NINETY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1981-82)

(SEVENTH LOK SABHA)

KANDLA PORT TRUST

MINISTRY OF SHIPPING AND TRANSPORT

Presented in Lok Sabha on 29 APR 1982

Laid in Rajya Sabha on [illegible]

LOK SABHA SECRETARIAT
NEW DELHI

April, 1982|*Chaitra,* 1904 (*S*)

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CONTENTS

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(1981-82)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present in their behalf this Ninety-Seventh Report of the Public Accounts Committee (Seventh Lok Sabha) on paragraph 34 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) on Kandla Port Trust relating to the Ministry of Shipping and Transport.

2. The Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) was laid on the Table of the House on 27 April, 1981.

3. In this Report the Committee have taken serious note of the huge escalation in cost of the Mathura Refinery Project from Rs. 97 crores at 1973 price level to Rs. 253.52 crores at September, 1981 price level on the one hand and non-utilisation of capacity available at the off-shore terminal at Vadinar on the other due to considerable slippage in the schedule of completion of the Mathura refinery.

4. The Committee have expressed concern that the terms and conditions governing the capital debt amounting to Rs. 158.54 crores of six major ports, *viz.*, Kandla, Visakhapatnam, Mormugao, Paradip, Tuticorin and New Mangalore have not been determined so far in spite of the specific provisions in Sections 29 and 31 of the Major Port Trusts Act, 1963.

5. The Committee have desired that a decision on the question of allowing the major ports to augment their resources through market borrowings/debentures for financing their projects of modernisation and development during the Sixth Plan should be taken at the earliest.

6. The Committee have also expressed concern over the issue of payment of terminal, haulage and siding charges and staff quarters by the Railways which has remained undecided ever since the booking of the goods started at Kandla Port in 1956. The Committee have impressed upon the two Ministries the need for arriving at a decision in the matter without any further delay. The Committee consider that in the interest of efficient functioning of the port railways and the ever increasing volume of traffic, it is only

desirable that the port railways are integrated into the trunk system as quickly as possible.

7. The Public Accounts Committee (1981-82) examined the above paragraph at their sitting held on 1 February, 1982 (FN & AN). The Committee considered and finalised this Report at their sitting held on 8 April, 1982. The Minutes of the sitting of the Committee form Part II* of the Report.

8. A statement containing observations and recommendations of the Committee is appended to this Report (Appendix II). For facility of reference and convenience, these have been printed in thick type in the body of the Report.

9. The Committee place on record their appreciation of the assistance rendered to them in the examination of this paragraph by the office of the Comptroller and Auditor General of India.

10. The Committee would also like to express their thanks to the officers of the Ministry of Shipping and Transport, Ministry of Petroleum, Ministry of Commerce, Ministry of Railways etc., for the cooperation extended by them in giving information to the Committee.

SATISH AGARWAL
Chairman,
Public Accounts Committee.

NEW DELHI;
April 15, 1982
Chaitra 25, 1904 (*Saka*)

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CHAPTER I

INTRODUCTORY

1.1 The Audit Para on Kandla Port Trust as appearing in the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) is reproduced as Appendix I of this Report.

1.2 The Port of Kandla was declared as the sixth major port on April 8, 1955. The port was developed as a major port by the Central Government with four cargo jetties and one oil jetty and its administration was handed over with effect f rom 29 February 1964 to a Board of Trustees constituted by Government under the Major Port Trusts Act, 1963. he Port Trust subsequently constructed and commissioned a fishing jetty (1965 : cost Rs. 5.14 lakhs), a cargo jetty (1973 : cost Rs. 211.05 lakhs) and an oil jetty (1975 : cost Rs. 75.63 lakhs). In addition, the Port Trust provided infrastructure port facilities at an estimated cost of Rs. 1559.27 lakhs (expenditure upto 31st March, 1980 : Rs. 1132.08 lakhs) for a single bouy mooring oil terminal established by the Indian Oil Corporation (August 1978) at Vadinar, 93 kms. by sea from Kandla for handling large quantities of crude oil.

1.3 Kandla is a natural and well protected port and serves a vast hinterland which includes north Gujarat, Rajasthan, Haryana, Punjab, Delhi, Himachal Pradesh, Jammu & Kashmir, Western Uttar Pradesh and certain parts of Madhya Pradesh. The port has been planned and equipped on modern lines to handle different types of cargo. The facilities available at the port of Kandla are as follows:

(a) Berthing facilities for dry cargo;

(b) Berthing facilities for liquid cargo;

(c) Fishing jetty;

(d) Port facilities at Off-shore Oil Terminal, Vadinar;

(e) Cargo handling equipment;

(f) Storage and warehousing facilities;

CHAPTER II

CAPACITY UTILISATION

(a) *Berthing facilities*

2.1 The Committee desired to know the extent to which the various facilities added from time to time have been utilised and served the purpose for which they were created. The Ministry of Shipping and Transport in a note furnished to the Committee have stated:

"*Dry Cargo*

There are five alongside berths with a total quayage of 3825 ft. Five large size ships or six medium size ships can be berthed simultaneously. The designed draft available at these berths is 32 ft. all the year round. The maximum overall length of ships that can negotiate the channel to enter the harbour is 740 ft.

The annual optimum capacity of four cargo berths constructed initially is assessed at 11.50 lakh tonnes. The capacity of the fifth dry cargo berth commissioned in September, 1973 was fixed initially at 4.50 lakh tonnes per annum. Subsequently, the Ministry of Agriculture installed a marine unloader at berth V to handle fertilizer and its raw materials.

Originally, it was envisaged to instal two marine unloaders with the capacity to handle about 10.00 lakh tonnes of fertiliser and its raw materials per annum. However, only one marine unloader was installed at berth No. V which was commissioned in November, 1977 and has the capacity to handle about 6.00 lakh tonnes of fertilizer and its raw materials per annum.

Thus, the optimum handling capacity of the five dry cargo berths upto 1975-77 was 16.00 lakh tonnes per annum. After the commissioning of the marine unloader, the handling capacity was increased to 17.50 lakh tonnes per annum. The following table indicates the utilisation of the dry cargo berths from 1978-79 to 1980-81:—

(Figures in lakh tonnes)

Year	Four Cargo Jetty berths			Marine unloader berth			Capacity	Actualy handled
	Capacity	Actually handled	Utilisation	Capacity	Actually handled	Utilisation		
1978-79	11·50	13·51	117	6·00	2·58	43	17·50	16·09
1979-80	11·50	12·95	113	6·00	3·02	50	17·50	16·00
1980-81	11·50	13·72	119	6·00	3·24	54	17·50	16·96

It will be seen from the above that the capacity of the four cargo jetty berths has been over-utilised during the last three years. However, the marine unloader berths has not been utilised to its optimum capacity of 6 lakh tonnes per annum. (The reasons for under-utilisation of this berth are discussed elsewhere in this Chapter).

Liquid Cargo

There are two oil berths at old Kandla which are served by three pipelines of 12", 14" and 16" dia. These pipelines, assisted by a booster pumping station, are used for handling POL and there are separate pipelines for handling phosphoric acid, edible oil and other liquid chemicals.

The optimum handling capacity per annum of one oil berth is 15.00 lakh tonnes. The second oil berth was commissioned on 1st May, 1975. The capacity of this berth is also placed at 15.00 lakh tonnes per annum. Thus, upto 1974-75, the handling capacity of the Port in respect of liquid cargo was 15.00 lakh tonnes. Thereafter, this capacity increased to 30,00 lakh tonnes per annum.

The following table indicates the utilisation of the oil berths during the last three years:

(Figures in lakh tonnes)

Year	Capacity	Actually handled	Utilisation
1978-79	30·00	29·26	97·53
1979-80	30·00	25·39	84·63
1980-81	30·00	32·14	107·13

It will be observed from the above table that the utilisation of two oil berths during the last year i.e. 1980-81 was more than its optimum handling capacity. The over-utilisation of these berths during 1980-81 was to the extent of 7.13 percent. The under-utilisation of the oil berths during 1978-79 was to the extent of 2.47 which is negligible. The under-utilisation of the oil berths during the year 1979-80 was to the extent of 15.37 per cent due to less offering of POL traffic at these borths."

2.2 While vetting the above note regarding the cargo handling capacity of the Kandla Port, Audit have observed:

"The Committee appointed by the Government of India, under the Chairmanship of Shri P. K. Kaul, Additional Secretary, Department of Commerce had assessed (1978) the Port's annual handling capacity at 65 lakh tonnes—3 lakhs tonnes for the Cargo Jetties and 35 lakh tonnes for the Oil Jetties. Subsequently the Port's handling capacity was reassessed at 50.50 lakhs to 55.50 lakh tonnes—20.50 lakh tonnes for the Cargo Jetties and 30 to 35 lakh tonnes for the Oil Jetties *vide* Minister of Shipping and Transport letter No. DCO-19/78-PD dated 23-8-1979. Now, in the Government's reply under reference, the Ports annual handling capacity is shown at a further reduced figure of 47.50 lakh tonnes, 17.50 lakh tonnes for the Cargo Jetties and 30.00 lakh tonnes for the Oil Jetties. Reasons for such frequent re-assessment of the Port's handling capacity, showing a lower figure, particularly after it was fixed by an independent Committee, each time are not clear.

The actual|effective berth occupancy (in terms of percentage) has been as under:—

Year	Actual		Effective	
	Cargo Jetties	Oil Jetties	Cargo Jetties	Oil Jetties
1978-79	90	76	69	50
1979-80	92	72	73	52
1980-81	90	80	67	66

Since the Port's optimum handling capacity has been assessed at 75 per cent of the maximum handling capacity and as the berth occupancy has always been less than the optimum capacity, the exhibition of the utilisation of the handling capacity at over 100% seems to be a contradiction. Thus it would appear that the latest figures shown by the Ministry regarding cargo handling capacity (on the basis of which the actual performance is stated to be satisfactory) is not quite correctly assessed (and should be actually more)."

The Ministry have explained:

"The Audit has pointed out that optimum handling capacity has been assessed at 75% of the maximum handling capacity and the berth occupancy has always been less than optimum capacity, the exhibition of the utilisation of the handling capacity at over 100% seems to be a contradiction. It seems the Audit has considered the berth occupancy as the handling capacity. The correct position is as explained below.

The through-put of a berth is normally assessed with reference to the permissible berth occupancy. In an ideal situation, the berth occupancy is kept as low as 60% since occupancy higher than this percentage results in loss of large number of shipdays and subsequent losses to the Port users. However, in the case of Ports in India 75% berth occupancy is being adopted as per the recommendations of the National Transport Policy Committee and accordingly the capacity or through-put of a berth is assessed. Therefore, 75% berth occupancy itself gives the maximum handling capacity of a berth. However, the capacity does vary depending upon the ship-size, type and nature of cargo, number of hooks that can be worked and clearance of cargo from the Port site. Therefore, it is not correct to assess the Port performance taking the maximum capacity as an indicator.

Secondly, it is noted that the Audit has worked out effective berth occupancy perhaps based on the data furnished by the Port Trust. It appears that while evaluating this effective berth occupancy, the Audit has not taken into account the time spent due to the following factors:

(i) Pre-commencement detention;

(ii) Weather constraints;

(iii) Detention on account of no space in bulk storage sheds;

(iv) Detention on ships' own account;

(v) Holidays;

(vi) Absence of night navigation;

(vii) Shortage of pilots;

(viii) Other stoppages like go-slow, work-to-rule and other labour constraints.

In fact, most of the above factors play their role in the cargo handling operations. Therefore, the time spent on these factors has to be reckoned while assessing the berth occupancy. Therefore, there should be nothing like 'effective berth occupancy'. Moreover, as stated earlier the utilisation of the berths should be judged from the traffic handled through the berths rather than based on the berth occupancy.

The 75% berth occupancy has been taken while assessing capacity of general cargo berths since the number of cargo berths is more. In case of specialised berths like Oil Jetty where the number of berths is limited to two as at Kandla (one is very old) the capacity of such specialised berths is normally assessed on a berth occupancy of 50%-60%. However, in respect of these oil berths also 75% berth occupancy has been adopted.

Considering the above clarifications, the berth occupancy at Kandla Port is beyond the permissible limits and such a situation is not considered desirable for any Port. On the other hand, such a situation, if it persists, would justify creation of additional berthing facilities. In view of this, it is not considered that the berthing facilities have been under-utilised.

The Kaul Committee had assessed the Port's handling capacity at 65 lakh tonnes per annum i.e. 30 lakh tonnes in general cargo and 35 lakh tonnes in POL. This assessment was based on 85% berth occupancy. The Ministry made a rational assessment of port capacities subsequently. This assessment was based on 75% berth occupancy, as a figure of 85% adopted by the Committee was not only considered high but also undesirable from practical considerations. Accordingly, the capacity of the four general cargo berth was assessed at 11.50 lakh tonnes. The capacity of the other cargo berth where specialised handling facilities for fertilizers have been installed, the capacity was assessed at 9.00 lakh tonnes. This was based on the assumption that two marine unloaders would be installed. Since, however, only one marine unloader has been installed, the capacity of this berth has accordingly been re-assessed as 6.00 lakh tonnes. Thus, the total capacity of the cargo berths stands at 17.50 lakh tonnes, as against 20.50 lakh tonnes assessed earlier.

As regarding the capacity of two oil jetties, the Kaul Committee had assessed their capacity as 35.00 lakh tonnes. While re-assessing, a berth occupancy of 75% has been reckoned in this case also and accordingly, the capacity works out to 30 lakh tonnes." .

