal to the Sewree area. The question of deepening the approach Channel to the Marine Oil Terminal and the construction of an additional oil berth, which would enable the berthing of tankers of 110,000 displacement tonnes, is also under consideration.

Proposals for the Fourth Five Year Plan were submitted to Government. They involve an outlay of Rs. 48.14 crores covering spill-over schemes from the Third Plan and also new projects."

3.132. The Study Team of International Association of Ports and harbours have in their Report, submitted in July, 1968, however, made the following observations regarding development of Nhava Sheva:—

"We do not agree with the planning logic which suggests that a new port should provide every conceivable type of port facility within one concentrated area. For example, the Nhava Sheva Scheme envisages facilities for handling general cargo, manganese ore, grain, sulphur, phosphate, sugar, vegetable oil, molasses and containers. Other facilities include a dry dock, tanker cleaning jetty, lighter berths, etc. To plan for so many diverse facilities is overly ambitious and overlooks the existing resources of the port."

"Also regarding the Nhava Sheva development, if import foodgrain requirements are eliminated as the Central Government forecasts there would not be sufficient justification for embarking at this time. However, if foodgrain import requirements do, in fact, continue the development can probably be justified. In this event its development should be limited to providing facilities for handling foodgrains and fertilizers. This would relieve the current pressure on the Alexandra Dock Facility and provide increased general cargo handling capacity at this location. We suggest that it is of utmost importance that both the Central Government and the Bombay Port Trust understand the assumptions upon which their traffic forecasts are made and the resultant effect which such assumptions have on the economic justification for the new Nhava Sheva development."

3.13.3. The Committee note that there is a proposal to set up a satellite Port in Nhava Sheva on a phased programme drawn up by the Consulting Engineers of the Bombay Port. The first phase of development of the Satellite Port, covering the period upto 1975-76, envisages the construction of three berths in the creek between Nhava and Sheva, two berths for handling bulk cargos such as fertilizers, rock phosphate, sulphur, sugar, etc., and the third for handling containerised traffic. A Study Team of International Ports and Harbours which examined these proposals questioned the wisdom of the "planning logic which suggests that a new port should provide every conceivable type of port facilities within one concentrated areas." The Study Team drew pointed attention to the fact that "if import foodgrain requirements are eliminated, as the Central Government forecasts, there would not be sufficient justification for embarking on a port development of this magnitude at this time." The Committee desire that in processing the proposals in this regard, Government should take adequate precautions to obtained reliable forecasts of traffic trends so that facilities are not created on a grandiose scale unwarranted by the requirements of trade. The fact that traffic at the Bombay Port has lately registered a fall suggests the need for extreme circumspection in planning the provision of new facilit'es.

IV

COCHIN PORT

Working Results

Audit Paragraph

4.1. The gross income, working expenditure and the percentage of net earnings to mean capital during the years 1964-65 to 1967-68 of the Cochin Port was as follows:—

Year	Gross Income	Working expenses	Net earnings	Percentage of net earnings to mean capital
	(In lakhs of rupees)			
1964-65	192·42	145·47	46·95	5·29
1965-66	212·86	185·03	27·83	2·95
1966-67	255·49	221·52	33·97	3·25
1967-68	377·81	263·99	113·82	9·88

[Paragraphs 1 and 2 of Audit Report 1964-65 to 1967-68].

4.2. In a note the Cochin Port Trust have informed the Committee that the working results for the year 1968-69 were as follows:

	Rs. in lakhs
Gross Income	372·09
Working expenses	307·66
Net earnings	64·48

The percentage of the net earning to the mean capital works out to 5.07 per cent.

4.3 The Committee desired to know the reasons for increase in the working expenses from Rs. 145.41 lakhs in 1964-65 to Rs. 263.99 lakhs in 1967-68. In a note, the Cochin Port Trust have stated that the increases are mainly under (i) staff charges (Rs. 24.76 lakhs); (ii) Hamallage—Port trust labour (Rs. 8.96 lakhs); (iii) Dredging (Rs. 23.48 lakhs); (iv) Operation repairs and maintenance (Rs. 23.71 lakhs); (v) Debt charges (Rs. 11.58 lakhs); and (vi) Contribution to Accident Fund and renewals and Replacement Fund (Rs. 17.65 lakhs). The increase in the staff charges has been stated as mainly due to additional staff and upgrading of posts sanctioned from time to time, periodical revision of D.A.

rates with effect from 1st February, 1964, grant of interim relief and revision of House rent allowance from 1965-66 and grant of *ex-gratia* payment in 1966-67 and 1967-68.

4.4. The increase in expenses as on dredging has been stated as due to increase in (a) staff charges consequent on revision of D.A., grant of interim relief and *ex-gratia* payment, *etc.*, (b) cost of stores, and (c) dredging, renewal of pipeline, extensive repairs to dredging draft and commissioning of the additional dredger 'Ganga' in the end of 1967-68.

4.5. During evidence the Chairman, Cochin Port Trust stated that there might be a further increase in the emoluments of staff. A decision had to be taken by the Wage Board which was going into the conditions of working and that might also result in further increase in the emoluments. As regards dredging expenses, he stated that during the last 3 or 4 years additional dredging had become necessary inside the port area resulting in increased expenditure and maintenance charges. Explaining the position, the witness stated that "till four years ago they were dredging only one-sixth of the channel. But with the commissioning of four berths on one side, the area for dredging had increased by more than double."

4.6. The Committee enquired whether it was a fact that the dredged silt was being washed back to the Port. The witness stated that that was the case as far as outer channel dredging was concerned. The silt was being deposited about 3,000 yards from the outer channel. From 1962 onwards, various experiments had been carried out to ascertain the movement of dredged silt. The help of the Khadakwasala Laboratory and the Atomic Energy Establishment at Trombay was also sought and they had indicated pattern of movement of silt during non-monsoon period. For the last two years, the port authorities had been trying to get these two parties together to conduct experiments during the monsoon period but due to various difficulties they could not do so. It was expected that during the next season it would be possible to do that. The witness added that it would be definitely known next year as to where the silt should be deposited so that whatever might be the distance it would not come back. The witness added that a special type of dredger had been ordered and after it was delivered the silt would be deposited at a point which would be about 5 to 6 miles away, depending upon the movement of the silt in different parts of the year. The witness informed the Committee that their dredging and floating craft were about 30—40 years old except one which was 10 years old. After their utilisation increased by double, the breakdown was also "still worse." The Secretary, Department of Shipping and Transport stated that Cochin Port Trust had placed demand for new dredgers in the Third Plan period but it could not be accommodated due to lack of funds and had to be carried forward. Two dredgers had been ordered on Garden

Reach Workshop, one second-hand dredger was purchased and proposals for the purchase of the fourth one were being processed.

4.7. In a note which was submitted to the Study Group of the Public Accounts Committee which visited the port, the following difficulties in regard to dredging were explained:

> "With the type of dredger available at the Port it is not possible to push the dumping area beyond a particular limit. Though the direction of the material dumped was changed on the basis of experiments, it is not possible to shift the area of dumping to a point beyond the reach of the pipeline dredger. However, action has been taken to acquire new dredgers. The new hopper suction dredger proposed to be purchased would be able to deposit the silt at a distant point in the sea."

4.8. The Committee observe that the Study Team of International Association of Ports and Harbours which examined the working *inter alia* of the Cochin Port made the following observations on dredging problems of the port:

> "Dredging problem at Cochin are of such severity that the Team would rank them almost in the same class as those at Calcutta and Paradip. Further we cannot comprehend the rationale behind the existing inadequate usage of dredgers in the Port. For example, the Port's suction cutter dredger is scheduled for dredging operations only two months per year. It then remains idle for the remaining 10 months. Furthermore, we fail to understand why the Port Trust has decided to purchase another dredger from Calcutta, at apparently an unknown price, in unknown condition and for undefined usage. This action is so far beyond our understanding that we decline further comment."

> "Some restrictions on dredging operations in Cochin are caused by a lack of qualified officers and crews."

> "Although Cochin today operates six dredgers of various types sizes and condition, the total amount of dredged material totals only 26 lakhs cubic yards per annum. This rate of productivity is abysmally low. We strongly recommend that the Port Trust immediately take steps to improve the production of each of the dredgers available."

4.9. The Committee find that the working expenses of the Cochin Port have more than doubled from Rs. 145.47 lakhs in 1964-65 to Rs. 307.66 lakhs in 1968-69. This has occurred due to additional expenditure on staff, dredging operations and repairs and maintenance etc. The establishment expenditure has increased because apart from revision of rates of

dearness allowance etc., there has been addition to staff and upgrading of posts from time to time. The Committee would like to emphasise the need for keeping a strict watch on this expenditure, particularly, as the net earnings are tending to decrease.

4.10. The Committee feel that the dredging operations in the Port leave a lot to be desired. The Port has not yet been able to find a proper dumping ground for the silt with the result that the dredged silt keeps floating back to the Port after dredging operations. The matter is stated to have been referred to the Khandakvasala laboratory and Atomic Energy Establishment who have to complete certain experiments to trace the movement of silt. The Committee would like the matter to be vigorously pursued and a proper dredging pattern to be evolved. It has been stated that the limited range of some of the existing pipeline dredgers with the Port has limited the scope for dumping operations. Government should have this matter examined and provide for dredgers which would be capable of depositing the silt at farther distances than now.

4.11. One point bearing on the dredging operations of the Port calls for special mention. The Study Team of International Association of Ports and Harbours referred to the "inadequate usage of dredgers in the port" and the fact that the suction cutter dredger is scheduled for dredging operations only two months per year but remains idle for the remaining 10 months. The Team also pointed out that the rate of productivity of dredgers is "abysmally low" and that there is "a lack of qualified officers and crews." As the dredging expenses have almost doubled from Rs. 29.84 lakhs in 1965-66 to Rs. 58.2 lakhs in 1967-68, the need for optimum use of the existing dredger fleet, through provision of competent technical staff needs little [illegible]. Any proposal for acquisition of new dredgers should also take note of the need to first put the existing stock of dredgers to the [illegible] use and to recruit qualified persons in future.

Insufficient rates

Audit Paragraph

4.12. (i) The rates of quay dues (landing and shipping dues and wharfage) were revised from January, 1966. As the operating cost for handling different types of cargo at various points was not worked out, it could not be verified whether the "Alongside wharves" were operated economically and whether the rates levied from January 1966 were sufficient to cover the expenses. The rates fixed in January 1966, have not been revised though the labour payments increased by 20 per cent and general charges by 60 per cent.

(ii) The expenditure on repairs and maintenance of wharf cranes was Rs. 9.80 lakhs while the hire charges realised were only Rs. 7.72 lakhs.

(iii) For recovery of hire charges for a 120-ton floating crane (purchased in April, 1966 for Rs. 94.55 lakhs), the Port Trust adopted the rate prescribed for a similar crane in Madras Port. The maintenance and operating expenses (including depreciation charges) of the crane for 1967-68 were Rs. 8.06 lakhs against Rs. 65,173 collected as hire charges resulting in a loss of Rs. 7.41 lakhs.

4.13. Though the hire charges were fixed for one year from June 1966 their revision on a scientific basis has not yet been made. It was stated by the Port Trust (September, 1968) that the "question of re-fixation of hire charges is under consideration."

[Paragraph 9, Audit Report, 1967-68.]

4.14. A Study Group of the Public Accounts Committee which visited the Cochin Port Trust in September, 1969, were apprised of the following position* regarding revision of rates of quay dues:

> "The recovery rates originally fixed were not strictly in accordance with costing principles; the existing system of accounts does not reveal the operating income and operating cost for handling different types of cargo. However, with the introduction of the revised accounting system proposed by the officer on special duty (Ministry of Transport) which is being implemented, it will be possible to get a clear picture of the cost of various services rendered by the Port Trust and the revenue income derived from these facilities. This will enable a review of the operating income and the operating cost of cargo handling. In this connection it may also be mentioned that the Port Trust has been able to meet its overall revenue expenses from its overall revenue income and the income from cargo handling has more than covered the expenditure thereon. However, it may be stated that the question of revising the Port charges with a view to getting adequate funds for financing the Plan schemes is under consideration as a general issue."

The Committee enquired whether the rates and charges fixed for various Departments are being periodically reviewed. In a note on this point, the Port Trust have stated that this is being done.

4.15. The Committee have elsewhere in this Report stressed the need for the accounts of Port Trusts being drawn up on [illegible] principles so that they clearly bring out the cost of various operations. The Committee note that this question is engaging the attention of Government.

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*Note submitted to the Study Group.

They trust that Government will ensure that the revised accounting system is speedily finalised and adopted, so that the Ports get a clear picture of the cost of various services rendered and the revenue derived therefrom. While it might not to possible to make every service pay its way, the effort should be to ensure that the charges for such services approximate as closely as possible to the cost.

4.16. The Study Group of the Public Accounts Committee which visited the Cochin Port Trust were informed that "the increase in the cost of repairs and maintenance of cranes has been mainly due to the increase in staff charges (consequent on periodical revision of D.A. rates, grant of *ex-gratia* payment, etc.), increased cost of consumable stores and additional operating and maintenance charges of additional equipment acquired. The hire charges have been fixed according to accepted formula. In this connection it may be stated that the Port has to provide certain basic amenities and it would not always be possible to recover the entire cost of operation of an amenity in each case unless abnormally high rates are fixed. As long as the Port Trust is able to meet its overall revenue expenses from the revenues, the fact that each amenity provided is not self-supporting in terms of cost may not be a material consideration."* On the question of utilisation of the floating cranes (120-tonnes), they were given to understand that while "the floating crane (120-tonnes) is somewhat underutilised, but it is meant to be used for loads beyond the capacity of shore cranes."

4.17. The Committee feel that the charges for use of cranes at Cochin Port will need review in the light of the fact that hire charges have been falling short of running expenses. The record of the working of the 120-tonne floating crane has been particularly unimpressive. During 1967-68, for instance, the operating expenses amounted to Rs. 8.06 lakhs against which the hire charges realised through its use were Rs. 65,173. It is obvious that the crane does not have enough work. The Committee would like Government to assess the position regarding the utility of its retention there.

Rates of Quay dues on Petrol and Kerosene

4.18. Quay dues (landing/shipping fees and wharfage) on patrol and kerosene were being charged on the volume of these goods at normal temperature as shown in the certified copies of the customs out-turn certificates received from the oil companies. With effect from 1st October, 1960 the Central Board of Excise and Customs revised the basis of measurement to the volume of these goods at the standard temperature of 15°C instead of the normal temperature adopted till then. The change

*Note submitted to the Study Group.

resulted in a reduction in the volume of the goods and consequential loss of revenue. In order to make up the loss caused by this change. The Customs Department increased their levy from that very date.

4.19. Although the revised basis of measurement affected the revenue of the Port Trust also, it was decided not to revise the rates in view of the practice obtaining in other Ports. It is, however, to be pointed out that the Bombay Port Trust had increased its rates, owing to this change, from April, 1968. On the basis of the cargo handled in 1967-68, the annual loss due to non-revision of rates worked out to Rs. 67,000 approximately.

[Paragraph 10, Audit Report, 1967-68.]

4.20. In reply to a question why the quay dues were not revised, the Cochin Port Trust have stated in a note:

"The rates were not fixed in accordance with the decision taken by the Central Board of Excise and Customs to revise the basis of measurement of Petrol and Kerosene. Even from the existing rate we made a substantial profit, *viz.*, during 1967-68, against a capital investment of about Rs. 44 lakhs on the Oil Jetties and the annual maintenance charges amounting to Rs. 0.36 lakh, the income from oil including Petrol and Kerosene was Rs. 163 lakhs. Hence there would be no justification for an upward revision in terms of cost.

Besides, when the Port's general rate structure was refixed in 1966, the old rates were rounded off to a higher figure as shown below:

	Old rate	Rounded off rate
	Rs.	Rs.
Petrol	6·62	6·75
Kerosene	3·13	3·25

The rounding off has covered the 2 per cent increase held as justified by Audit by the adoption of standard temperature."

4.21. The Committee have earlier in this Report drawn attention to a similar case where the Bombay Port Trust failed to fall in line with the Customs Department, after the latter had revised the basis for measurement of volume of petroleum products for purpose of duty to be charged on these products. The result was that the Port Trust avoidably lost revenue for a period of eight years till they revised the basis for assessment. The Committee note that in this case there was a similar delay of about six years.

4.22. The Committee would like appropriate review procedures to be evolved to ensure that delays of this kind do not recur. Government should also ensure that all the ports follow a uniform principle for purpose of assessment of duty.

Settlement of Accounts with Railways.

Audit Paragraph.

4.23. Mention was made in paragraph 7 of the Audit Report on the accounts of the Cochin Port Trust for 1966-67 of non-settlement of Port's claim with Southern Railway of the dues arising out of the working of the Cochin Harbour Railway. It was stated that settlement of the dispute was arrived at in July, 1968 but the accounts have not been finalised so far (March, 1969).