2.3 During evidence, the Committee desired to know as to how the Ministry had determined the cargo handling capacity of the Kandla. The Development Adviser of the Ministry of Shipping & Transport stated:

"....We have followed the norms which have been fixed by the National Transport Policy Committee. This suggestion was made in the year 1980. Actually, this itself is a high berth occupancy. But they said that considering the resources constraint in the country, we should adopt 75% which we have accepted. This is one factor. The other factor is what type of cargo is handled at a berth. If it is general cargo and break bulk cargo, it will be hardly around 700 tonnes per day. If it is a mixed cargo, it would be 1,000 tonnes per day. If it is a purely bulk cargo handled with the help of crane, it could go up to 1,200 tonnes. We had taken in a particular place, a cargo mix i.e. what cargoes are handled in a particular place and arrived at a figure. The normal capacity of a general break bulk cargo berth in Indian conditions is 2.5 lakh tonnes. I may say that this is considered too high in foreign countries because they work for a shorter period. Moreover, they do not accept such berth occupancy.... ..If it is purely bulk cargo, it could go up to 3 lakh tonnes. If it is purely break-bulk cargo, it is less, as normally out of 5, only 2 or 3 hatches are used. Considering the past performance and also on the basis of the presumptions which I mentioned just now, we have fixed the capacity of the 4 berths at 11.5 lakh tonnes."

2.4 Asked about the actual figures of cargo handled at the Port *vis-a-vis*, its capacity, the Chairman Kandla Port Trust stated:

"Even in 1978-79, the total cargo handled at the first four berths was 13,51,000 tonnes against the capacity of 11,50,000 tonnes. It had been exceeded by 117 per cent. In the year

1979-80, as against the capacity of 11,50,000 tonnes we handled dry cargo of 12,98,000 tonnes which has also gone up by 113 per cent; in the year 1980-81, we handled 13,72,000 tonnes which is 119 per cent. Upto the end of this year, that is upto December, *i.e.* in the first three quarters of the current year, against the prorata capacity of 8,65,000 tonnes we handled 13,24,000 tonnes and thereby the capacity utilisation was 153 per cent."

2.5 In this connection the Development Adviser of the Ministry of Shipping and Transport stated:

"May I submit in all humility that it is not a correct concept to be happy to have the highest berth occupancy.... Chairman Kandla Port Trust has said that his port has exceeded the utilisation capacity. It is really not a happy situation because it means some ships are waiting for the berth, if the occupancy goes over 70 per cent or 75 per cent. If they wait, somebody is paying for it. Therefore, the concept, I think should be not that it should be utilised more and more. When the utilisation goes up, it points to the need to construct additional berthing facilities. That is exactly what we are trying to do in the current plan We have started construction of a new cargo berth. That will reduce the berth occupancy. The moment the berth occupancy increases, it means that someone is paying for it."

2.6 On his attention being drawn to the findings of the Kaul Committee which had determined the capacity of the Kandla Port as 65 lakh tonnes *i.e.* 20 lakh tonnes for cargo jetties and 35 lakh tonnes for oil jetties, the Chairman, Kandla Port Trust stated:

"The Kaul Committee took into consideration 85 per cent as the berth occupancy for 300 working days. It is a very high norm for the working of the port. It is dangerous to work actually at that level of efficiency."

The Secretary, Ministry of Shipping and Transport added:

"........instead of two marine unloaders—as recommended by Kaul Committee—only one marine unloader was installed. We have not accepted Kaul Committee projections."

Elaborating the position further another representative of the Ministry stated:

"All major ports all over the world assume a berth occupancy of 60 per cent. This is the maximum which is assumed even in developed countries. In many other countries the berth occupancy assumed is even less than 60 per cent but in our country because of the constraints on resources the Major Ports Commission has suggested 75 per cent and the National Transport Policy Committee has also suggested 75 per cent. Sir, the idea in fixing berth occupancy at 60 per cent is to ensure that the ships are not made to wait. The main operational objective of a port is to turn out ships as fast as possible and sensitivity analysis undertaken by most ports indicates that on an average 55 per cent of the ships should not wait at all. Once they come to a port they should be given berthing facilities immediately. The overall average pre-detention period should not go beyond two to three days. This period of preberthing detention is possible only if the berth occupancy is fixed at about 60 per cent."

2.7 As the berth occupancy was 95 per cent to 98 per cent in 1980-81, the Committee enquired as to why the cargo handled by the port remained at 46.6 lakh tonnes only whereas at that rate of occupancy it should have been about 60 lakh tonnes. The Chairman, Kandla Port Trust replied:

According to the capacity determined by the Ministry, it should have handled 47.5 lakh tonnes. ......60 lakh tonnes is not the capacity of the port. There are five general cargo berths at the port. For the first four berths, the capacity per berth, even according to international standards, cannot be more than 2.50 lakh tonnes against which the figures for berths No. 1 and 2 are 2.75 lakh tonnes each For berths 3 and 4, I have taken 3 lakh tonnes. It comes to 11.50 lakh tonnes. For unloading, since there is only one marine loader, there is only 6 lakh tonnes on that berth. For the liquid cargo, there are two oil jetties each having a capacity of 1.5 million tonnes. This norm which we have adopted for capacity per berth is higher than recommended by the Major Ports Commission."

2.8 The annual handling capacity of the Kandla Port was assessed by the Kaul Committee (1978) at 65 lakh tonnes—30 lakh tonnes for the cargo jetties and 35 lakh tonnes for the oil jetties. In August 1979 the Ministry of Shipping and Transport reassessed the port's handling capacity at 50.5 to 55.5 lakh tonnes i.e. 20.5 lakh tonnes for the cargo jetties and 30-36 lakh tonnes for the oil jetties. The Com-

mittee find from the information now furnished that the capacity has been further reduced to 47.5 lakh tonnes i.e. 17.5 lakh tonnes for cargo jetties and 30 lakh tonnes for oil jetties, due to the reason that only one marine unloader has been installed against two originally contemplated. The Ministry stated that upon a 'rational assessment' made subsequently it was found that the figure of 85 per cent berth occupancy adopted by the Kaul Committee was not only considered high but also undesirable from practical considerations.' The capacity was therefore reassessed at 75 per cent berth occupancy. Chairman, Kandla Port Trust stated in evidence that 85 per cent berth occupancy for 300 working days "is a very high norm for the working of the Port. It is dangerous to work actually at that level of efficiency'. The Committee were further informed that major ports all over the world assume a berth occupancy of 60 per cent to ensure that the overall average pre-berthing detention period does not go beyond two to three days. Keeping in view the constraints of resources and the recommendations of the Major Ports Commission as well as the National Transport Policy Committee, the Ministry had determined port capacity at 75 per cent berth occupancy.

2.9 The Committee find that the actual berth occupancy in the cargo jetties was as high as 90 per cent in 1978-79 and 1980-81 and 92 per cent in 1979-80 while in the oil jetties it was 76 per cent in 1978-79, 72 per cent in 1979-80 and 80 per cent in 1980-81. Audit have pointed out that due to various factors like pre- berthing detention, weather constraints, detention on account of lack of space in bulk storage sheds, absence of night navigation facilities, shortage of pilots, labour problems etc. the effective capacity of the. port has varied from 67 to 73 per cent in the case of cargo jetties and 52 to 60 per cent in the case of oil jetties. The Committee have dealt with the reasons for the low outturn in subsequent paragraphs of this Report.

2.10 The Ministry propose to provide dditional berthing facilities in the current plan at an estimated cost of Rs. 41.18 crores. The Committee would like to impress upon the Ministry the need to review critically the various factors hindering smooth operations at the Kandla Port and to take concerted measures to improve efficiency and ensure better outturn before taking any major. investment decision .

Off-shore Oil Terminal at Vadinar

2.11 The Off-shore Oil Terminal at Vadinar, where a Single Buoy Mooring (S.B.M.), is provided for handling VLCCs (Very Large Crude Carriers), has an installed capacity of 120 lakh tonnes per annum. The Terminal was commissioned in August. 1978 and since then the following traffic in crude oil has been handled:

(Figures in lakh tonnes)

1978-79	1979-80	1980-81
13·35	31·01	38·56

The under-utilisation with respect to the installed capacity at Vadinar is due to less import of crude oil as the Mathura Refinery has not yet been commissioned.

1.12 The Committee desired to know the basis on which the handling capacity of as much as 120 lakh tonnes of crude oil was created at Vadinar. The Ministry of Shipping and Transport have stated:

> "This terminal is intended to feed the refineries at Koyali and Mathura. On the basis of projected capacities of these refineries, the installed capacity of the Single Buoy Mooring (S.B.M.) was placed at 120 lakh tonnes. However, the actual quantity of crude oil handled at the S.B.M. during the year 1979-80 was 31.01 lakh tonnes. This is mainly due to the fact that the Mathura Refinery has not yet been commissioned.
>
> As regards the actual handling capacity of the Single Buoy Mooring, it depends on the sizes of the tankers calling at the installation. The bigger the size of the tankers, the higher will be the throughput."

2.13 During evidence, the Committee desired to know the reasons for delay in commissioning of the Mathura Refinery. The Secretary, Ministry of Petroleum stated:

> "The refinery schedule was approved around 1973 or so. It was to be commissioned in 1978. However this was deliberately delayed by Government. It was a conscious decision..... You will recall that around 1973-74 oil prices increased so much that around 1974-75 it was decided that the refinery should be delayed by a year or so..... The refinery has now been completed and,.....the trial section was commissioned about a week ago."

2.14 In reply to a further question the witness stated that some of the other factors responsible for the delay were late receipt of drawings, late delivery of equipment both domestic and overseas, power shortage, floods etc. He added:

"....the oil jetties in Kandla were under-utilised. 1977-78 was a particularly difficult year because of the Iran crisis. The result was that the entire world market became completely disturbed. In 1979-80, if you recall, the imports and purchase of petroleum products became a very severe problem. It is because of the disturbed world market conditions for petroleum products that there this difficulty of under-utilisation."

2.15 In a further note on the subject, the Ministry of Petroleum have informed the Committee as under:

"The originally approved (1973) cost of the Mathura Refinery Project was Rs. 97 crores at 1973 prices.

As per the original schedule approved in August, 1973 the Refinery was to be commissioned in April, 1978. But in view of the subsequent developments in the field of petroleum particularly the steep increase in the prices of crude oil, the need to conserve the consumption of petroleum particularly the steep increase in the prices of revision of the commissioning schedule of the refinery was considered by the Government in August/September 1975 and the schedule was revised for mechanical completion to take place by the end of 1979 and commissioned by April, 1980."

The revised cost estimates approved by Government in May 1979 on the basis of the detailed project report is Rs. 192.32 crores at 1977 prices. The latest estimate of cost based on expenditure incurred up to September 1981 is Rs. 253.92 crores at September, 1981 prices. Trial runs of the refinery started on 6th January, 1982 and the refinery is expected to be fully commissioned by April 1982."

2.16 In reply to a question why the investments at Vadinar were not correlated with the progress of the Mathura Refinery, the Ministry of Petroleum have stated:

"As per the Detailed Project Report prepared in respect of the Salaya-Mathura pipeline, the pipeline is envisaged to cater to the need of expansion units of the Gujarat Refinery and the Mathura Refinery. In the first phase, the Salaya-Viramgam-Koyali Section of the pipelines and the facilities to Vadinar were to be commissioned to cater to the needs of the Gujarat Refinery expansion units. These facilities and the expansion units were commissioned at the same time in September, 1978.

In the second phase, the Viramgam-Mathura section of the pipeline was envisaged to be commissioned by March, 1980 to synchronise with the completion of the Mathura Refinery in April, 1980.

From the above it will be seen that the facilities to Vadinar were not envisaged to be utilised in full in the initial stages itself.

For the reasons already explained above, there has been delay in the commissioning of the Mathura Refinery Project.

There was some slippage in the commissioning of the Viramgam-Mathura section of the pipeline as well. The pipeline system was commissioned in March, 1981 whereas the Mathura Refinery was started only in the first week of January, 1982.

The pipeline system has an inbuilt capacity to transport additional crude for 6 million tonnes refinery in the North-West by installing additional pumping facilities. It will thus be seen that the construction of SBM facilities and the pipeline facilities are an integrated system which was planned taking into account the long term needs and has an inbuilt capacity of utilisation in phases to meet the future needs. Planning of SBM facilities for a lower size would not have been beneficial in the long term interest.

The actual quantity off loaded in Vadinar in 1980-81 was 3.8 million tonnes against the estimated requirement of 8.4 million tonnes if Mathura Refinery had gone on stream in April, 1980. With the Mathura Refinery now going on stream, it is felt that the SBM system will be able to meet the full loading requirement of both Mathura and Koyali. By using large sized tankers for imported crude oil, if the night facilities of piloting are provided by Kandla Port Trust authorities."

2.17. The Committee find that as against the installed capacity of 120 lakh tonnes per annum at the off shore oil terminal at Vidinar

the traffic in crude oil actually handled amounted to as low as 13.35 lakh tonnes in 1978-79, 31.01 lakh tonnes in 1979-80 and 38.56 lakh tonnes in 1980-81. The under-utilisation is stated to be due to less import of crude oil. This in turn is stated to be due to the fact that the Mathura Refinery has not yet been commissioned. As per the original schedule, the refinery was to be commissioned in April 1978. For various reasons, the completion of the refinery has been delayed and it is now expected to go on stream in April 1982. The Committee observe that due to the delay in the completion of the Mathura Refinery the Viramgam-Mathura section of the pipeline had also to be delayed. The pipeline system was commissioned in March 1981 whereas the trial run of the Mathura Refinery was carried out only in the first week of January, 1982.

2.18 The Committee have been assured that with the Mathura Refinery now going on stream, the Single Buoy Mooring (SBM) System will be able to meet the full loading requirement for both the Mathura and Koyali Refineries by using large sized tankers for imported crude oil provided the night facilities of piloting are provided by the Kandla Port Trust authorities.

2.19 The Committee thus observe that utilisation of the large capacity built up at Vadinar to feed the Refineries at Mathura and Koyali has been very poor because of the inordinate delay in the commissioning of the Mathura Refinery. The information furnished to the Committee also shows that the cost of the Mathura Refinery project has escalated from Rs. 97 crores at 1973 price level to Rs. 253.92 crores at September, 1981 price level. As the entire project is an integrated one, the Committee cannot but take a serious note of the huge escalation in cost on the one hand and non-utilisation of capacity available at Vadinar on the other, due to the considerable slippage in the schedule of completion of the Mathura refinery. The Committee expect that the Ministry of Petroleum would ensure that such costly delays are avoided. The Committee desire that the question of providing night facilities of piloting may be examined when the traffic at Vadinar gets augmented sufficiently to justify provision of such facilities.

(b) *Fishing Jetty*

2.20 In paragraph 59 of the Audit Report (Civil) for 1969, it was mentioned that a fishing jetty, constructed at a cost of Rs. 5.14 lakhs and opened for traffic in July 1965, had not handled any fishing traffic. The Public Accounts Committee (5th Lok Sabha; 1971-72) had been informed by Government that for utilisation of the fishing jetty, 20 trawlers were being procured. In this connection the

Public Accounts Committee had observed in their 20th Report (5th Lok Sabha; 1971-72) that they would watch the progress made in utilisation of the jetty which had not been put to use for several years since its construction. Between April 1973 and February 1979, 2 fishing trawlers of Central Government were stationed at the jetty and thereafter, they were shifted to Porbandar as Kandla was away from fishing grounds. The jetty had remained unutilised since March 1979. In order to have a separate berth for the dredgers and craft for maintenance and servicing, the Port Trust had decided (January 1980) to extend the fishing jetty suitably at an estimated cost of Rs. 89.86 lakhs.

2.21 Asked why the fishing jetty had not been utilised, the Ministry of Shipping and Transport have stated (January 1982):

"The Fishing jetty has remained unutilised since March 1979 due to shifting of fishing trawlers by the State fisheries deptt. because of poor catch in the Gulf of Kutch (near Kandla Port)."

2.22 It is notable that this jetty continued to be used and is being utilised even now for berthing, weekly servicing and bunkering of the port craft other than dredgers.

Asked why the extension of the fishing jetty had been undertaken, the Ministry have replied:

"The existing firshing jetty was designed for limited purpose of accommodating smaller size craft like fishing trawlers. Since the State Government decided to shift this activity to Porbunder due to poor catch of fish in Kandla waters, altrenative use of fishing jetty was considered by suitably modifying the same for berthing and servicing port crafts, including dredgers. For weekly bunkering and servicing the dredgers and high powered tugs are being berthed presently at a Cargo berth, mostly by double banking with the working ship. The following difficulties have been experienced, however, in double banking the port dredgers and the tugs.

(i) Electric cable is required to be laid on the deck of the cargo ships for carrying out welding work on dredgers. The practice of laying cable on the deck of the working ship is not safe.

(ii) A House is required to be laid on the deck of the working ship to supply bunkers to the dredgers. This leads to suspension of work of repairs to a ship during the period of supply bunkers.

(iii) One wharf crane remains unutilised as the electric connection for working bunkering pump and welding set is required to be provided from a wharf crane.

Due to above operational difficulties in bunkering and in carrying out maintenance and repair work it is not considered advisable to continue the practice of double banking the port dredgers with the working ships at the cargo berth. It has, therefore, been proposed to modify the existing fishing jetty so that it could berth port dredgers and other craft.

The Audit have desired to know, if the South Wharf of the bunder basin could be utilised for bunkering berthing of port craft. The port has reported that even the draft available during the high tide at the bunder basin is about two metres, which would not permit berthing of tugs, and dredgers of the port. During the low tide, the Bunder basin has hardly any water. The bunder basin is used now for handling lash barges."

2.23 The Committee observe that a fishing jetty constructed at Kandla at a cost of Rs. 5.14 lakhs and opened to traffic in July 1965 could not be utilised for the intended purpose because of poor catch in the area. The Jetty is now being utilised for berthing, weekly servicing and bunkering of the port craft other than dredgers. It is proposed to extend the jetty at an estimated cost of Rs. 89.86 lakhs to get over the operational difficulties in bunkering and in carrying out maintenance and repair work involved in double banking the port dredgers with the working ships at the cargo berths. The modified jetty would enable berthing of port dredgers with other port craft. The Committee expect that with the availability of a separate berth for maintenance and repair work, it would be possible to utilise the cargo berths to the optimum level.

(c) Clearance of imported cargo

2.24 The high utilisation of the berths and low outturn were attributed by the Port Trust *inter-alia* to inadequate rate of clearance of imported cargo. The Committee therefore desired to know the steps taken to expedite the clearance of imported cargo. The Ministry of Shipping & Transport have stated as under:

"The peculiar feature of this port is that major portion of the import cargo is meant for the hinterland beyond a radius of 500 kms. and the same is required to be moved to inland destinations mostly by rail. Thus, the clearance of the import cargo largly depends on the Railway system. Although Kandla Port is connected both by B.G. and MG railway systems, the availability of railway wagons has been inadequate. This is partly due to the imbalance in the import and export traffic handled at this Port. Due to imbalance, the generation of empty wagons at the port is limited. Therefore, the Railways have to undertake the haulage of empty wagons to clear port is reviewed at the weekly Coordination meetings where the representative of the Railways also participates. Railways have since reorganised their operation. With the block rake movement, the Railways may be in a position to lift more traffic. In fact, the quota for clearance of imported fertilizer, which was around 70 wagons per day, has been raised to 140 wagons.

The following further steps have been taken to expedite the clearance of imported cargo from the Port.

(i) With a view to generating more empties at the port, action has been taken to attract more export cargo from the hinterland. In this direction, a package of incentives and concessions has been offered from 11 May, 1979 to the exporters and more export items like rice, barley, cotton, groundnuts, copper reverts etc., have started moving to the port by rail. This has generated more empties for clearance of the imported cargo. The details of traffic of export cargo are given below:—

(In tonnes)

Commodity	1978-79	1979-80	1980-81	1980-81 (Upto October)
Rice & Barley	..	49,718	3,36,245	3,03,853
Cotton	..	..	23,564	1,630
Ground nuts	..	..	7,243	..
Copper riverts	8,700	22,702	10,100*	..
Gu ar gum and Bentonite . .	49,857	31,864	34,367	40,047

*Copper riverts were exported by M/s. Hindustan Copper Limited to the extent these materials were collected at their mine heads and which could not be processed by them in their factories. Thus, shipment of copper riverts is therefore, not of regular nature.

(ii) Keeping in view, the limited availability of wagons, the importers have been urged to undertake clearance of cargo by road transport. In particular cement is now being moved by road transport though it is a costlier mode of transportation. Generally, road transport is 3 to 4 times costlier than rail transport.

(iii) To discourage the storage of import cargo in transit area for long period, the rate of demurrage in cargoes lying uncleared beyond the free period has been enhanced.

(iv) In order to attract more export cargo from the hinterland Railways had been requested to grant point to point concession and also consider grant of 509 concession in rail freight for all the export commodities moving to Kandla Port from its hiterland. Recently, the port was informed that the Railway Ministry have not approved the proposal."

(i) Movement of Cement

During evidence the Committee enquired why the imported cement was being moved from Kandla by road and not by rail. The Chairman, Kandla Port Trust stated:

"In Kandla, for the last three years, we have been handling cement and the entire quantity is being moved by road. The reason given by the Railway is that the cement is in paper bags and therefore they do not accept paper bags."

2.25 In a further note on the subject, the Ministry have stated:

"Import of cement through Kandla commenced in the year 1978-79. Presently, 3 lakh tonnes of cement is imported annually. The entire import of cement is moved by road transport. Before the commencement of import of cement through the Port, the Ministry of Commerce had approached the Railway Board for supply of adequate number of wagons for clearance of imported cement from Kandla to northern States like Rajasthan, Punjab, Haryana. etc. The Railways expressed their inability to provide any wagon for clearance of cement from Kandla Port. Hence, the Cement Controller had to make arrangements for clearance of imported cement from the Port by road transport. The Railways have recently agreed to provide wagons in block rakes for the clearance of cement from

Kandla Port. However, this facility could not be utilised as the Central Wareshousing Corporation, the handling agent of Cement Controller, were unable to load cargo in block rakes and they preferred to move their cargo by road transport. Hence no indents in block rakes were placed by the consigness with the Railways."

2.26. The Committee are concerned to observe that huge quantity of cement—presently of the order of 3 lakh tonnes, imported annually through Kandla Port, is being moved entirely by road to distant destinations in Rajasthan, Punjab and Haryana due to the inability of the Railways to provide wagons for clearance of the same. It was stated in evidence that the Railways had expressed inability to do so since the cement was imported in paper bags, which they were not prepared to accept. The Committee have now been given to understand that the Railways have agreed to provide wagons in block rakes but the facility is still not being utilised because of the inability of the Central Warehousing Corporation who are the handling agent of the Cement Controller, to load the cargo in block rakes. Since the movement of cement to distant destinations by road is 3 to 4 times costlier, the Committee cannot view this situation with equanimity. Considering the huge wastage of national resources involved in such movement and the high cost which the consumer has ultimately to pay for this essential commodity, the Committee desire that the matter should be taken up by the Ministry of Shipping & Transport with the Ministry of Railways and the Ministry of Commerce at a high level with a view to sorting out the problems.

2.27. **The Committee need hardly point out that all talk of transport coordination would be meaningless unless it is ensured that commodities like cement, fertilizer etc. are carried by the Railways over long distances . The Committee expect that this matter would engaged the serious attention it deserves and an early decision taken.**

(ii) *Fertilizer Traffic*

2.28. For handling fertilizers and related raw materials imported in bulk, the Port had been operating and maintaining since November 1977, a marine uploader installed by the Ministry of Agriculture. Out of 3.25 lakhs tonnes of cargo meant to be handled by the unloader, only 2.42 lakh tonnes were handled in 1659 hours in 222 days (34.5 per cent of working hours) during 1979-80, giving an average discharge of less than 146 tonnes per hour against its rated peak capacity of 500 tonnes per hour; under-utilisation of the unloader also resulted in loss of 310 shipdays by way of preberthing detention. Low discharge by the unloader was attributed to: (i) condition and characteristic of the cargo, (ii) ships nominated by the Ministry of Agriculture being not according to designed requirements, (iii) low rate of clearance of unloaded cargo, (iv) inadequate to capacity of bulk storage, keeping in view the rate of clearance and (v) absence of suitable clean-up. The Ministry of Shipping & Transport have informed the Committee that:

"During 1979-80, 18 ships with a total quantity of 3.25 lakh MTs of fertilizers called at the port for unloading qua the Marine Unloader. A total quantity of 2.42 lakh MTs of fertilisers was unloaded by the Marine Loader and the balance quantity of 0.83 lakh MTs by cranes. The operation of the unloader requires the cargo to be fed continuously so that the boom of the unloader is able to pick up the material and take the same to the conveyor. It so happens that the last few hundred tonnes in each hold of a ship have to be collected and then fed to the boom through the aid of an external device. For this purpose, a pay-loader was made available for collecting the cargo inside the holds and feeding the same to the boom. This pay-loader did not work effectively and, therefore, the remainder cargo 0.83 lakh MTs had to be unloaded by cranes. Recently, trials were carried out to unload residual cargo by using heavy-duty pay-loaders in the holds. The results were found to be satisfactory. Based on this, action has been taken to procure two clean-up units.

The percentage utilisation which has been indicated in the Audit Report (34.5 per cent of working hours) has been arrived at on the basis of 16 hours of work of the Marine Unloader for 300 days in a year.

According to the design criteria, the unloader is designed to operate for 4000 hours per year. Based on operating the plant for 16 hours a day, the total effecting the plant for 16 hours a day, the total effecting operation days work out to 250 and not 300, days. This is also in conformity with the average berth occupancy which is taken as 75 per cent. The Marine Unloader worked for 1659 hours on 222 days achieving an utilisation of about 42 per cent.

The performance of the equipment is dependent on the normal operation of the entire system including the regular clearance of fertilisers from the port and adequate storage. During 1979-80, a number of factors affected the full utilisation of the unloading capacity. The factors mainly were inadequate clearance by rail (On 104 days there was no clearance at all), 'go-slow' by FCI labour (for 54 days the operations were totally affected), unprecedented rainfall in Kandla area (48 "against normal 12"), desloading in rail|road communication caused by bursting of Machchu darr during August, 1979 etc."