4.24. According to an agreement between the Port and the Indian Railways, boooking of all goods should be done at the Cochin Harbour Terminus Station where required facilities are provided by the Port Trust. In October, 1964 the Southeren Railway re-opened, without concent of the Port Trust, the Ernakulam goods shed (a place near to the Terminus Station). In March, 1968 the Port Trust decided to claim Rs. 2.64 lakhs from Southern Railway as Compensation for loss of revenue. Port Trust stated (March,1969) that the matter of re-opening of the goods-shed was under correspondence between the Ministry of Shipping and Transport and the Railway Board. Fnal outcome of the claim is awaited (April, 1969).

[Paragraph 11, Audit Report, 1967-68].

4.25. In a note on this case the Cochin Port Trust have informed the Committee that the amount of Rs. 2.64 lakhs has not been recovered and that the matter is still under correspondence between the Ministry of Transport and the Railway Board.

4.26. The Committee note that the Port Trust have lodged a claim for Rs. 2.64 lakhs with the Railways towards loss of revenue sustained by them due to the opening of a Railway goods shed in close proximity to the Harbour station. The Committee would like to be apprised of the progress of settlement of the claim.

Lease rent of land in Willingdon Island.

4.27. (a) Land in Willingdon Island is leased out for different period of tenancy at rates fixed from time to time. During 1960—67, the rates of lease rents were increased thrice, *i.e.*, by 20 per cent in 1960, by 25 per cent in 1962 and by 50 per cent in 1967 against the rise of 100 per cent, 40 per cent and 500 per cent respectively in land values as reported by the Collector. The latest revision, suggesting an increase of 50 per cent was recommended by the Port Trust to Government of India in November, 1966. Before this proposal was accepted by the Government, the Collector had reported (January, 1967) a rise of 500 per cent in the land values. After consideration of this letter, the Port Trust still felt that a further enhancement over the 50% increase in the rate of lease rent could not be justified.

(b) Action was initiated in March, 1965 for the revision of lease rents. The matter was, however, decided only in February, 1967, when the lease rents were increased by 50%. During this period, fresh leases and renewals of leases continued to be effected at the existing rates without making provision in the lease deeds for enforcing the revised rates if they became applicable before the termination of the relevant leases. Allowing a period of 6 months during which it should have been possible for the Port Trust and Government to come to a decision in the matter, the delay in taking a decision and conclusion of the agreements without provision for interim enhancement of rent resulted in loss of revenue of about Rs. 32,000 for the lease executed/or renewed between September, 1965 and February, 1967.

[Paragraph 3(a)&(b), Audit Report, 1966-67.]

4.28. In a note the Cochin Port Trust have given the following reasons for "not revising the lease rent to keep in line with increase in land values" in the case mentioned in sub-paragraph (a) of the Audit paragraph:

"The lease value of land in Willingdon Island will not be comparable with the value of land in the adjoining areas for the following reasons:

(a) Land in areas of the mainland, separated by a stretch of waters, has a wider market than land belonging to the Port. The former is available for sale; the latter is available to the Trade only for lease. Value of land available for sale from which buyers expect future profitable sales will be more than than the value of land available for lease for limited purposes.

(b) Even on lease basis the Port Trust land is not available to any party who demands. It is leased out only to parties whose activities in the Port area are considered desirable from the Port's point of view.

However, the lease rent has been revised periodically to the extent considered proper by the Board.

It may not be correct to state that private parties are subsidised at the cost of the Port, as the lease rent is fixed by the Board at appropriate rates after taking into account all relevant factors.

However, proposals for increasing the present lease rent are under Board's consideration.

Government of India approved the recommendations of the Port Trust to increase the rent by 50% in their letter dated 28th January, 1967, while the Collector's report was communicated to the Port in his letter dated 23-1-1967. It was not, therefore, possible to report to the Government the Collector's intimation before the Government approved the recommendations of the Port Trust.

The note subsequently placed before the Board at its meeting dated 27th February, 1967 contained the Collector's report regarding increase of 500% in land value in the last 4 years. A copy of the note together with the Board's Resolution dated 27th February, 1967 deciding that there was no justification for further increase of rent, was sent to the Government in the normal course."

4.29. In reply to a question why in respect of leases referred to in sub-paragraph (b) of the Audit paragraph were renewed at the existing rates without even making a provision in the lease deeds for charging revised rents, the Port Trust have stated "Port's land can be leased only at the existing rates as authorised in the Scale of Rates. As the lease deeds have to be specific, *i.e.*, they have to quote a specific rate for a specific period, it would not have been proper to include an indefinite provision in the lease agreement regarding probable future increase on uncertain dates."

4.30. The Committee feel that the leases in respect of lands in Willingdon Islands have been given out on terms which have not secured to the Port Trust the full benefit of the enhancement in land values in that area. The rates of rent were revised thrice by 25 per cent in 1960, 25 per cent in 1962 and 50 per cent in 1967, as against which the rise in land values reported by the Collector was 100 per cent, 40 per cent and 500 per cent respectively. The Committee are not convinced by the argument that the lands in the Port area have not appreciated to the extent reported by the Collector whose assessment is stated to pertain to lands in the mainland. Even if this is so, the Committee feel that the disparity in land values cannot be of the order suggested by the figures above. The Committee would like the Port Trust to review the whole matter and refix the rents, if necessary, by getting an independent assessment made by the revenue authorities of the extent of appreciation in the Island.

4.31. The Committee also feel that it was not in the best interests of the Port Trust to have renewed certain leases at the old rates when a proposal for revision of rentals was under consideration. The consideration of this

proposal itself took an unconscionably long time of 2 years. The Port Trust should have taken legal advice, if necessary, before renewing the leases so that the leases could have given them the option to revise the rents later, or renewals of leases should have been for a short period. The Committee trust that there will be no recurrence of cases of this kind.

Proposals for development of the Port

4.32. A Study Group of the Committee which visited the Cochin Port Trust in September, 1969 were informed that there was a proposal which had been accepted in principle by the Planning Commission to build a super-tanker oil berth (cost Rs. 9 crores to Rs. 11 crores) as an in-shore oil terminal at the port. The Committee desired to know whether the question of constructing the terminal as an off-shore terminal had been considered taking into account the expected increase in traffic. The Chairman, Cochin Port Trust stated that "the requirements of the Cochin Refinery, on the basis of which the terminal is being constructed at Cochin is going up from 2½ million tonnes capacity crude oil to 3½ million tonnes. The increase is only of the order of 1 million tonnes. The size of the ships required to bring this additional 1 million tonnes against the existing capacity of 2½ million tonnes has been worked out by the Ministry in consultation with the Shipping Corporation of India, and the opinion expressed by the Shipping Corporation is that it will be sufficient to look after up to 88,000 tonnes in Cochin. Where there is a much larger requirement upto the order of 5 or 6 million tonnes, much bigger oil tanker may be necessary. But for the limited purpose of expanding the Cochin Refinery, particularly since no oil has been discovered in the neighbourhood, 88,000 tonnes had been fixed as the maximum." The Secretary, Department of Shipping and Transport stated, "We have consulted the Shipping Corporation and the Ministry of Petroleum & Chemicals. The Chairman of Cochin Port has pointed out that the projection at present is to go up to 3½ million tonnes and the Shipping Corporation which is doing the trade is quite confident that 88.000 tonnes tankers will be quite economical and sufficient with the in-shore facilities. We have done a lot of examination. About the off-shore terminal particularly in Cochin, there is the mud bank, cyclonic weather, and the technical opinion is in favour of an in-shore terminal. If we had been dealing with 5 or 6 million tonnes of oil with super-tankers carrying it, things would have been different. But the arguments against the off-shore terminal seems to be many."

4.33. The Secretary, Ministry of Shipping and Transport stated that a study on "In-shore Oil Terminal in Cochin" has been done by Messrs. Engineers India Limited and a report had been submitted by them. At the instance of the Committee the Ministry have forwarded a copy of the report.

4.34. In a note, the Cochin Port Trust has summarised the economics of the off-shore Oil Terminal and the In-shore Terminal in the Project Report prepared by M/s. Engineers India Limited in July, 1969 as below:—

	Off-shore Oil Terminal	In-shore Oil Terminal
	(For both Refinery and Port Trust installations)	
	(In thousand Rupees)	
1. Capital Investment	97,000	96,151
2. Life	15 years	25 years
3. Annual Expenditure including depreciation	2,02,328	3,09,680
4. Annual Revenue/Savings	3,57,000	9,67,750
5. Gross savings	1,54,672	6,58,070
6. Pay-off period	7 years	3·5 years
7. Discounted Cash flow rate	13%	28%

"The advantages and disadvantages of the off-shore Oil Terminal and the In-shore Oil Terminal have been discussed in Chapter XI of the Report on the feasibility Study for In-shore Oil Terminal prepared by the Engineers India Limited. From a comparison of the advantages and disadvantages of the two types of Oil Terminals, it is seen that an In-shore Oil Terminal for 60,000 D.W.T. tankers (or specially built 80,000 D.W.T tankers) for a draft of 40 ft. would require almost the same initial capital investment as the Off-shore Terminal for 160,000 D.W.T. tankers. The in-shore terminal project envisages a foreign exchange of about Rs. 30/- million whereas the off-shore terminal envisages a foreign exchange of Rs. 55/- million. The life of the off-shore terminal costing Rs. 9.7 crores is assessed as 10 to 15 years and an increased capital cost can be expected for another term of 10 or 15 years, whereas the In-shore terminal has a life of at least 25 years. The off-shore terminal has the advantage of handling larger tankers than the In-shore terminal, but the facility is limited to handling of crude oil only whereas an In-shore terminal can be utilised by other deep drafted vessels, thus contributing to further development and prosperity of this Port. The problems connected with the operation of In-shore Terminal are known and limited, whereas an off-shore Terminal involving a very long pipeline has the inherent risk of complete shut-down of the Refinery in the case of any damage to the submarine pipe. The In-shore Terminal remains operative throughout the year, but the Off-shores Terminal would be inoperative during the rough sea conditions."

4.35. The Study Team of International Association of Ports and Harbours had in their report, submitted in July, 1968, however, made the following observations on the relative merits of an off-shore and in-shore terminal: "It does not appear to the Team that there is a worthwhile potential in developing deep-draft facilities in Cochin Harbour for handling crude oil. Instead, support should be given to proposed development of off-shore handling methods for discharging tankers. While a buoy-type arrangement would have to be located approximately 7 miles off-shore and would be a costly and difficult task, it should be noted that far more difficult and complicated off-shore oil handling facilities are now being developed in other ports of the world. We think that this and other similar possibilities should receive very serious study by the Port and the Central Government, since the alternative would necessitate lengthening the existing approach channel by 11,000 feet, widening it from 460 feet to 600 feet and dredging it an additional 10 feet. The cost of necessary work in the channel improvement programme (which would entail at a minimum dredging 1.8 million cubic yards), plus the cost of berth construction would probably exceed the cost of developing an off-shore oil discharging scheme. It should be noted also that with off-shore handling much larger tankers could be accommodated than would be possible with the channel deepening scheme which would limit the movement of tankers over 80,000 dwt. By today's standards ships of this size can hardly be called super tankers. Therefore we urge again that serious study be given to the feasibility of providing off-shore tanker handling arrangements either *via* a provision of a buoy transfer system or by adoption of the "Shell" system of off loading to specifically equipped smaller tankers."

4.36. With regard to the proposed expansion of the Port, the Study Team have observed, "At the present time, the Port has 14 ship berths including one under construction. This outline of the future port expansion calls for construction of upto 43 additional ship berths despite the fact that tonnages at Cochin for all commodities, except petroleum, grain and fertilizers, have been either static or decreasing. Bearing in mind the optimistic forecast of the Central Government on future self-sufficiency in grain production, with the exception of petroleum, and possibly raw materials necessary for fertilizers production, there would seem to be little or no justification for the expectation that Cochin will require expansion in the foreseable future. We feel that the ambitious plans outlined had no basis in fact and that their preparation, which obviously requires considerable effort on the part of the Port Trust staff, can hardly help but dilute needed efforts towards improving the capacity of existing facilities."

4.37. The Committee note that there is a proposal to build a super-tanker oil berth at a cost of about Rs. 10 crores to handle oil traffic at the port. Opinion is sharply divided on the question whether this facility

should be made available as an in-shore or off-shore terminal. While a feasibility study conducted by M/s. Engineers India Ltd. would appear to have suggested the location of this berth in-shore, the Study Team of the International Association of Port & Harbours expressed the view that an off-shore terminal is preferable both on considerations of cost and the trends in international oil traffic which is increasingly taking place in super-tankers of the size that the in-shore terminal would not be able to accommodate. This would also minimise the cost on dredging. The matter calls for further detailed study by Government, in view of the magnitude of the investment involved and the need to ensure that facilities that are made available are adequate from all points of view.

4.38. The Committee observe that the Study Team also took the view that "there is little or no justification for the expectation that Cochin will require expansion in the forsceable future." In view of this finding, the Committee would like Government to ensure that any proposal for construction of new berths etc. is screened with the utmost care on the basis of traffic estimates which should be most carefuly drawn up.

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI;
April 28, 1970.
Vaisakha 8, 1892

APPENDIX

Summary of main Conclusions/Recommendations

S. No.	Para No.	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1	1.12	Transport & Shipping	The Committee consider it unfortunate that a fishing jetty built at a cost of Rs. 5·14 lakhs in what has been described as "one of the best fishing grounds in the world" has not been used by a single fishing vessel, though nearly five years have passed since the jetty was constructed. The jetty was constructed with a view to providing "infrastructure" facilities to the fishing industry based on the Gulf of Kutch: the Deep Sea Fishing Organisation was also expected to deploy their vessels in that area to demonstrate to the industry its potential. However, the fishing industry has not been able to use the jetty as trawlers of the size which could use the jetty are not now being plied by them. The Deep Sea Fishing Organistation has also not used the jetty so far, as they are handicapped by lack of trawlers, which are at present mostly imported. The Committee note that the construction of 40 trawlers has now been taken up in the Mazagaon Docks. They hope that out of these an adequate number of trawlers would be made available both to the fishing industry as well as the Deep Sea Fishing Organisation, so that the fish in abundance in those waters is caught and the jetty put to productive use.

2	1.31	Do	The Committee are concerned to find that the Marine Dockyard at Port Blair has been continuously running at a loss since 1963-64. The loss which was Rs. 0·84 lakhs in 1963-64 jumped to over Rs. 2 lakhs in the subsequent two years and further increased to Rs. 3·13 lakhs in 1966-67. There was, however, reduction in the loss in 1967-68 when it amounted to Rs. 1.94 lakhs. While it is true that about 90 per cent of the work done in the dockyard is on Government account, the Committee cannot for that reason take a complacent view of the losses.
	1.32	Do.	The primary reason for the losses would appear to be that the dockyard is not fully used. This keeps the labour and equipment idle over long periods which makes it difficult for the dockyard to recoup its overheads. The situation could be substantially remedied by ensuring that vessels belonging to various Departments of the Andaman Administration, notably Forest Department, are periodically surveyed and repaired. At present this is not being done, with the result that it has become necessary to confine vessels which have not been surveyed to harbour limits. The Committee recognise that adequate dry dock facilities are at present not available, but a properly laid-out programme for survey and repairs would definitely help optimum utilisation of available facilities in this regard, which are not being fully utilised.
3	1.33	Do.	Apart from measures to increase work-load it would also be necessary for the dockyard to adopt commercial practices, particularly in the matter of estimation of cost of jobs, standardisation of work, etc. As labour is at present not being fully utilised, particular efforts will be necessary to

1	2	3	4
			ensure that establishment expenses are kept under constant watch and check.
4	1.34	Transport & Shipping	The Committee understand that a Master Plan for development of the Phoenix Bay which *inter alia* provides for the construction of a larger dry-dock, is pending approval with Government. The Committee feel that this Plan ought to be approved and implemented very early for the following reasons: (1) The inter-island ships and others which were being sent to the mainland for repairs etc. would be surveyed and cleared quicker if a large dry-dock was available at Port Blair. (2) All the Government boats would be annually surveyed and repaired. This is not being done at present owing to lack of adequate facilities which endangers life and cargo at sea. (3) Quicker repairs would lead to better utilisation of ships. (4) It would also provide facilities to the Navy in these waters. (5) It would increase employment opportunities for the islanders.
5	1.35	Do.	The Committee note that the dockyard has to recover dues aggregating Rs. 6.95 lakhs. The fact that these have been allowed to accumulate from 1952-53 onwards in some cases shows that the dockyard has paid little attention to their recovery. The bulk of the dues (Rs. 6.86 lakhs)

			relate to various Government Departments and it should not be difficult to get them adjusted within a period of six months or so. The Committee would like the Andaman Administration to ensure that this is done.
6	1.39	Do.	The Committee note that bridging components worth Rs. 0·84 lakh have not been accounted for by a Workshop of the Border Roads Organisation and Park Company which constructed in July, 1963 two bailey bridges. The matter is reported to be under examination by an Investigating Officer. The Committee would like to be apprised of his fidings and the action taken thereon.
7	1.60	Do.	The Committee are not happy about the manner in which this case was handled by Government.
8	1.61	Do.	The materials (stone metal and chips) were collected for the State Public Works Department by different contractors between January and November, 1965 for a road-work which was taken up on behalf of the Government of India, who decided in May, 1965 not to proceed with the work. In January, 1967, an Assistant Engineer reported, after taking charge of the sub-division, that inspection of some of the stacks had disclosed "almost the entire quantity of stone materials" to be "decayed sand stone which breaks even with the slightest pressure between the fingers." This view was also corroborated by the Executive Engineer in a report he made to the Superintending Engineer in the same month, after he had "verified" the position "partly". The Executive Engineer also suggested testing of the material at the Alipore Test House "to establish the genuineness of the case." However, action to send the samples was not taken till Audit became seized of the matter. Samples were then