2.29 It has also been stated in the Audit Report that against the rated peak capacity of 500 MTs per hour, the Marine Unloader has given an average discharge of less than 146 MTs per hour. The Ministry have stated in this regard as under:

"The peak rated capacity relates to the unloading of Muriata of Potash which has a higher density of 1,035. For urea, which has a lighter density of 0.728, the peak rated capacity of discharge works out to 350 MTs per hour. For any mechanised bulk handling system there is a difference between the peak rates and the average rated capacity. The design parameters of this plant are based on achieving 50 per cent of the peak rated capacity. Therefore, the average optimum discharge rate for urea is to be placed at 175 MTs per hour against which the plant has achieved about 146 MT per hour. This works out to about 83 per cent of the average rated capacity.

The system installed at Kandla was the first of its type which was basically designed for handling free flowing cargo. Urea is a cargo which has a wide range of variable flow characteristics. At the Marine Unloader, a number of ships were found to have urea which was partially in a compacted and caked condition. Though the system did provide for a device for loosening the compacted cargo. it was found that the scraper could loosen the cargo in the holds only upto a certain degree of compactness. Thereafter, the rate of flow got affected because the scrapper slowed down thus reducing the rate of feeding Manual digging had then to be resorted to which is time consuming. This feature affected the rate of flow resulting in low output per hour. In order to tackle this problem, two units of grawler-mounted dozers are being procured indigenously."

2.30. The Audit para further points out that as a result of under-utilisation of the unloader 310 shipdays were lost by way of pre-berthing detention. The Ministry have explained:

"The break-up of these 310 shipdays is as follows:

(i) Go-slow	54 days
(ii) Marine Unloader berth occupied by ships being handled by cranes for unloading residual/compact cargo	72 days
(iii) Heavy rain and inclement weather . . .	23 days
(iv) Bunching	161 days
	310 days

It would be seen from the above that 161 shipdays were on account of bunching of vessels. As the arrival of vessels cannot be accurately planned, bunching of ships at the Port occurs.

In regard to the loss of ship days on acount of bunching of vessels, it should be added that the Department of Agriculture does plan the arrival of its fertilizer vessels in a phased manner so that, the extent possible, a number of imponderables like the voyage time required by the ship, delay in loading the vessel at the loading port, conditions obtaining at the port of destination at a particular time etc. have a bearing on the phenomenon of bunching of vessels and keeping these in view, it becomes well nigh impossible to eliminate bunching of vessels.

While the Marine Unloader has the in built capacity to handle more fertilizer and its raw materials, its actual utilisation has largely been limited to the extent of the availability of wagons at the Port and the capacity of the Food Corporation of India to clear the cargo by rail and road on a sustained basis. In fact, the availability of railway wagons in the year 1979-80 averaged to 56 (both BG and MG wagons) against the daily quote varying between 85 to 135 wagons. With the recent improvement in the availability of wagons, it is expected that the utilisation of the Marine unloader will go up."

2.31 In this connection, the representative of the Ministry of Agriculture stated during evidence:

"When the marine unloader was set up, the fertilizer situation in the hinterland of Kandla was different than what it is today. At the time of setting up of the unloader, the capacity of the fertilizer plant of IFFCO at Kandla was about half a million tonne. They have since increased their capacity to 1 million tonnes. Secondly, in Gujarat itself, one giant size Urea factory has come up. The other one under KRIBHCO is coming up shortly... With the setting up of two new Urea factories in Gujarat and the expansion of the Kandla plant of IFFCO, the requirement of imported fertilizer through Kandla has gone down, but at the same time the requirement of potassic fertilizer has gone up because of the increase in the requirement of MOP (Muriant of Potash) of the Kandla plant. This change has a repercussion on the handling capacity of the unloader. I was associated with the setting up of the unloader from the very beginning. Its capacity was fixed with reference to bulk MOP. Now to say that the same capacity is applicable to urea will be a wrong statement. Thereafter, when we talk of marine unloader capacity, we shall have to keep in mind the different types of fertilizers as the weight per cu.m. of urea of DAP (di-ammonium phosphate) is different from that of MOP. We, therefore, have to think in terms of efficiency of the unloader. This can be in terms of time of utilisation, effective rate of unloading and the overall quantity. From the details of the different types of fertilizers handled by the marine underloader, it is observed that the unloader has been utilised to the extent of about 33 per cent of the effective capacity. Again, if we look at the quantity handled by the marine unloaler it is observed that about 1 million tonnes of bulk fertilizers has been handled by this unloader. If this quantity would have been brought in bags, the country would have spent an additional $20 million in foreign exchange. Secondly, the mechanical system also includes automatic bagging plants. With the help of these plants, better standardisation and stitching of the fertilizer bags takes place. Thus, the farmers get better bags with hardly any shortage in the bags. Thirdly, in the case of manual handling of bulk fertilizer, the voyage/handling loss at the port varies from 1-1.5 per cent. In the case of mechanical plants, this loss is much less. There are, therefore, a number of advantages as a result of mechanisation of unloading and handling of imported bulk fertilizers."

2.32 Asked about the procedure for nomination of ports in respect of imported fertilizer the witness stated:

"The nomination of the unloading port in respect of a fertilizer ship is made after taking into consideration (a) requirements of imported fertilizers in the hinter-land of a port, (b) port condition (c) type of ship (d) type of fertilizer (e) weather condition at the port (f) availability of clearance facilities like wagons etc. (g) availability of storage space at the port or in the port town (h) pool handling agency working at the port etc. Of late, we have introduced a system in which the programme for each pool handling agency is decided one month ahead, after taking into consideration their performance, requirements in different States and the likely port condition in the month under consideration."

He added:

"Normally the quantum of fertiliser varies from four to five million tonnes in terms of material. Out of this 4 to 5 million tonnes, at Bombay we handle six to seven lakh tonnes, roughly and at Kandla, it varies from five to six lakh tonnes.

So far as imported fertilizers are concerned we have been handling them at all the major ports and many minor ports of India. Today, about 32 per cent of imported fertilizers are handled at the minor ports against about 5 per cent in 1976-77. Considerable quantity of imported fertilizers is handled at the minor ports against about 5 per cent in 1976-77. Considerable quantity of imported fertilizers is handled at Tuticorin and Cochin also."

2.33 The Committee enquired why the Ministry imported fertilizers through the Bombay Port since the same was suffering from congestion. The witness explained:

"In Bombay the wagon availability is better. We get more wagons there, because the generation of empty wagons is more there, compared to Kandla. For Kandla, they have to take empty wagons all the way from Ahmedabad etc. Railways incur extra expenditure for this empty haulage. We want to reach a stage where fertilizers should not only be unloaded from ships quickly but also loaded quickly into wagons."

2.34 The Committee desired to know if the Ministries of Shipping and Transport and Railways had ever gone into the economics of moving the foograins from the North by rail upto Kandla and by sea from Kandla to Kerala, so as to make more empty wagons available at Kandla for taking back the imported fertilizers. The Secretary, Shipping and Transport stated during evidence that the rail-*cum*-Shipping would be more expensive than pure rail movement. In a further note the Ministry have stated:

> "A study to know the feasibility of moving foodgrains from north to south through Kandla was conducted by the Food Department in 1981. It was, however, not found feasible to transport the foodgrains through rail-*cum*-sea route on account of operational and economic considerations. The proposal was not found feasible for the following reasons:
>
> (a) The freight for sea-*cum*-rail movement of foodgrains *via* Kandla was much more than the movement by rail (rail-*cum*-sea-*cum*-rail freight Rs. 324.20 per tonne as against all rail route freight Rs. 145.50 per tonne from Moga to Trivandrum).
>
> (b) Lack of adequate storage facilities at the port for storing foodgrains pending shipment by coastal vessels.
>
> (c) Multiple handling that would be involved in case this was resorted to like unloading of wagons at the ports, moving them into the local godowns, moving them to the ships for loading, unloading of the cargo at the destination port, movement into local godowns and further movement by rail which may be necessary in order to despatch foodgrains to distant points in the recipient states. This would involve greater transit losses than in case of direct movement by rail upto the final destinations."

2.35 Asked how coordination was maintained between the Ministries of Railways and Agriculture so as to monitor the availability of wagons. The representative of the Ministry of Agriculture stated:

> "We have a system of monitoring of the availability of wagons at various levels, for example, quarterly review about the availability of wagons for carrying fertilizers is done with the Railways at the Ministry's level at the Centre. The periodical reviews are also done at the

local level *i.e.* at ports, etc. The officers of the Department of Agriculture are also in constant touch with the Railways about the availability of wagons for fertilizers-both indigenous and imported."

2.36 Elaborating the point further, the Additional Secretary, Ministry of Shipping & Transport informed the Committee:

"There is a cargo rationalised distribution committee which deals with the allocation of Government cargoes—export as well as import, to the various ports, with reference to the prevailing situation in the ports. The user Ministry and the other undertaking give the programme in advance, say for a period of three months. With reference to the congestion situation which may prevail from time to time in some ports, principally in Bombay, Kandla and Madras, the cargo allocations are made. If the user Ministry wants a certain in quota of cargo to be moved through these ports. depending upon the congestion, we get cargo diverted through other ports subject to the availability of wagons from the Railways and the adequate railway infrastructure and also subject to the cargo handling capacity in those ports ......this committee meets once every month and keeps on reviewing the position."

2.37 In a subsequent note the Ministry have furnished the details regarding the set up and functions of the Rationalised Distribution Committee and its achievements as under:

"With a view to contain specific port congestion and utilise the capacities available at the major ports in the country, a Standing Inter-Ministerial Committee, called the Standing Committee on "Rationalised Distribution of Cargo", was constituted in February, 1978. The composition of the above Committee is given below:—

Addl. Secretary (Ports),
Ministry of Shipping and Transport as Chairman.

Joint Secretary (Ports),
Ministry of Shipping and Transport. ..

Chief Controller of Chartering,
Ministry of Shipping and Transport.

Representatives of the concerned Ministry like Ministries of Agriculture, Commerce, Steel, Civil Supplies, Chemicals and Fertilizers, etc.

One representative each from the Shipping Corporation of India and INSA (Indian National Shipowners' Association).

The primary function of the Committee is to plan portwise import/export of bulk cargo with the objective of utilisation of the capacity in the ports and avoiding congestion. Besides, some operational problems that may come up from time to time are considered at the meetings of the Committee.

In view of the aforesaid functions of the Committee, its efforts since the time of its creation have been directed primarily to rationalise imports/exports of bulk cargoes coming/going on account of the Government/Public Sector Undertakings. This exercise is attempted through monthly Meetings of the Committee at which the requirements of user Ministries/Agencies are ascertained and the anticipated traffic allotted among different ports.

In the light of the above, it will be seen that the Committee's role has been to achieve better utilisation of the capacities of the ports, but the intention is not to impose allocations but to seek agreed solutions. To illustrate, it was noticed that edible oil meant for distribution in the eastern parts of the country was being imported through Bombay port. Accordingly, the Ministry of Civil Supplies was requested to divert a part of this edible oil to Calcutta Port where facilities for handling the same existed. As a result of this decision, greater quantum of edible oil has been handled at Calcutta Port. The Calcutta Port which handled 19,000 tonnes of edible oil in December—February, 1980-81, handled 35,000 tonnes of edible oil in March-May, 1981.

Recently, in regard to planned import of 15 lakh tonnes of sugar by the Directorate of Sugar, it was agreed that no quantum of sugar should be handled at Bombay which had been suffering from congestion for some-time past. Then again, the Department of Food was asked to avoid bringing any wheat for being handled at Indira Docks of Bombay Port during August 1981 to March 1982 as it would have again added to congestion."

2.38 The Committee note with serious concern that the marine unloader berth could not be utilised to its optimum capacity of 6 lakh tonnes per annum because of the failure of the Ministry of

Agriculture to nominate suitable size of vessels for handling through the marine unloader, caked condition of fertilizers making it difficult to handle, slow rate of carting etc. The Committee find that the actual utilisation of the marine unloader was as low as 43 per cent in 1978-79, 50 per cent in 1979-80 and 54 per cent in 1980-81. The Committee have been informed that the performance of the equipment is dependent on normal operation of the entire system including the regular clearance of fertilizers from the Port and adequate storing facilities thereof. The Committee are surprised to note that during 1979-80, there was no clearance on as many as 104 days while the operations were affected for another 54 days due to 'go slow' by FCI labour. It is unfortunate that as a result of under-utilisation of the unloader, 310 ship days were lost by way of pre-berthing detentions. Of these, as many as 161 days were lost due to bunching of ships.

2.39 The Committee consider that this is indicative of the clear failure of the Department of Agriculture to plan the arrival of fertilizer vessels in a phased manner. The Committee have been informed that a standing Inter-ministerial Committee on Rationalised Distribution of Cargo has been in existence since February, 1978. The committee consists of the representatives of the Ministries of Shipping & Transport, Agriculture, Commerce, Steel, Civil Supplies, Chemicals and Fertilisers etc. as well as the representatives of the Shipping Corporation of India and the Indian National Shipowners' Association. It is charged with the responsibility of planning, portwise, import/export of bulk cargo with the object of utilising the capacity in the ports and avoiding congestion. It is surprising that despite the existence since 1978 of a coordinating machinery representing all the concerned interests, it has not been possible for the Ministry of Shipping and Transport to ensure full utilisation of the capacity available at Kandla Port.

2.40 The Committee consider that it is necessary to re-define and enlarge the role and functions of the Coordinating Committee with a view to achieving better utilisation of the capacities at the various ports. To this end, the question of giving more powers to the inter-Ministerial Committee so as to enable it to impose, if necessary, the allocations to different ports in the national interest, may be examined. The Committee desire that the matter should be sorted out at a high level, say, in the Committee of Secretaries and an early decision taken.