1	2	3	4
			sent to the Test House in August, 1968 which reported in September, 1968 that "if the samples tested and the samples collected are of the same variety, it can only be concluded that the materials have progressively deteriorated in their qualities due to prolonged weathering." The State Government thereafter informed the Government of India that the test results did not bear out the observations of the Executive Engineer which it characterised as "irresponsible and unfortunate." The Chief Engineer, after a personal verification of the position, also gave a report on more or less the same lines in July, 1969.
9	1.62	Transport & Shipping	It would be difficult to ascertain the facts correctly at this distance of time. For this reason, the Committee do not wish to pursue this case. The Committee however find it difficult to believe that material which had been earlier reported to be "decayed sand stone which cracks even with the slightest pressure between the fingers" could later have been considered to have deteriorated just "due to prolonged weathering". Had investigations been promptly and properly conducted, the truth of the matter would have been established. As it turned out however the investigations that took place were slow and dilatory. The Government of India also failed to make any verification first hand which it should have done considering the seriousness of the situation as brought out in the Executive Engineer's Report. The Committee hope that there would be no repetition of a case of this kind.

10	1.63	Do.	There is one point which the Committee would like Government to investigate. The materials were collected in 1965, but have not been put to any use so far. The report of the Test House would suggest that they are not capable of being used on pucca works. Even if the work for which the materials were originally meant was abandoned, it is not clear why the Government of India took to steps over a period of five years to ensure that the materials were put to alternative use. The Committee would like Government to examine this aspect of the case and report to them.
11	2.13	Do.	The Committee are concerned about the deteriorating financial position of the Calcutta Port. The Port suffered losses amounting to Rs. 1.7 crores in 1965-66, Rs. 3.11 crores in 1966-67, Rs. 1 crore in 1967-68 and Rs. 3.83 crores in 1968-69. As a result, the Port has not been able to contribute to the Revenue Reserve Fund since 1957-58.
12	2.14	Do.	The Port is faced with this position despite the fact that its charges are the highest amongst the Ports in the country. The charges were increased six times since 1963-64. The gross receipts of the Port consequently increased from Rs. 17.71 crores in 1963-64 to Rs. 24.35 crores in 1967-68, but the expenditure outstripped the receipts, since it increased from Rs. 17.19 crores to Rs. 25.35 crores over the same period.
13	2.15	Do.	In the Committee's assessment, this situation has arisen due to two inter-related factors. The Hooghly has been silting up over the years, necessitating progressively heavier expenditure on dredging. The dredging expenses have increased about ten-fold from Rs. 75 lakhs to Rs. 7.35 crores. With restrictions on the size of vessels navigating the Hooghly

1	2	3	4
			and on draft, the Port has progressively lost traffic, which is now being carried the world over in bulk carriers which require large drafts. How steeply the traffic has plummeted would be evident from the fact that it was 11 million tonnes in 1964-65, 9 million tonnes in 1967-68 and 7.5 million tonnes in 1968-69. According to the Port Trust the traffic has gone back to the level that prevailed 20 years ago. What a long way the Port has to go would be clear from the estimate given to a Study Group of the Committee that the Port would need over 15 million tonnes of traffic, if it is to 'break even'. This calls for more than a doubling of the present level of traffic.
14	2.16	Transport & Shipping	A first pre-requisite for rehabilitating the Port's position is to improve navigational conditions in the Hooghly and enable the Port to handle traffic coming in bulk carriers. From this point of view, the expeditious completion of the Farakka barrage, which will help to keep the Bhagirathi-Hooghly waterway well flushed and the Haldia Port, with its facilities for handling bulk traffic, is imperative. Steps in the following other directions are also called for— (1) The establishment expenses of the Port need to be very vigilantly watched, as they have eroded the margins hitherto available. This will call for a tight control on the size of the Establishment and payments like overtime allowances which, as later pointed out by the Committee, have increased, despite the fall in traffic. (2) Dredging expenses will also have to be closely watched. Though the completion of Farakka Project should reduce the quantum of dredg-

ing now being done in the Port area, it has to be borne in mind that there is a proposal to extend the jurisdiction of the Port Trust upto the outfall of the Feeder Canal from Farakka barrage. This, coupled with the fact that Haldia will require maintenance dredging, might tend to push up the dredging bill. The expenditure on this account will have, therefore, to be strictly controlled and the Port should explore avenues for economies, through better maintenance, improved dregding techniques etc. It is of particular importance that the existing dredging resources are put to optimum use. A Study Team of International Ports and Harbours had pointed out that the existing dredger fleet "is working far below its capacity" and that there is need to organise and rationalise the dredging potential already available in the Port.

(3) There are certain areas of operations like Port Railways, which now cause substantial losses. These should be streamlined and made to work more efficiently.

(4) A close supervision has to be kept over the progress of construction at Haldia so that it is completed not only according to time schedule but also there is no snag in the construction works. The Study Team of International Ports and Harbours had drawn attention to the fact that "the Chief Engineer in charge of this mammoth project keeps in touch with construction progress by means of a once a week trip to the site from Calcutta." The Team pointed out that "considering the magnitude and importance of this project and the fact that it is already two years behind schedule, we do not feel that this degree of supervision is adequate". The

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			Committee are constrained to note that such a glaring deficiency was overlooked by the Port Trust and it had to be pointed out by a foreign Team. They trust that every effort will be made to catch up with the schedule.
15	2.20	Transport & Shipping	The Committee are dissatisfied with the working of the Port Railways. This section of the port's operations suffered a loss of Rs. 1.60 crores in 1965-66, Rs. 1.89 crores in 1966-67, Rs. 2.19 crores in 1967-68 and Rs. 1.25 crores in 1968-69. The railway line is very old and no improvement has apparently been made in tracks and rolling stocks for a long time. According to the Port Trust, sizeable traffic of Port Trust has been diverted to road transportation but the Railway cannot be dispensed with nor its charges be increased in order to avoid pressure on trucks. The Committee have been informed that a Railway expert has made certain suggestions to improve the working of the Railways. The expert has advised the division of Railway in four sections, closing down of one section and disposal of about 700 old wagons. The Committee would like action to be expeditiously taken on these suggestions and the affected staff gainfully employed elsewhere. The Committee need hardly stress that if the Railway is to be continued by the Port Trust it must be, as far as possible, self-supporting. The Committee hope that necessary steps would be taken by the Port Trust to rationalise the present arrangements and modernise the Railway to the extent possible.
16	2.21	Do.	The Commitee were given to understand that the deficit of the Railway can, to a certain extent, be off-set if the Ralways pay the Port Trust their

			full share of proportionate terminal charges levied by them. The Committee desire that the question of payment of additional terminal charges should be vigorously pursued.
17	2.26	Do.	The Committee are unhappy about the pilferage of tea from the railway wagons received by the port authorities. The estimated value of tea pilfered was Rs. 35.74 lakhs in 1966-67, Rs. 6.89 lakhs in 1967-68 and Rs. 5.78 in 1968-69. It has been reported that because of pilferage, tea consignments are getting diverted from Calcutta to Kandla. The Committe consider this to be fraught with grave risks, as this is bound further to decrease the port traffic. The Committee are concerned that the pilferage is taking place in some cases due to the railway staff colluding with tea interests who find it more attractive to divert these export consignments to Indian markets where they fetch a good price but result in loss of foreign exchange. The Committee note that a departmental Committee consisting of representatives of Police, Railways, Port Trust and Tea Board have been set up to look into the matter. The Committee hope that this matter will be examined in all its aspects and constant vigilance will be maintained so as to minimise pilferage of tea from railway wagons.
18	2.29	Do.	The Committee note that there has been delay in disposal of unclaimed cargo lying in the custody of Calcutta Port Trust. The quantity of such cargo was 762 tonnes in November, 1966, 500 tonnes in October, 1967, and 944 tonnes in November, 1968. The disposal of the cargo has been stated to have been delayed due to difference of opinion between the Port Trust and customs authorities as to whether the price of goods should cover the customs duty chargeable on the goods or not. The Committee

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			desire that these matters should be quickly settled by the Port authorities and Customs, and necessary steps taken to dispose of the cargo, as delay in the disposal of the cargo not only results in deterioration of goods but also blocking of valuable accommodation in the Port area.
19	2.35	Transport & Shipping	The Committee find that the outstanding dues of the Port Trust have been increasing from year to year. The outstanding dues which at the end of 1963-64 amounted to Rs. 34.92 lakhs have increased to Rs. 134.17 lakhs at the end of 1967-68. The Committee suggest that some positive meausures should be taken to realise these dues especially from the private parties and statutory bodies and to prevent their accumulation in future. The Committee note that suits have been filed for dues against rent of land and buildings amounting to Rs. 12.77 lakhs against private parties. The Committee desire that Port Trust should examine the question of taking some action against other parties from whom dues are long over-due.
20	2.39	Do.	The Committee observe that expenditure has been incurred on works substantially in excess of sanctioned estimates and that this excess expenditure is awaiting regularisation. The excess expenditure rose from Rs. 128 lakhs in March, 1966 to Rs. 1137 lakhs in March, 1968. It has been stated by the Port Trust that in most of the cases the excess was due to devaluation of rupee. The Committee consider that, estimates of the various works involving foreign exchange should have been revised and due sanction of the competent authority for the revised estimates obtained.

			The Committee desire that in future the Port Trust should devise necessary checks to ensure that expenditure does not exceed sanctioned estimates without a revised estimate being prepared and approved.
21	2.42	Do.	The Committee are concerned to find that, in spite of fall in traffic at Calcutta Port, the overtime allowances paid to the employees of certain departments continue to be on the high side. In 1967-68 the overtime ranged from 29 per cent to 64 per cent of the salaries of certain departments/sections. The Committee recognise that this impinges on the delicate problem of labour relations but would like the Port Trust to find out ways and means to minimise the expenditure on this account.
22	3.21	Do.	The Committee find that according to the accounts as recast on the basis of the advice of consultants, the Bombay Port Trust had a net income of Rs. 6.13 crores in 1965-66, Rs. 4.48 crores in 1966-67 and Rs. 3.57 crores in 1967-68. These figures include income from demurrage derived by the Port Trust which was quite substantial. If this item, which should not strictly be considered a normal source of income, is excluded, the earnings would be Rs. 1.21 crores in 1965-66 and 0.55 lakhs in 1966-67. For the year 1967-68 there would actually be a deficit of Rs. 95.29 lakhs. The revenue accounts for 1968-69 would similarly show an operating defiict of Rs. 0.33 crores if demurrage is excluded. As for 1969-70, the Committee note the Port Trust authorities themselves anticipate a deficit, even after taking credit for demurrage.
23	3 .	Do.	The foregoing data would show that there is substantial scope for improving the working results of the Port. This deterioration in the working

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			results is partly a reflection of the fact that traffic at the port has been falling. The cargo handled at the port which increased from 14.73 million tonnes in 1960-61 to 18.12 million tonnes in 1965-66 has since declined to 16.4 million tonnes in 1968-69. It is evidence that a radical change is taking place in the composition of traffic handled at the port (both imports and exports). The trends in this regard should be closely studied and appropriate adjustments made in the facilities provided at the ports.
24	3.25	Transport & Shipping	In the context of the trends of traffic at the port, it is obvious that it will have to take steps to rationalise the expenditure on its principal activities. The Port has switched over to the management system of accounting to enable it to assess the cost of each service or operation. This should help it to identify the areas of operations which are at present proving expensive and to take steps to economise on the expenditure incurred on these operations. The Committee would like the Costing Cell set up in the Port to undertake an analysis of the cost of some of the major operations like cargo handling and port and dock facilities. Based on their findings, suitable measures to streamline these operations should be taken. No less important is the need to overhaul the rate structure of the Port. The Committee have later in this Report referred to a number of instances where the Port Authorities failed to revise rates in time and thereby lost revenue. The Costing Cell should be given a phased Programme to analyse the rate structure and formulate proposals for overhauling them.

	3.24	Do.	One point that the Committee notice is that there is no uniformity in the shipping charges levied by the various Ports. In August, 1969, shipping charges per tonne on sugar exports for instance were Rs. 2.50 in Bombay, Rs. 4.90 in Calcutta, Rs. 9.00 in Madras, Rs. 5.50 in Cochin, Rs. 4.25 in Vishakhapatnam, Rs. 3.95 in Kandla and Rs. 5.87 in Mormugao. The rates of demurrage also differ from port to port. The Committee recognise that, in view of local conditions, an absolute uniformity is not possible. They feel, however, that the Ministry of Transport should make a study of the basis on which shipping charges and demurrage are levied by the various major ports and take steps to rationalise them thereafter.
26	3.25	Do.	The Committee also feel that other major ports should be asked to reorient their system of accounting on the lines of the Bombay Port Trust. Apart from bringing about some uniformity, this would help the ports to identify the cost of their operations on a functional basis, facilitating better management control.
27	3.42	Do.	The Committee are concerned about the increasing losses sustained by the Bombay Port Trust Railway. If certain notional credits taken in the accounts by the Port Trust on account of oil traffic, dock wharfage and revenue derived from railway-served plots are excluded, the deficit in the working of the Railway works out to Rs. 72.58 lakhs in 1965-66, Rs. 85.79 lakhs in 1966-67, Rs. 95.09 lakhs in 1967-68 and Rs. 91.53 lakhs in 1968-69.
28	3.43	Do.	The Committee note that the Port Trust are themselves not very happy about the working of their Railways and propose to take certain

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			measures to reduce establishment charges and also improve the efficiency of the Port Railway with a view to reducing the deficits. But the success of these efforts will be conditioned by the extent to which the Port authorities are able to enlist the cooperation of various staff unions. The Committee would like the Port Trust to enter into a dialogue with the unions for this purpose, so that the Port Railways could be made to work more efficiently.
29	3·44	Transport & Shipping	The Committee note that the Ministry of Transport and Shipping have taken up the question of settlement of terminal charges payable by the Ministry of Railways to the Port Trusts. It has been stated that the realisation of these extra terminal charges from the Railways would substantially offset the losses of Port Trust Railway. The Committee would like the question of terminal charges payable to the Port Trust Railway should be vigorously pursued with the Ministry of Railways.
30	3·45	Do.	The Committee find from the data furnished to them that there has been a considerable diversion of traffic from the Port Railways to road in the recent years. Approximately 45 to 50 wagon loads have been diverted from rail to road every day. The entire question of scope of operations of the Port Railways is stated to be under examination by a Sub-Committee, with which the representatives of the Indian Railways have been associated. The Committee would like to be informed of the Sub-Committee's findings and the action taken to implement its suggestions.

31	3·46	Do.	The Committee have been given to understand that the major Ports Commission is also examining whether the Ports should have Railway of their own or whether they should be operated as part of the Trunk Railways. The Committee would like to be apprised of the findings of the Commission in this regard as also the action taken thereon.
32	3·53	Do.	The Committee note that the outstanding dues of the Port which stood at Rs. 235.84 lakhs as on 31st March, 1968 were reduced to Rs. 94.75 lakhs as on 31st October, 1968 and Rs. 67.2 lakhs as on 31st October, 1969. The Committee are not satisfied with the progress made in realisation of dues during the period 31st October, 1968 and 31st October, 1969: only an amount of Rs. 17.46 lakhs was realised during a period of one year. The Estate Department of the Port has to realise dues amounting to Rs. 52.04 lakhs, out of which Rs. 37.47 lakhs are due from Government Departments and Rs. 14.75 lakhs from private parties. The Committee desire that sustained efforts should be made to realise the dues from Government Departments and private parties to avoid their accumulation in future. The Committee note that it has been decided to recover interest on the outstanding dues both from Government Departments and private parties. The Committee hope that this will be done without delay.
33	3·58	Do.	The Committee see no justification in having renewed the lease in this case at the old rate from April, 1966 to October, 1971, particularly in the absence of any provision in the original agreement for its renewal at the old rate.
34	3·59	Do.	The Committee were informed that this was done in accordance with the resolution of the Board of Trustees and that the lease rent for the