2.41 The Committee find that another important factor affecting the operations at the Port is the slow clearance of imported cargo because of the inadequate availability of railway wagons both on

the BG and MG railway system. The Committee have dealt with this aspect in a later section of this Report.

So far as fertilizer traffic is concerned the Committee are distressed to find that the availability during the year 1979-80 averaged only 56 wagons (both BG and MG) against the daily quota varying from 85 to 135 wagons. It is been argued on behalf of the Railways that they are required to undertake considerable amount of empty haulage of wagons because of the imbalance between the import and export traffic at Kandla. The Committee consider that it may be useful to associate the railways with the standing Inter-ministerial Committee on Rationalised Distribution of Cargo so that a well coordinated plan of movement of traffic to and from the various ports, particularly the major ports, can be drawn up and implemented. The Committee would therefore, like the suggestion to be examined in the context of enlarging the powers, scope and functions of this committee.

(d) Exports from Kandla

(i) *Traffic on private account*

2.42 According to Audit, traffic at the port had been mostly on Government and semi-Government Organisations' accounts pertaining to oil, fertilizers, vegetable oil, phosphoric acid etc., traffic on private account having amounted to only 4 per cent. The Committee therefore, desired to know the reasons for such a negligible traffic on private account. The Ministry of Shipping and Transport have stated:

> "The principal commodities handled at this Port are essentially of bulk nature like POL, phosphoric acid, edible oil, liquid chemicals, fertilisers, raw materials for fertilisers, copper, zinc concentrate, cement, foodgrains, bauxite, salt and sugar. All these commodities are imported/exported by the Government agencies and the public sector undertakings and are canalised items through the State Trading Corporation.
>
> The general cargo traffic on private account has not developed at this port to the desired level due to the following factors:
>
> (1) Lack of regular and frequent liner service from the Port.
>
> (2) Kandla Port is situated in an area which is commercially and industrially backward.

(3) There is no immediate hinterland generating general cargo on private account.

(4) Apart from one fertiliser factory, there is no captive industry at Kandla. Till recently, the industries located in the Kandla Free Trade Zone could not generate sufficient volume of general cargo traffic which acted as a disincentive to the liner vessels calling at the port. From November, 81, however, a Soviet Shipping Company is calling regularly at the port to cater to increased traffic being generated in the Free Trade Zone. The latest assessment is that industries in KFTZ would generate about 700 tonnes of export cargo every month.

Due to the above reasons, the scope of traffic on private account has remained limited. However, in the year 1979, the Port offered the following package of incentives and concessions to the ship-owners and shippers to attract general cargo traffic—

(a) *Incentives to Shop-owners*:

(1) Priority berthing to vessels loading and unloading cargo on liner terms.

(2) Supply of free lighterage and towage services for liner cargo ships when alongside berths are not available.

(3) 50 per cent concession in shipping charges on all general cargo vessels loading and unloading cargo upto 3000 tonnes. These charges are for services like pilotage, berth hire etc.

(4) Exemption from payment of additional fees for pilotage and use of port tugs on Sundays, Port holidays and night operations in respect of general cargo vessels loading/unloading cargo upto 3000 tonnes.

(5) Exemption from shifting charges and fees for use of tugs for shifting general cargo vessels loading/unloading cargo upto 3000 tonnes.

(6) 25 per cent concession in crane hire charges for when cranes are used for loading export cargo.

(b) *Incentives to shippers*:

(1) Grant of 25 per cent rebate in wharfage charges cargo exported to foreign as well as Indian Ports except in

cases where separate rates of export wharfage are prescribed.

(2) Grant of 25 per cent rebate in storage charges for cargo exported to foreign as well as Indian Ports.

(3) Providing adequate covered space in Port warehouses situated quite close to the jetty.

(4) A free period of 15 days is allowed in transit area for export cargo as against four days allowed for import cargo.

(5) 50 per cent concession in lift hire charges for the lifts provided in the warehouses for hoisting cargo to first floor of warehouses.

(6) 25 per cent concession in crane hire charges for cargo loaded in chartered vessels.

As a result of the above incentives and concessions, the traffic on private account has shown an increasing trend. During the year 1980-81, the share of cargo handled on private account increased from 1,57,703 tonnes in 1979-80 to 4,08,435 tonnes which is 8 per cent of the total traffic handled in 1980-81 at the Port.

(c) *Traffic promotion measures*

The port has been approaching the individual exporters to use Kandla Port.

The Audit have desired to know if a survey has been conducted or estimates made of the export cargo from the hinterland of Kandla Port being routed through other ports. No such survey has been made."

2.43 During evidence, the Committee enquired whether the Ministry had explored the possibility of routing through Kandla Port the export cargo from its hinterland and which was at present being routed through Bombay. The Secretary, Ministry of Shipping and Transport replied:

"Our experience is that export cargo which is actually a very sensitive cargo where there are established agents etc., needs a very special infrastructure. In Kandla there is no regular liner cargo. A ship is not willing to go to Kandla unless it picks up 700,000 tonnes of goods. So, private trade somehow prefers Bombay."

The Chairman, Kandla Port Trust added:

"There is an imbalance between the import and export cargo at Kandla Port. This issue was considered by the Kaul Committee which recommended that in order to promote the export cargo some package of incentives should be given and this package was granted by Kandla Port in May 1979. It includes from transit facilities for a period of 15 days for export cargo, 25 per cent concession in crane hiring charges etc. I would like to submit that Kandla was the only port which reduced its rates in respect of some items in order to attract the export cargo. But the whole thing was linked up with equal concession charges granted by the Railways. In the same report it has been recommended that a 50 per cent blanket concession should be given by the Railways for the export cargo since there is empty haulage of wagons to pick up the import cargo and in the meanwhile point to point concession should also be granted to exporters in the hinterland. Both the major recommendations have been turned down by the Railways. We took up this matter with them, but they have still turned down. Otherwise, in conjunction with the Railways our package of incentives would have really been proved very very attractive and after granting this concession my ratio of export cargo has really gone up. In 1977-78 it used to be only 2,88,000 tonnes of export from Kandla. In the year 1978-79 it went up to 4.66 lakhs and in the year 1980-81 it went up to 5.75 lakh tonnes."

The Secretary, Ministry of Shipping and Transport, however, stated:

"Even if the Railways were to give the facilities I doubt as to how much private cargo will move. Most of the cargo is container cargo. The question of how many container ship go to Kandla and all such other factors are involved.....I am very pessimistic about its being a big container port or a general cargo port. That is why we are building Novasheva Port. That is why there is a decision to build a port in Bombay itself. But Kandla should be an important port, an important bulk handling port..."

2.44 In reply to a question regarding the trade promotion strategy, the Chairman, Kandla Port Trust stated:

"After the Kaul Committee's recommendations, we set up a trade promotion cell. We had contacted a number of customers in the hinterland and some of them had started coming to Kandla Port. As clarified by the Secretary, there are still some handicaps at Kandla. The main handicap is the non-availability of wagons. Recently, some ships carrying steel cargo were diverted from Bombay Port. Now we handle them quite efficiently. But for sometime, we could not get adequate wagons. The clearance by wagons is not picking up. On the other hand, the road transport is picking up. This year, there is 60 per cent clearance by road and 40 per cent by rail. We have got one more service. One regular liner started coming from the Soviet Union. They pick up about 125 to 135 containers in a month. Now by March 1983 there would be 750 containers a month. Once the container liners pick up, I am sure some of the industrialists from the hinterland would start coming to us."

2.45 In a note regarding the reasons for inadequate clearance of imported cargo unloaded by the Marine Unloader, the Ministry have stated:

"As is well known the supply of wagons to clear the imported cargo from the port has been inadequate on account of non-generation of empty wagons at the port. The following table indicates the average daily indent and supply of wagons during the last three years:

Year	Indent	Supply	Percentage
1979-80	146	82	56
1980-81	167	60	36
1981-82 . . . . (upto Dec. '81)	102	63	62

2.46. Asked why the Railways had not agreed to the suggestion made by the Kaul Committee for giving 50 per cent concession in rail freight for all export commodities moving to Kandla Port from the hinterland, the Ministry of Railways have stated:

"The Railways have not agreed with the suggestion of the Kaul Committee for giving 50 per cent concession in rail freight for export traffic moving to Kandla Port since the present policy of the Government is not to grant any concession in freight for any commodity safely on the consideration that the commodity is for export. It may be stated in this context that on the question of grant of freight concession for export traffic, the Railway Convention Committee, 1973, had recommended that in case concessional tariffs, became necessary in respect of any commodity for export, industry, etc., the authorities concerned should make good the difference. The Railways have already accepted this recommendation of the Railway Convention Committee.

Accordingly, at present export concessions are not in force on the Indian Railways for any commodity booked to any of the ports for export. In view of the general policy of the Government stated above and since the Government have accepted the recommendations of the Railway Convention Committee, the Ministry of Railways are not in a position to accept the recommendation of the Kaul Committee for giving a blanket concession in rail freight for all export commodities moving to Kandla Port.

The Ministry of Railways have, however, agreed in principle to the grant of freight rebate for export of certain commodities on the condition that the Ministry of Commerce would reimburse to the Railways all the revenues lost by railways on this account together with a 5 per cent service charge. Further, if the Ministry of Commerce are not in a position to reimburse the amount of export rebate, they may consider advising other Ministries directly concerned with the respective commodities for export to reimburse the amount to the Ministry of Railways will have no objection to operate the scheme of freight relief for the movement of export goods by rail on behalf of these Ministries. The outcome of reference to this effect to the Ministry of Commerce is still awaited."

2.47 The Committee observe that the share of cargo handled on private account at Kandla Port has increased from 1.53 lakh tonnes

in 1979-80 to 4.08 lakh tonnes in 1980-81 as a result of a package of incentives offered in 1979. Even so, it accounts for only 8 per cent of the total traffic handled during that year. The Committee have been informed that the general cargo traffic on private account has not developed to the desired level because of lack of regular and frequent line services from the Kandla Port and the absence of any hinterland generating such cargo since the entire area contiguous to the port is commercially and industrially backward. Till recently, the industries located in the Kandla Free Trade Zone could not generate sufficient volume of general cargo traffic which acted as a distincentive to the liner vessels calling at the port. The Committee have however, been informed that since November, 1981 a Soviet Shipping Company is calling regularly at the port and the latest assessment is that industries in Kandla Free Trade Zone would generate about 700 tonnes of export cargo every month. The Committee were also informed in evidence that export cargo which is a very sensitive cargo needs a very special infra-structure. The private trade therefor prefers Bombay where all the facilities are available.

2.48 The Committee note with concern that the main handicap at Kandla is the non-availability of wagons. According to the data furnished by the Ministry of Shipping and Transport, the supply of wagons against the average daily indents was only 56 per cent in 1979-80, 36 per cent in 1980-81 and 62 per cent in 1981-82 (upto December, 1981). The Kaul Committee had pointed out that 10 lakh tonnes of export cargo from the hinterland of Kandla is now being routed through Bombay Port and a major portion of this could be attracted to the Kandla Port if concession to the extent of 50 per cent in rail freight was given by the Railways. The Ministry of Railways have agreed in principle to the grant of freight rebate for export of certain commodities on the condition that the Ministry of Commerce or the concerned Ministries undertake to reimburse to the Railways all the revenue loss on this account together with a five per cent service charge. Since the augmentation of export traffic from Kandla would not only correct the imbalance between the imports and exports but would also result in larger number of empties becoming available for the import traffic, the Committee consider that the question of granting freight rebate for exports through Kandla Port needs to be considered seriously. The Committee would like the matter to be examined by the Committee of Secretaries and an early decision taken thereon.

2.49 The Committee would also like a detailed survey to be carried out of the export cargo from the hinterland of Kandla Port which is at present being routed through other ports with a view to devising ways and means to divert such traffic to Kandla. Such a survey should be entrusted to the inter-ministerial Committee on Rationalised Distribution of Cargo. The Committee would like to be apprised of the findings of the survey and the action taken in pursuance thereof.

(ii) *Kandla—Free Trade Zone*

2.50 The Kandla Free Trade Zone was set up in 1965 to encourage export traffic from Kandla Port. During evidence, the representative of the Ministry of Commerce informed the Committee that out of 700 acres of land which was earmarked for the free trade zone, 300 acres of land had been taken over for development. Based on the total number of applications which the Government had already sanctioned and the units which were likely to come up, the entire land would be fully utilised. In fact, Government had started the second phase of development to meet the growing demand.

2.51 The Committee desired to know the number of units which were planned to be set up in the Free Trade Zone, and the actual number of units so far set up. The witness stated:

> "Our original concept was about 100 units in the first phase. As of now, 60 units are working. The current year's figure in terms of export is about Rs. 44.5 crores. I agree that this figure is not high. But if you see in retrospect, originally when we set up the port, we had hardly any units there. The pace of activity in 1979-80 was somewhat slow. In the year 1980-81, the number of units was 52 and the export figure was Rs. 25.5 crores. In fact, that was the first year when we crossed the modest target that was laid down. In the current year, the number of units which are working, is 60 and our target of Rs. 40 crores has already crossed. If you look at the total performance, the picture is much more optimistic."

2.52 Asked about the objective behind setting up the free trade zone and the extent to which it had been realised, the representative of the Ministry of Commerce stated:

> "One will be export promotion, and the other industrialization of backward areas like Kutch. We are now contri-

buting to a significant extent towards export promotion. Regarding industrialisation, employment there is 6,000; and by the end of this year it will be 10,000. It has also attracted quite a few industries to Kandla."

2.53 To a question whether Government had thought about the type of industries to be set up in the Free Trade Zone, the representative of the Ministry of Commerce replied:

"We do not want to encourage trading activity, but there should be some value addition in the manufacturing process. There should be a minimum value addition of 30 per cent, for any unit to be there. During the last 2 or 3 years, the value addition has been 40 per cent over the imports. As a percentage of f.o.b. value, it is roughly about 35 per cent. It is a reasonably good value addition. In fact, in most of the units we now sanction, we insist on an increased value addition after the first or second year. Units have to settle down first."

In a subsequent note the Ministry of Commerce have *inter alia* stated:

"...While approving units in the Zone, criterion of value addition is being strictly followed and wherever possible higher value additions are being insisted upon. Manufacturing and processing activities are also on the increase and exports from the Zone are increasing as a result. The following figures will show the trend of exports from KAFTZ:

Year	Units working	Exports (Rs. in lakhs)
1976-77	35	352
1977-78	38	471
1978-79	43	553
1979-80	45	940
1980-81	52	2551
1981 (upto 31-12-81)	60	4492"

2.54 The following statement shows the exports/imports value added and employment provided by the Kandla Free Trade Zone during each of the years 1966-67 to 1981-82 (upto December 1982):

Year	Employment (No.)	Exports (Rs. millions)	Imports (Rs. million)	Value-added	Value added %exports
1	2	3	4	5	6
1966-67 . . .	70	0·75	0·95	0·16	21·33
1967-68 . . .	150	0·89	1·27	0·38	Negative
1968-69· . . .	250	5·18	2·41	2·77	53·47
1969-70 . . .	300	6·02	3·39	2·63	43·68
1970-71 . . .	450	3·44	3·42	0·02	0·58
1971-72 . . .	550	7·97	3·28	4·69	58·84
1972-73 . . .	400	15·11	4·54	10·57	69·95
1973-74 . . .	300	17·69	5·88	11·81	66·76
1974-75 . . .	500	18·01	8·53	9·48	52·64
1975-76 . . .	650	21·92	8·43	13·49	61·54
1976-77 . . .	850	35·23	13·18	22·05	62·59
1977-78 . . .	1200	47·17	17·66	29·51	62·56
1978-79 . . .	1500	55·27	25·34	29·93	54·15
1979-80 . . .	2500	93·97	50·48	43·49	46·28
1980-81 . . .	4000	250·00	125·00	125·00	50·00
1981-82 . . . (Upto December, 1981)	5000	449·00	230·00	219·00	48·00

2.55 The Committee pointed out that most of the products of the Free Trade Zone had one destination *viz.* the Soviet Union. Thus, while imports were made against hard currency, the exports with value added were to soft currency area. The Additional Secretary, Ministry of Shipping and Transport explained:

> "I would like to go back a little into the history of the development of Kandla Zone. As I said, the total export generated was on a very low key till 1978. Since then there has been some perceptible improvement because of various policy measures, concessions and incentives. We now expect an export worth Rs. 60 crores from there. Roughly 75 per cent of this export figure will account for

exports to Soviet Union. The question of increasing imports from the General Currency Areas and export to Rupee Trading Area has also been looked into. Government has now decided that exports to these areas will be treated on par, irrespective of the raw material imported. It is because the trade with Soviet Union, particularly because the higher imports of crude oil require to be balanced. Today, roughly 2.5 million tonnes of crude oil comes from Soviet Union. It means we have to export more to that country."

2.56 Asked about the action taken to diversify the exports from this Zone, the Ministry have in a written note furnished to the Committee, stated:

"Kandla Free Trade Zone Board approves applications from parties to set up units in the Zone after considering viability of the project, the value of exports, value addition and employment to be provided. Based on all these considerations, the Board approves viable projects in the Zone. At the time of grant of approval the position of markets for the finished products as well as the availability of raw material are taken into consideration. According to the policy of the Government there are no restrictions for export to Rupee payment countries even if the raw materials are imported from the General Currency Areas. It is true that at present majority of exports from the zone units are directed towards the Soviet Union. However, as our imports from the Soviet Union are also paid for in Rupees and are to be balanced by exports from India, there are no restrictions on the Zone units to import their required raw materials from any source and export their finished goods to Soviet Russia.

However, the Ministry of Commerce and the Kandla Free Trade Zone Board are fully aware of the need to diversify markets for our export products. Zone units, are therefore, advised and encouraged to diversify the markets for their products to avoid over dependence on any single market."

2.57 Asked whether there was any possibility of the large industrial houses winding up their units in the Kandla Free Trade

Zone after availing of the 5 year tax holiday given to them, the Ministry of Commerce have replied:

"It is true that some big industrial houses are coming forward to set up their units in the KAFTZ. However, it is not correct that after expiry of tax holiday period of 5 years these are likely to wind up their operations in the KAFTZ. In this connection, it is worth mentioning at present there are 60 units in the KAFTZ and their total investment in the zone is to an extent of Rs. 215.45 crores by way of machinery (both imported as well as indigenous) only. The exports of these units are estimated to reach upto Rs. 798 crores in the 5th year. In view of the scale of investments, it is not likely that after expiry of 5 years, these units would wind up their operations. Moreover, the provision of tax holiday is only in view of various other concessions available under the Act and therefore, we do not think industries would be set up in the Zone only to avail of the tax holiday provisions."

2.58 Explaining the obstacles in the way of fast development of Kandla Free Trade Zone, the representative of Ministry of Commerce stated during evidence:

"Any free trade zone has to compete itself. One reason is that Kandla Port has not developed. The incentives are not comparable to most of the facilities which are available in the nearby zones including Sri Lanka. The infrastructure facilities are not adequate."

2.59 Asked about the communication facilities in the area, the Chairman, Kandla Port Trust stated:

"That is the most horrible. I have taken it up with the Ministry. There is a Kandla Free Trade Zone Board and the authority. The Chief Minister of Gujarat is the co-Chairman in that authority. At least in two meetings this issue was discussed in detail and the representatives of the Ministry of Communications were also present. They indicated that they have to import some equipment and it will take two years. By 1983 the situation will improve in Kandla. There is a lot of misunderstanding when we receive express telegrams in four days. We have a telex of 100 points capacity which does not work at least for 26 days. The rest of the four days are not notified. Many port users do not come to Kandla mainly because of these difficulties."

2.60 In a further note on the subject the Ministry of Shipping and Transport have stated:

"At present, Gandhidham is being served by 1200 line manual exchange, Kandla Port by a 300 line medium size automatic exchange and Adipur by 300 line named exchange. The trunk service is handled by manual trunk exchange at Gandhidham which is connected over a narrow band microwave link to Jamnagar spanning Gulf of Kutch.

The main difficulties in provision of stable and reliable telecommunication service to Kandla/Gandhidham arise out of—

(i) manual operation of local and trunk service;

(ii) inadequate performance of the indigenous microwave link which is the life line of communication with the rest of the country."

2.61. The following measures are proposed for improving the telecommunication services:

(a) *Short term measures*

(i) A small automatic exchange of 200-line is proposed to be installed to serve exclusively the free trade zone at Kandla.

(ii) Provision of a group switching centre at Gandhidham to facilitate inter-dialling between Kandla free trade zone, Adipur and Kandla Port Trust exchanges.

(iii) Provision of demand trunk service to Bombay, Ahmedabad and Delhi, facilitating prompt trunk service.

(iv) Provision of a long distance public telephone in the premises of Kandla free trade zone for facilitating booking of direct trunk calls.

(v) A small automatic exchange of 400 line is also proposed at Adipur.

The above facilities are likely to be available during 1982-83.

(b) *Long term measures*

(i) A 2000 line contarinerised electronic exchange is proposed to be imported at at a cost of approx. Rs. 1 crore to replace the existing manual exchange at Gandhidham.

(ii) Replacement of existing indigenous microwave system by imported 7 GHz narrow band microwave system (480 channel) between Jamnagar and Gandhidham at a cost of approx. Rs. 27 lakhs.

The above schemes are likely to be completed in 1983-84 facilitating provision of STD service from Kandla to major cities in the country through the trunk automatic exchange at Ahmedabad.

A team of experts, led by General Manager, Tele-communications, Gujarat circle, visited Kandla in December, 1981 and have suggested several measures for improvement in maintenance and operation of the existing telecommunication system at Gandhidham/Kandla. These are under implementation. Subsequently, a Task Force for free trade zones under the Chairmanship of Shri P. L. Tandon, President, National Council of Applied Economic Research, visited Kandla and examined the needs of communications for the development of Kandla free trade zone. The special needs of free trade zone will also be covered by the schemes proposed above."

2.62 In another note, the Ministry of Commerce have stated:

"At present there is a manual exchange in KAFTZ. As the service available through the manual exchange is unsatisfactory, the Ministry had requested for installing an automatic telephone exchange and STD facilities. This matter was taken up at the level of Additional Secretary, Ministry of Commerce, as early as October, 1979. Similar requests have also been made to give telephone/telex lines on priority basis to the Zone units as they are 100 per cent export oriented. The d.o. letter dated March 18, 1980 of Secretary (Export Production) Ministry of Commerce to Secretary, Ministry of Communication refers. The matter relating to inadequate tele-communication facilities was also discussed in the KAFTZ Authority meetings held in 1980 and 1981. It was decided in the Authority meetings that Ministry of Commerce should take up the matter with Ministry of Communication at the Minister's level. In pursuance of this decision, Minister of State, Ministry of Commerce requested on 30th November, 1980 to Minister of Communications to provide automatic telephone exchange and telex facilities at KAFTZ. Minister of State, Ministry of Commerce again requested Minister of Communication on 17th August, 1981 to improve the tele-communication facilities at KAFTZ. The Additional Secretary in charge of Free Trade Zone also met the Member P & T Board personally and impressed the need to improve the tele-communication facilities. Ministry of Communications has now dicated that an automatic electronic switching exchange would be made available to Gandhidham complex by 1983-84. Similarly the total number of telex connections have been increased from 50 to 100.

2.63 The Committee regret to observe that the progress of setting up industries in the Kandla Free Trade Zone which was set up as far back as in 1965 is very tardy. So far only 60 units have started functioning. The activity is stated to have got accelerated since 1980-81 when the exports increased to Rs. 25.51 crores from Rs. 9.40 crores in the previous year. During 1981-82 (upto December 1981), the exports are stated to have been of the order of nearly Rs. 45 crores and the total exports during the year are expected to be of the order of Rs. 60 crores.

2.64 The Committee find that the value added to the exports from the Kandla Free Trade Zone was nearly 70 per cent in 1972-73. There has been a persistent decline since then and the figure came down to 46.28 per cent in 1979-80. During 1980-81 there was a slight improvement when the figure stood at 50 per cent. During 1981-82 (upto December 1981), the value added was 48 per cent. The Committee do not see any reason why the units which have got fully stabilised by now should not be able to show better results over the years. The Committee, therefore, consider that the matter needs to be examined in greater detail. The Committee would like to be apprised of the results of such study and remedial measures taken in pursuance trereof.

2.65 The Committee find that nearly 75 per cent of the exports from Kandla Free Trade Zone are meant for the Soviet Union. Government have decided that exports to rupee trading areas will be treated on par with imports from general currency areas in order to balance the trade with the Soviet Union particularly because of the higher imports of crude oil from that country. The Committee take note of the assurance given to them that the Ministry of Commerce as well as Kandla Free Trade Zone Board are fully aware of the need to diversify the markets for our export products to avoid over-dependence on any single market. The Committee would like to be apprised of the specific steps taken in this direction and the results achieved.

CHAPTER III

UTILISATION OF PORT CRAFT AND EQUIPMENTS

(a) *Barges*

3.1 The Committee enquired why 6 more barges were purchased when the existing 4 barges were not being fully utilised. The Ministry of Shipping and Transport have replied:

> "In 1972, the Port had a fleet of 9 barges. As a number of barges had outlived their life, the six barges were procured in replacement and that too in two instalments. The Board approved procurement of 4 barges in April, 1972 which were received in the year 1975-76. Subsequently, the Board approved purchase of 2 more barges in June, 1973 which were received in May, 1977. Before all the new barges were received, the old barges had already outlived their life and written off. The Port at no stage from 1972 onwards had 10 barges.
>
> It is notable that the port has to maintain a minimum fleet of barges to meet its essential operational requirement and commitment to the port users. Kandla being a tidal port, the permissible drought varies from day-to-day. The port forecasts its permissible draught two months in advance and the information to that effect is circulated to the trade and accordingly ships plan their arrival at the port taking full advantage of the maximum permissible draught during spring tides. However, due to sea voyage fraught with several uncertainties, a ship may arrive late by a few hours or a day and thus miss the maximum permissible draught. In such a case, necessary assistance of barges needs to be provided by the port so as to enable the ship to discharge cargo in barges and lighten herself to suit the reduced permissible draught on the subsequent day. If such a ship is not lightened to suit the permissible draught, she will have to wait for days together as the permissible draught continues to gradually drop due to natural fall in the tide until it revives after 10 to 12 days. In view of this particular tidal phenomena obtaining at Kandla Port, it is obligatory for the port to

maintain a minimum number of barges to take care of such an eventuality. Further, the port is committed to provide barges free of cost to the liner vessels which have to discharge cargo in the mid-stream for want of an alongside berth. Viewed in this perspective, the fleet of minimum six barges maintained by the Kandla Port Trust now is just adequate to fulfil its obligations and commitment as brought out above. It is mentioned here that prior to 1972, the port had a fleet of 25 barges as against which now we are maintainting only six barges."