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			period 1971 onwards was increased according to the formula approved by the Board of Trustees in 1956. The Committee desire that the formula approved by the Board of Trustees in 1956 should be reviewed with a view to relating it to current market rates so that, as far as possible, the Port Trust does not lose revenue avoidably.
35	3.60	Transport & Shipping	The Committee were informed that one of the difficulties in charging market rate was that this would entail protracted eviction proceedings, in case lessees were not prepared to pay the market rates. The Port Trust had approached Government for powers to evict lessees under the Public Premises (Eviction) Act, but they were advised that Port areas would not come under the purview of Public Premises (Eviction) Act. Government are now, however, stated to be considering the question of amending the statute to facilitate speedier action for eviction of recalcitrant lessees. The Committee feel that necessary powers should be conferred on the Port Trust to evict lessees in case of default of rent or after the termination of the lease, by means of a summary procedure instead of having to institute a civil suit for eviction.
36	3.63	Do.	The Committee take a serious view of the fact that the lessee in this case who committed a breach of the lease terms by letting out the building built on Port Trust land was granted a fresh lease. The Committee regret that Port Trust did not take necessary action against the lessee for breach of the terms of the lease agreement, but instead granted a fresh lease at a revised rate. The revised rate did not conform to the formula

			approved in the Trustees Resolution of 1956 with the result that there was a loss of 5:32 lakhs for the period of the present lease upto 31st March, 1997. Another unsatisfactory feature of the case is that although the breach of the lease took place from 1st August, 1963, the Port Trust enhanced the rate only from 1st February, 1965 which resulted in an addtional loss of Rs. 0:55 lakhs during the intervening period. The Committee hope that cases of this type will not recur.
27	[illegible].66	Do.	The Committee are astonished to find that since 1952 there has been no revision of rates to be charged from the private oil companies for patrolling their oil pipe-lines, although the cost of services is estimated to have increased by about 200 per cent since then. The Committee desire that this question should be immediately taken up and the rates revised suitably. The Committee also hope that with the setting up of a Costing Cell in the Port Trust the rates for various other services rendered to private parties would be periodically reviewed, in order to bring them upto date. For this purpose some time-schedule for review should be prescribed.
[illegible]	3.70	Do.	The Committee are concerned at the lack of coordination between Bombay Port Trust and the Customs Department which occurred in this case. The Customs Department revised the basis of measurement of volume of petrol, oil and lubricant products with effect from October, 1960. The charge on the basis of measurement resulted in a drop of volume, to counteract which the Customs Department increased their levy. However, the Port authorities, who were charging wharfage on the basis of volume came to know about this changed basis only in 1966. Thereafter it took them two years to revise the rates, *i.e.*, April, 1968. This

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			resulted an annual loss of revenue to the Port Trust amounting to Rs. 9.00 lakhs approximately. The Committee desire that necessary steps should be taken to establish better coordination between the Customs and Port Trust in matters of common interest which affect the Port revenues.
39	3.73	Transport & Shipping	The Committee regret to point out that the rate of hire (Rs. 420 per shift) charged from the private contractor in respect of 30-ton Lima crane was very much on the low side as compared with the market rate (Rs. 1100 per shift). The Committee desire that rates of hire for machinery and equipment loaned to contractors should be revised periodically so that these are comparable with market rates.
40	3.76	Do.	The Committee find it surprising that the rates of ground rent in respect of monthly and 15-monthly leases for lands let out as far back as 1920 (at rates varying from annas 2 to annas 6 per sq. yd. per month) were allowed to hold the field for nearly two decades till they were increased on *ad hoc* basis by 81 per cent on an average over the then existing rates. Although the trustees decided in 1952 that the need for revision of the rates should be examined once in three years, no decision was taken to raise the rate till 1968. In 1968, the rates were increased by 33⅓ to 75 per cent. although the Chief Surveyed and Land Valuer of Port Trust, entrusted with working of the rates on more scientific and rational basis, had recommended in 1966 that the rates might be raised 200 to 300 per cent. The Committee would like the Port Trust to rationalise the basis for fixation of rent in respect of leases of port land so that lessees do not profit at the expense of the Port.

41	3·80	Do.	The Committee note that with a view to prevent trading in Port Trust Lands and to derive adequate returns for Port Trust property, the Board decided in June, 1965 that on reassignment of existing non-rent earning leases, the new assignee should nomally be charged increased rent at 1.5 times the rent reserved under the existing lease for the first half of residential period and 1.75 times such rent for the remaining period.
42	3·81	Do.	In view of the fact that in this case, the transferer got from the transferee a consideration of about Rs. 28 lakhs for the transfer which amounted to trading in the Port Trust land, the Committee consider that revision of the lease rent in terms of the Resolution of the Board of June, 1965 was inadequate. The Committee would also like the Port Trust to consider the question of revising decision taken in 1965, so as to secure for the Port a greater share of income arising out of reassignment of leases.
43	3·86	Do.	The Committee desire that close coordination should be kept with Collector of Customs so that goods do not continue to be indefinitely in bond when the Bonders have failed to pay rent. In such cases expeditious action should be taken to obtain permission of the Customs Authorities for the disposal of the goods.
44	3·90	Do.	The Committee are not happy over the fact that costly machinery and equipment is lying idle for long periods. The Committee would like the Ministry to ensure that proper coordination is maintained between the different major ports so that machinery and equipment are not imported by ports while similar equipment are lying surplus to requirement in other ports. The Committee desire that the ports should prepare an inventory of the surplus machinery and equipment lying idle and decide about their disposal or transfer.

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45	3·93	Transport & Shipping	The Committee desire that the Port Trust should pursue with the suppliers the question of obtaining satisfactory replacements for the wrie ropes (cost Rs. 1.93 lakhs) which have been found defective. Legal advice should be also taken as to the action possible at this stage against the suppliers.
46	39·6	Do.	The Committee observe that the Port Trust are losing revenue to the extent of Rs. 99,000 and Rs. 34,000 per annum respectively in respect of vacant plots in the Cotton Depot and Mahim Bunder, which have not been let out. The Committee would like the Port Trust to carry out a review of all the plots belonging to them which are lying vacant and the reasons therefor. In the light of the review, efforts should be made to let out the plots and utilise them, so that as far as possible loss of revenue does not occur.
47	3.100	Do.	The Committee consider these two cases of under-assessment of wharfage dues in the Bunders as serious. In one case the wharfage dues on Copra and Coconut, were assessed on weights declared by the importers without verifying their correctness. A test-check of five materials revealed that weights were under-estimated by about 1,390 Kgs. and 335 Kgs. per 100 bags of Coconut and Copra respectively. The loss is estimated at Rs. 46,000 (approx.) for three years ending March, 1966. In the other case an under-assessment of Rs. 12,952 was detected in a single consignment of 17 drums or Diacetone Alcohol. Such under-assessments point to the need of extending internal pre-check by the Chief Accountant to the Bunders.

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			But it has been decided not to institute pre-audit at the Bunders for the present for the reasons that suitable accommodation is not available and that the revenue collections have been declining. The fact that revenue collections of the Bunders is declining, points, all the more, to the need for introducing pre-audit so that leakage of revenue could be plugged.
48	3·108	Do.	The Committee note that a transport contractor, to whom the Port Trust entrusted the transport arrangements for foreign consultants, was paid advances for the purchase of 7 cars, 3 of these cars were surrendered by the consultants, but the advances paid in respect of 2 of the cars are still to be adjusted. The Committee would like this to be done forthwith.
49	3·115	Do.	The Committee feel that substantial concessions have been extended by the Port Trust to the contractor entrusted with the running of the canteen in the administrative blocks. These have been by way of re-imbursement of half the cost of fuel; payments towards cost of facilities provided by the contractor for officials bringing their own lunch/tiffin and non-recovery of security deposit. The Committee feel that the Port Trust should call for fresh tenders for running the canteen on these stipulations to ascertain whether the existing arrangement is in their financial interests.
50	3·119	Do.	The Committee note that an amount of Rs. 1.74 lakhs on account of wharfage on waste oil pumped from Butcher Island for the period April, 1959 to March, 1969 is due from oil companies but that the question of recovery has not been finally settled with oil companies in spite of discussions and correspondence. The Committee would like the Port Trust to have legal position examined without delay and further necessary action taken in accordance with the opinion expressed.

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51	3·124	Transport & Shipping	The Committee are distressed over the inordinate delay that occurred in completion of white oil flushing scheme. The site for the project taken up in 1954 had to be shifted to an other site in 1956 to meet the changed requirements of oil companies. But even after this, it took the Port Trust 10 years to complete the project (1966). As a result, the scheme which was estimated to cost Rs. 3.89 lakhs in 1954 was completed in 1966 at a cost of Rs. 27.05 lakhs. The Committee consider the delay of ten years in completing the modified scheme as unconscionable.
52	3·125	Do.	Another unsatisfactory feature of the execution of the scheme is that proper care was not taken to avoid damage to equipment awaiting installation and consequently the Port Trust had to incur an avoidable expenditure of Rs. 20,420 on replacement of materials eaten away by white ants and on commissioning of idle parts.
53	3·129	Do.	The Committee observe that Port Trust have not fallen in lien with the general arrangements made by Government for routing of advertisements through the Directorate of Advertisement and Visual Publicity. As a result they are forgoing rebate of 15 per cent which has been secured by the Director of Advertisement and Visual Publicity by arrangement with the newspapers. The main apprehensions of the Port Trust are that by routing the advertisements through Directorate of Advertisement and Visual Publicity, it may not possible for them to get their advertisements be published in appropriate newspapers or that they may be published in a condensed form or might be delayed in publication. While the Committee appreciate

			that lack of adequate publicity and abridgement of advertisements or delay in their publication might adversely affect the interests of the Port Trust, they feel that these difficulties could have been sorted out with the Directorate of Advertisement and Visual Publicity. The Committee suggest that the matter be discussed by the Port Trust with the Directorate of Advertisement and Visual Publicity and result communicated to the Committee.
54	3.133	Do.	The Committee note that there is a proposal to set up a satellite port in Nhava Sheva on a phased programme drawn up by the Consulting Engineers of the Bombay Port. The first phase of development of the satellite port, covering the period upto 1975-76, envisages the construction of three berths in the creek between Nhava and Sheva, two berths for handling bulk cargoes such as fertilizers, rock phosphate, sulphur, sugar, etc., and the third for handling containerised traffic. A Study Team of International Ports and Harbours which examined these proposals questions the wisdom of the "planning logic which suggests that a new port should provide every conceivable type of port facilities within one concentrated area." The Study Team drew pointed attention to the fact that "if import foodgrain requirements are eliminated, the Central Government forecasts, there would not be sufficient justification for embarking on a port development of this magnitude at this time." The Committee desire that in processing the proposals in this regard, Government should take adequate precautions to obtain reliable forecasts of traffic trends so that facilities are not created on a grandiose scale unwarranted by the requirements of trade. The fact that traffic at the Bombay Port has lately registered a fall suggests the need for extreme circumspection in planning the provision of new facilities.
55	4.9	Do.	The Committee find that the working expenses of the Cochin Port have more than doubled from Rs. 145.47 lakhs in 1964-65 to Rs. 307.66 lakhs

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			in 1968-69. This has occurred due to additional expenditure on staff, dredging operations and repairs and maintenance etc. The establishment expenditure has increased because apart from revision of rates of dearness allowance etc., there has been addition to staff and upgrading of posts from time to time. The Committee would like to emphasise the need for keeping a strict watch on this expenditure, particularly, as the net earnings are tending to decrease.
56	4·10	Transport & Shipping	The Committee feel that the dredging operations in the Port leave a lot to be desired. The Port has not yet been able to find a proper dumping ground for the silt with the result that the dredged silt keeps floating back to the Port after dredging operations. The matter is stated to have been referred to the Khadakvasala laboratory and Atomic Energy Establishment who have to complete certain experiments to trace the movement of silt. The Committee would like the matter to be vigorously pursued and a proper dredging pattern to be evolved. It has been stated that the limited range of some of the existing pipeline dredgers with the Port has limited the scope for dumping operations. Government should have this matter examined and provide for dredgers which would be capable of depositing the silt at farther distances than now.
57	4·11	Do.	One point bearing on the dredging operations of the Port calls for special mention. The Study Team of International Association of Ports and Harbours referred to the "inadequate usage of dredgers in the port" and the fact that the "suction cutter dredger is scheduled for dredging operations

			only two months per year but remains idle for the remaining 10 months. The Team also pointed out that the rate of productivity of dredgers is "abysmally low" and that there is "a lack of qualified officers and crews." As the dredging expenses have almost doubled from Rs. 29.84 lakhs in 1965-66 to Rs. 58.2 lakhs in 1967-68, the need for optimum use of the existing dredger fleet, through provision of competent technical staff needs little emphasis. Any proposal for acquisition of new dredgers should also take note of the need to first put the existing stock of dredgers to the maximum use and to recruit qualified persons in future.
58	4.15	Do.	The Committee have elsewhere in this Report stressed the need for the accounts of Port Trusts being drawn up on management principles so that they clearly bring out the cost of various operations. The Committee note that this question is engaging the attention of Government. They trust that Government will ensure that the revised accounts accounting system in speedily finalised and adopted, so that the Ports got a clear picture of the cost of various services rendered and the revenue derived therefrom. While it might not be possible to make every service pay its way, the effort should be to ensure that the charges for such services approximate as closely as possible to the cost.
59	4.17	Do.	The Committee feel that the charges for use of cranes at Cochin Port will need review in the light of the fact that hire charges have been falling short of running expenses. The record of the working of the 120-tonne floating crane has been particularly unimpressive. During 1967-68, for instance, the operating expenses amounted to Rs. 8.06 lakhs against which the hire charges realised through its use were Rs. 65,173. It is obvious

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			that the crane does not have enough work. The Committee would like Government to assess the position regarding the utility of its retention there.
60	4.21	Transport & Shipping	The Committee have earlier in this Report drawn attention to a similar case where the Bombay Port Trust failed to fall in line with the Customs Department, after the latter had revised the basis for measurement of volume of petroleum products for purpose of duty to be charged on these products. The result was that the Port Trust avoidably lost revenue for a period of eight years till they revised the basis for assessment. The Committee note that in this case there was a similar delay of about six years
61	4.22	Do.	The Committee would like appropriate review procedures to be evolved to ensure that delays of this kind do not recur. Government should also ensure that all the ports follow a uniform principle for purpose of assessment of duty.
62	4.26	Do.	The Committee note that the Port Trust have lodged a claim for Rs. 2.64 lakhs with the Railways towards loss of revenue sustained by them due to the opening of a Railway goods shed in close proximaity to the Harbour station. The Committee would like to be apprised of the progress of settlement of the claim.
63	4.30	Do.	The Committee feel that the leases in respect of lands in Willingdom Islands have been given out on terms which have not secured to the Port

			Trust the full benefit of the enhancement inland values in that area. The rates of rent were revised thrice by 25 per cent in 1960, 25 per cent in 1962 and 50 per cent in 1967, as against which the rise in land values reported by the Collector was 100 per cent, 40 per cent and 500 per cent respectively. The Committee are not convinced by the argument that the lands in the Port area have not appreciated to the extent reported by the Collector whose assessment is stated to pertain to lands in the mainland. Even if this is so, the Committee feel that the disparity in land values cannot be of the order suggested by the figures above. The Committee would like the Port Trust to review the whole matter and refix the rents, if necessary, by getting an independent assessment made by the revenue authorities of the extent of appreciation in the Island.
64	4.31	Do.	The Committee also feel that it was not in the best interests of the Port Trust to have renewed certain leases at the old rates when a proposal for revision of rentals was under consideration. The consideration of this proposal itself took an unconscionably long time of 2 years. The Port Trust should have taken legal advice, if necessary, before renewing the leases so that the leases could have given them the option to revise the rents later, or renewals of leases should have been for a short period. The Committee trust that there will be no recurrence of cases of this kind.
65	4.37	Do.	The Committee note that there is a proposal to build a super-tanker oil berth at a cost of about Rs. 10 crores to handle oil traffic at the port Opinion is sharply divided on the question whether this facility should be made available as an in-shore or off-shore terminal. While a feasibility study conducted by M/s. Engineers India Ltd. would appear to have

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			suggested the location of this berth in-shore, the Study Team of the International Association of Port & Harbour expressed the view that an off-shore terminal is preferable both on considerations of cost and the trends in international oil traffic which is increasingly taking place in super-tankers of the size that the in-shore terminal would not be able to accommodate. This would also minimise the cost on dredging. The matter calls for further detailed study by Government, in view of the magnitude of the investment involved and the need to ensure that facilities that are made available are adequate from all points of view.
66	4·38	Transport & Shipping	The Committee observe that the Study Team also took the view that "there is little or no justification for the expectation that Cochin will require expansion in the foreseeable future." In view of this finding, the Committee would like Government to ensure that any proposal for construction of new berths etc. is screened with the utmost care on the basis of traffic estimates which should be most carefully drawn up.

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