3.2 The Committee note that prior to 1972 the Kandla Port had a fleet of 25 barges which was reduced to 9 by April, 1972 when the Port Trust approved the purchase of 4 steel barges of 150 tonnes capacity each in replacement of 4 existing barges of 100 tonnes each at a cost of Rs. 20.73 lakhs, based on an estimate submitted by a manufacturing company. It is surprising that though the Port Trust was aware that this estimate was on the high side, it was forwarded to Government for administrative approval which was accorded in November, 1972. Accordingly, orders for 4 barges at a cost of Rs. 11.90 lakhs were placed in May 1973 on the firm. The Committee fail to understand why the Port Trust authorities did not call for quotations for supplying the barges instead of banking on one particular firm for submitting the estimates which were found to be too much on the high side.

3.3 The Committee further observe that the Board approved in June 1973 further purchase of 2 steel barges of 150 tonnes each at an estimated cost of Rs. 6.21 lakhs, from out of the savings in the original estimate of Rs. 20.73 lakhs. It would appear that Government gave their approval to the proposal without going into the reasons for the savings and, as would be clear from the succeeding paragraphs, without even examining the justification therefor.

3.4 It is interesting to note that the repeat order for supply of these two barges was placed on the same firm in October 1973 at a cost of Rs. 5.95 lakhs (against administrative approval to the estimate of Rs. 6.21 lakhs) and again without calling for tenders. The Committee would like to be apprised of the reasons why orders for the barges were placed on the firm in question without calling for tenders.

3.5. The Committee further observe that the Kandla Port Trust Authorities did not take action for recovery of liquidated damages amounting to Rs. 7.08 lakhs for the failure of the manufacturing company to adhere to the time schedule for supply of steel barges

on the ground that no loss was suffered since there was no demand for barges and that even the existing four barges could not be fully utilised. The argument is self-contradictory for the apparent reason that if the existing barges were not being fully utilised, there was no justification to go in for new barges. In any case, there is no reason why such leniency should have been shown to the firm. The Committee, therefore, consider it to be a lapse on the part of the Port Trust authorities and would like the matter to be investigated further with a view to fixing responsibility.

3.6 The Audit para reveals that the new barges were utilised only to the extent of 22 per cent till 31 March, 1980. The Committee are not convinced with the argument that the barges were required to maintain minimum cargo handling equipment irrespective of their 100 per cent utilisation. The Committee consider that while a certain amount of cushion may be necessary and desirable, there is no justification for making investments to assets to such an extent that their acqusition becomes redundant. The Committee expect that such situations will be avoided.

(b) *Tugs*

3.7 The Committee desired to know the reasons for under-utilisation of the three tugs, during 1978-79 and 1979-80. In a note, the Ministry of Shipping & Transport have stated:

"Provision of tug assistance to ships calling at the Port for safe berthing and towage operation, as and when required, is a pre-requisite of port operations. The minimum operational requirement is two tugs of adequate size and power at a point of time, and they have to be provided irrespective of the number of ships calling at the Port. In fact, for having two tugs operational at all times, one more tug of at least of the same size and power is required.

Of the three tugs referred in Audit Para, there are only two shipping tugs, viz. S.T. 'Rukmani' and 'Roopvati.' Thus, the Port has to carry on with two Tugs against its requirement of three Tugs. Besides the shipping movements, the port has to provide tug services for towage of water barges, lash barges and other non-propelled port craft like Pontoon Grab Dredger, hopper barges and heave-up boat etc. Tug MT vir is only a small barbour tug with limited power which is mainly deployed for various other towage work. In view of the essential nature of Service and the peculiar operational features at this port, the utilisation worked on the basis of number of hours available for operations, number of hours actually worked and idle hours for want of work should not be considered as the correct criterion for determining the utilisation of the tugs. As a matter of fact, the port should have three shipping tugs, whereas the port is having only two shipping tugs, the third being only a small harbour tug."

In a further note, the Ministry have stated:

"Since the tugs mentioned are shipping tugs, they can be utilised only during the shipping operations. Kandla being a tidal port, shipping operations are restricted around high water timings when the tugs are utilised.

Since the shipping operation is not continued for 24 hours, the tug utilisation also cannot be for 24 hours. This is an accepted practice all over the world as can be seen from the extract of para 12 (foot note 1) of Chapter I of the Report by the United Nations Conference on Trade Development on Port Pricing:

'This happens when the minimum size of an asset is greater than the actually required. For example, if two tugs are required to berth a ship two must be maintained even if used only once each week, since without them the port could not function.'

It can be seen from the above that for operational requirements of berthing ships necessary number of tugs has to be maintained even if the use of such tugs is only once a week. Viewed in this context, the utilisation of the shipping tugs at Kandla is quite high. The question of excessive idle hours therefore does not arise."

3.8. Asked about the reasons for procuring the fourth tug at a cost of Rs. 459 lakhs, particularly when the earlier 3 tugs were under utilised, the Ministry of Shipping and Transport have clarified the position as under:

"It is clarified that tug 'Kutch Kasari' is not the 4th Tug procured for operations at Kandla Port. This tug has been procured for handling tankers at the Off-shore Oil Terminal at Vadinar which is 42 nautical miles away from Kandla Port. For handling tankers of large sizes at the Single Buoy Mooring (SBM) at Vadinar and for attending to the pull back operations when the vessel is discharging the crude oil, a powerful tug is required. The SBM at Vadinar is a separate point of operation calling for deploying of powerful tugs.

As regards the actual utilisation of the tug, she attended 44 operations during 1979-80, 102 operations during 1980-81 and 30 operations in the quarter April to June 1981 at the Off-shore Oil Terminal, Vadinar. Besides, she attended pull back operation for 125 shifts during 1979-80, 264 shifts during 1980-81 and 84 shifts during the quarter ending June, 1981."

3.9. The extent upto which these 4 tugs have been utilised during 1981-82 (upto January, 1982) can be seen from the following Table:

1-4-81 to 10-1-1982

	S.T. Rukmani	S.T. Roopvati	M.T. Vir	M.T. Kutch Kesari
(i) No. of shipping movements attended . . .	263	729	199	121
(ii) Departmental works for Marine Deptt.	36 hrs.	70 hrs.	193 hrs.	--
(iii) Other departmental works	39 hrs.	135 hrs.	413 hrs.	3 hrs.
(iv) Private parties (on hire) .	74 hrs.	96 hrs.	434 hrs.	43 hrs.
(v) Pull back operations at Vadinar (on hire)				260·5 shifts 2000 hrs.

3.10. Explaining the reasons for the uncovered deficits of Rs. 13.73 lakhs, Rs. 29.17 lakhs and 24.90 lakhs in the years 1977-78, 1978-79 and 1979-80 respectively, the Ministry of Shipping and Transport have stated (January 1982):

"The uncovered deficits in the operation of tugs for the years 1977-78, 1978-79 and 1979-80 are due to the following reasons:—

(i) Heavy expenditure on special repairs on S.T. Roopvati and S.T. Rukmani in the years 1978-79 and 1979-80.

(ii) Increase in the operational expenditure due to revision of wages of class I to IV employees w.e.f. 1-1-1974.

(iii) Heavy increase in the cost of fuel requirement of these two tugs which are operated by furnace oil.

(iv) Increase in the general overheads mainly due to larger apportionment of interest and share of M.P.C. reserves.

(v) Shifting on port account (rendered free of cost to trade)

(vi) 50 per cent concession in tug hire charges for general cargo vessels as a part of package of incentives offered to trade for attracting general cargo ships availing the concessions under the package of incentives was 63 in 1978-79 and 70 in 1979-80.

It has been accepted for long that each service or activity may not be self-supporting and for the use of the tug and the actual realisation of income on account of utilisation of the tug are therefore conditional by the tidal movements........minimum number of tugs have to be maintained irrespective of the cost involved. The port is earning an overall net surplus taking together all the activities into account.

3.11. The Committee desired to know the steps being taken to reduce the deficits in the working of tugs. The Ministry have replied:

"Whenever a ship at the berth or in stream is shifted on the request of the Department for operational requirements, the tugs are deployed for assisting the ship. However, this being for the convenience of the Port, neither charges on this score are recovered from the ship nor are the inter-departmental adjustments carried out to account for this income. It has now been decided that the revenue at the prescribed rate will be adjusted by giving appropriate credit in the accounts.

Similar procedure will also be followed in future for use of the tugs for other inter-departmental work.

The fees of tugs for attendance, pulling and pushing have been revised on slab basis according to gross tonnage of vessels in January, 1980 as shown under:—

(Figures in Rupees)

	Coastal	Foreign
Vessels of 20000 GRT and under	2500	4000
Vessels of 20001 GRT to 40000 GRT	5000	8000
Vessels of 40001 GRT to 60000 GRT	7500	12000
Vessels of 60001 GRT to 80000 GRT	10000	16000
Vessels of 80001 GRT to 100000 GRT	12500	20000
Vessels of 100001 GRT and above	15000	24000

As against the fees previously charged at a flat rate of Rs. 2500/- for coastal and Rs. 4000/- for foreign vessels, the aforesaid slab system will result in improvement in the revenue of tugs as the number of vessels above 20,000 GRT visiting this port is on the increase. In the year 1980-81, the number of ships above 20,000 GRT which called at the port was 31 and the additional income derived was Rs. 2,48,000/-.

For the tug Kutch Kesari acquired in 1979 for exclusive use at the Off-shore Terminal, Vadinar, the hire charges have been fixed on cost basis. The revenue earned from operation of this tug will not only cover all the charges incurred, but will also leave a surplus."

3.12 The Committee find that due to high cost of operation of three tugs deployed at Kandla Port during 1977-78, 1978-79 and 1979-80, there were uncovered deficits of the order of Rs. 13.73 lakhs, Rs. 29.17 lakhs and Rs. 24.90 lakhs respectively. The Ministry of Shipping and Transport have stated that the increase in operational expenditure was on account of revision of wages, heavy increase in the cost of fuel requirements, increase in general overheads, 50 per cent concession in tug hire charges for general cargo vessels as a part of package of incentive offered to trade for attracting general cargo etc. To reduce deficits, the Port Trust have decided to take appropriate credit in the accounts for deploying the tugs to assist the departmental ships in their movement. The fees for attendance, pulling and pushing have also been revised on slab basis with effect from January, 1980. The hire charges for the new tug meant for exclusive use at the oil terminal have been fixed so as to cover all the charges and leave a surplus. At the same time, the Ministry have stated that it has been accepted for long that each service or activity may not be self-supporting. While this may be so, the Committee consider that periodic review of the cost of operation, activity-wise, is essential so as to find out what exactly it costs to provide a certain service and how the deficits can be kept to the barest minimum. Where a service has to be provided on a subsidised basis say, in the case of export cargo, the extent of concession, the rationale therefor, and the reasons for its continuance, should be fully gone into from time to time.

(C) Other Equipment

3.13. Referring to the low utilisation of other equipment like cranes, forklifts and tractors, as brought out in the audit paragraph, the Committee wanted to know the reasons therefor. The Ministry of Shipping and Transport have stated:

"The term 'under-utilisation' and excessive iddle hours referred to in this para has been worked out on the basis of total number of hours available in a year minus the hours on account of holidays. Though the Port work goes on round the clock on almost all the days in an year, the effective work of the cargo operations depends on various factors such as—

(a) Extent of berth occupancy;

(b) Loss of time due to other incidental work such as draft survey, clearance of paper/documents etc., time lost due to change over of shifts, incidental break downs, delay in ceiling of vessels after completion of cargo etc.

These constitute in real term about 40 per cent of the total time avaiable in a year leaving approximately 5000 hours per annum as effective working hours for cargo operation. As regards actual utilisation of a particular equipment, it may even be less than 5000 hours owing to the following non-utilisation factors which are inherent and inbuilt in most of the cargo handling equipment:

(a) Provisions for peak load and stand-by requirements;

(b) Provision for lay-up on account of periodical or annual repair, overhaul etc.

It is difficult to separately spell out the extent of non-utilisation attributable to each of these factors. However, based on the operation experience, the cumulative non-utilisation hours on this account range between 25 per cent to 30 per cent on a conservative basis.

In view of the above considerations it may be seen that the effective time for utilisation of individual cargo handling equipment works out to approx. 30 per cent to 35 per cent of the total time in a year. This, in terms of hours, works out to 2600 to 3000 hours per annum.

In this context, it is relevant to point out that while designing lifting/cargo handling equipment, it is classified according to the nature of duty expected to be performed. Cargo handling equipment like wharf cranes, mobile cranes, forklift trucks etc. are generally assigned class 2 or class 3 duty. The general standard practice as per British as well as Indian Standard Institutions (British Standard BS 2573 Part I: 1966, Indian Standard IS 807

Part I: 1968) is to assume optimum working hours of 2000 to 3000 hours per annum for class 2 and class 3 duty requirements. These hours are taken as basis for number of stress cycles for fatigue calculations; depending on the nature of duty.

In view of the position explained above it will be realistic and appropriate to work out the utilisation and idle hours on the basis of optimum utilisation 3000 hours per annum for objective evaluation of performance of cargo handling equipment. Based on this principle, the utilisation of the cargo handling equipment has been worked out as can be seen from the Statement enclosed.

It is evident from the figures given in the enclosed Statement that the wharf cranes have been utilised even more than the optimum level.

As regards mobile cranes, these could not be utilised to a satisfactory level. Port, being a service organisation is required to have provision for certain categories of facilities irrespective of frequency of demand. The four mobile cranes referred to in audit para are the bare minimum requirement for handling general cargo. Even though the quantum of general cargo may be limited, a minimum fleet of mobile cranes of different capacities has to be maintained to meet the special requirement of the trade. Considering for each category of equipment should not be the criterion of its justification.

As regards the forklift trucks, it may be noted that the same have been fully utilised with reference to optimum level of utilisation.

Total of 3 years 1977-78, 1978-79, 1979-80

(In thousand of Hours)

Name of the Equipment	Net working hours available	Considered for optimum use per annum	Hours actually worked			Utilisation
			For Trade	For Deptt.	Total	
Electrical Wharf Cranes 25 Nos.	608·0	75.0	290.3	—	290.3	** 129·02%
Mobile Cranes 4 Nos.	106·3	12.0	4·7	3.6	8.3	23.06%
Forklifts 7 Nos.	138.6	21.0	44·1	7.2	51.3	81.43%
Tractors 3 Nos.	76.0	9.0	4·1	7.2	11.3	41.85

1980-81					
Electric Wharf Cranes 25 Nos. . .	75.0	84.9	—	84.9	113.20%
Mobile Cranes . . . . . 5 Nos.	15.0	1.2	—	1.2	8.00%
Forklifts . . . . . . 10 Nos.	30.0	14.2	10.2	24.4	81.33%
Tractors . . . . . . 3 Nos.	9.0	2.4	9.5	11.9	132.22%

**The utilisation hours of equipments which are computed on shift basis shows more than actual physical working as there are bookers or entire shifts.

The Committee desired to know why additional cranes and forklifts were procured when the existing equipment were under-utilised. The Ministry of Shipping and Transport have stated:

"Six forklifts trucks were procured as per the recommendation of the Kaul Committee to handle general cargo.

As regards the procurement of additional mobile cranes, two mobile cranes of 3 tonnes capacity each were in replacement of the two mobile cranes of the same capacity purchased in 1955 and which had outlived their life and declared unserviceable. One more mobile crane of 12.5 tonnes capacity was procured as per the recommendation of the Kaul Committee.

Apart from using the mobile cranes and forklifts for shifting the general cargo from the wharf to the transit sheds/stacking areas, these cranes/forklifts are also provided to the Port users for clearance of cargo from the Port. While acquiring these three mobile cranes, the Port has limited its procurement to minimum requirement in different categories. With the increasing trend in general cargo traffic at this Port better utilisation of the mobile cranes is expected."

3.15 Enquired about the steps taken to reduce the deficits in the operation of cranes, the Ministry have replied:

"The deficit in the operation of cranes in 1978-79 was Rs. 24.21 lakhs with reference to the total cost, including overheads, amounting to Rs. 15.70 lakhs. However, in relation to the direct cost, it was only Rs. 8.51 lakhs. The rates of crane hire charges were revised w.e.f. 11-5-1979 as under, which yielded an additional revenue of Rs. 11.13 lakhs. This reduced the deficit to Rs 1.80 lakhs in 1979-80 in relation to the direct use and Rs. 20.05 lakhs with reference to the total cost.

	Pre-revision rates per shift	Revised rates per shift	Percentage of increase
3.3 Tonne Capacity cranes:			
(a) Coastal . .	Rs. 56	Rs. 120	114%
(b) Foreign . .	Rs. 88	Rs. 192	118%
56 Tonne Capacity cranes			
(a) Coastal . .	Rs. 96	Rs. 120	25%
(b) Foreign . .	Rs. 144	Rs. 192	33%

It will be seen from the above that there was substantial upward revision in the crane hire charges particularly in respect of the three tonne capacity cranes. It may be mentioned that out of the 25 wharf cranes covered under the above revision, 18 are of three tonne capacity. However, in order to further reduce the deficit in relation to the total cost, another upward revision of the existing rate structure, after taking into account the increase in cost of stores, power and wages, is under active consideration of the Port authorities."

3.16 Besides a 60 tonne gantry crane at a dry cargo jetty and a 2 tonne crane at the fishing jetty, the Kandla Port had a fleet of 25 electric wharf cranes, 4 mobile cranes, 7 forklifts and 3 tractors as at the end of 1978-79. A mobile crane of 12.5 tonnes capacity and two 3 tonnes cranes and 6 forklifts were added during 1979-80.

3.17 The Committee find that the income derived from the operation of these equipments had not been adequate to meet the cost of their operation and there were deficits amounting to Rs. 24.21 lakhs in 1978-79 and Rs. 20.05 lakhs in 1979-80. The Ministry of Shipping & Transport have informed the Committee that the Port Trust had revised their rates with effect from 11 May, 1979, and that in order to further reduce the deficit, another upward revision of the existing rate structure after taking into account the increase in cost of stores, power and wages is under active consideration of the Port Trust.

3.18 The Committee regret to note that the question of revising the rates for the services rendered has apparently been considered

only after the huge losses have been brought to notice by Audit. As stated earlier, this under-scores the need for periodic review of the cost of various services rendered by the Port authorities, as well as ensuring optimum utilisation of available assets. The Committee expect that the Ministry will be more vigilant in this regard in future.

(d) Dredging operations

3.19 The Audit paragraph reveals that the depth of the breach channel leading to the port decreased from the optimum level of 4.27 metres during 1974-75 and 1975-76 to 4.00 metres by January 1977 and got further reduced to 3.7 metres since July 1979 inspite of the fact that the Port Trust owned two dredgers of 26.50 lakhs cubic metres capacity against its requirement of 19 lakhs cubic metres for maintaining the depth of 4.27 metres. The Committee desired to know the steps taken to maximise the utilisation of the dredgers so that the desired level of depth of the breach channel was maintained. The Ministry of Shipping and Transport have replied:

> "The Kandla Port has not been able to utilise its two dredgers at optimum level. It has occured on account of the inability of the port to get full complement of qualified Marine Officers and their unwillingness to work for the extended period. The Port Administration has been advertising the posts from time to time to recruit personnel by direct recruitment and it has also explored the possibility of obtaining personnel on deputation from other organisations. The efforts are still continuing. Besides, the port obtained dispensation from the Director General of Shipping under the Merchant Shipping Act, 1958 to appoint Marine Officers with lower qualifications.
>
> To improve the navigational depths in the channel, Kandla Port has hired one dredger from the Dredging Corporation of India for a period of six months from 24th April, 1981. The hired dredger has dredged 14.17 lakh cu. metres upto 24th July, 1981. In addition, both the port dredgers are working with the available complement of Marine Officers. As a result of these combined efforts, there has been some improvement in the depth of the navigational channel."

The quantities dredged by the Port dredgers and the dredger of the Dredging Corporation of India during 1981-82 (upto 30 November 1981) are as follows:..

	Cubic Metres	
M.D. Kutch Vallabh . .	935109	(1st June 1981 to 30 November 1981)
S.D. Kandla . . .	234420	(1st April 1981 to 30 November 1981)
M.D.T. Dredger VI . .	2875476	(24 April 1981 to 30 November 1981)
TOTAL . .	4045005 m3	

The depths achieved as a result of the total dredging done as above, on the basis of the survey carried out on 4th November, 1981 (as compared to the depths noticed at the survey carried out in 11 April, 1981) are as under:—

(a) Mean depths rose from 4.40 m. to 4.65 m.

(b) Controlling width at 3.7 m. contours from 430 ft. 500 ft. to 500 ft.

(c) The draught was increased by 0.3 m. (1 ft.) as a result of the 3 Dredgers' work.

A statement showing the actual utilisation of the dredger 'Kutch Vallabh' since it is acquisition by the Port Trust authorities in 1976 *vis-a-vis* its capacity is given below:

Year		Working hours (norms)	Utilisation in hours	Shortfall in hours	Expected output as per norms	Quantity dredged in cu. m.	Shortfall against the expected output of 2.0 mm as per norms	Percentage of utilisation in hours	Remarks
1975-76		The dredger commenced dredging in breach channel w.e.f. 10-1-1976 on experimental basis.							
1976-77	. .	5,000 hrs.	3393	1607	20,00,000 cu. m.	11,16,223	8,83,777	67.86	
1977-78	. .	,,	2297	2703	20,00,000 cu. m.	7,02,954	12,97,046	45.94	
1978-79	. .	,,	2363	2637	20,00,000 cu. m.	12,61,692	7,38,308	47.26	
1979-80	. .	,,	1576	3424	20,00,000 cu.m.	7,54,833	12,45,167	31.52	
1980-81	. .	,,	3312	1688	20,00,000 cu. m.	13,09,971	6,90,029	66.24	

3.21 Reasons for inability of the port authorities to utilise the dredger to its rated capacity are given below:—

(1) Shortage of Marine Officers.

(2) Longer outstation repair periods.

(3) Low water lay ups due to tidal reasons.

(4) Passage time to and from the jetty to the dredging ground and back.

The major constraints in the way of achieving the optimum output were shortage of marine officers and longer outstation repair periods. These two constraints appear to be more or less inherent in the working of major floating craft at Kandla as due to the remotness and lack of proper infrastructure facilities, qualified marine officers are not willing to join the port services. Besides, there are no adequate facilities for dry dock and repairs of tugs and dredgers in the vicinity of this port. Due to shortage of qualified marine officers to operate the dredgers in three shifts, it was proposed to grant special allowance to class I and II officers for working on extended shifts whereby the output would have increased considerably. Since he Government did not approve the above proposal, a decision was ultimately taken to entrust the work of operation and maintenance of the dredger Kutch Vallabh to the Dredging Corporation of India. The Dredging Corporation of India took over the operation of the dredger Kutch Vallabh from 1-11-1981. The other dredger S. D. Kandla will now be operated in three shifts with the available staff including those transferred from Kutch Vallabh."

3.22 During evidence, the Committee enquired about the actual utilisation of the dredger (Kutch Vallabh) which had been purchased at a cost of Rs. 7 crores. The Development Adviser stated that as against its capacity of 20 lakh cubic meters, the actual quantities dredged were 12.62 cubic meters in 1978-79, 7.55 lakh cubic meters in 1978-80 and 13.81 lakh cubic metres in 1980-81. He added:

"The utilisation of dredgers was unsatisfactory and that is why inspite of lot of protests we had to transfer the dredger."

3.23 Asked about the amounts paid to the Dredging Corporation of India, the Chairman, Kandla Port Trust stated:

"DCI dredger worked in Kandla from 24 April, 1981 10 November, 1981 and an amount of Rs. 244 lakhs was paid."

3.24 In reply to a further question, the Chairman, Kandla Port Trust informed the Committee that in all 28 posts of marine officers were lying vacant for the past 2½ years. The posts had been advertized for more than 24 times during the last 3 years.

3.25 In a further note on the subject, the Ministry have furnished the following details of the dredging carried out by the Dredging Corporation of India and payments made to them, yearwise:

Year	Name of DCI Dredger	Quantity dredged in lakh m^3	Payment made in lakhs
1972-73	M.O.T. Dredge III . . .	5.67	Rs. 39.90
1973-74	M.O.T. Dredge III . . .	2.93	Rs. 34.95
1975-76	M.O.T. Dredge IV . . .	8.23	Rs. 43.69
1981-82	M.O.T. Dredge VI . . .	28.74	Rs. 250.46 (Approx.)"

Depth maintained in the breach channel during 1978-79 to 1980-81 is as under:—

1978-79 —4 m. (13 ft.)

1979-80 — (i) 1-4-79 to 18-7-79 —4 m. (13 ft.)
(ii) 19-7-79 to 31-3-80 3.7 m (12.14 ft.)

1980-81 — (i) 1-4-80 to 4-6-80 3.7 m. (12.14 ft.)
(ii) 5-6-80 to 31-3-81 3.4 m. (11.15 ft.)

1981-82 — (i) 1-4-81 to 21-9-81 3.4 m. (111.5 ft.)
(ii) 22-9-81 onwards 3.7 m. (12.14 ft.)'.

3.26 Based on the recommendations of the Central Water and Power Research Station, Pune, the Kandla Port Trust procured a dredger 'Kutch Vallabh' of 2500 cubic metres capacity (in addition to an existing dredger—SD KANDLA) in January, 1976 at a cost of Rs. 705.05 lakhs. The total annual dredging capacity of the two dredgers was assessed at 26.50 and 34.30 lakh cubic metres while working at depth of 14 feet and 16 feet respectively against the port's requirements of 19 lakh cubic metres after giving due allowance for the annual repairs, surveys, dry-docking, weekly offs etc. The Committee are distressed to find that against the above capacity the actual dredging done by the two dredgers during 1976-77 to 1979-80 amounted to no more than 15.91, 12.73, 15.99 and 13.94 lakh cubic metres thus resulting in an overall short-fall of 23 per cent for these

4 years. As a consequence, the navigable depth decreased to 4.0 metres by January, 1977 and to 3.7 metres since July, 1979. The Committee note with concern that against 40,565 available working hours during 1976-77 to 1979-80, pumping and dumping were done for 15794 hours only. Excluding the passage time taken from harbour to dredging grounds and back and waiting time for tide amounting to 9973 hours, the idle time spent by these dredgers was as much as 14798 hours. The Port Trust have stated that the dredgers could not be utilised to their rated capacity due to shortage of marine officers, longer out-station repair periods, low water layups due to tidal reasons and non-availability of dry dock facilities at the port-

3.27 The Committee observe that in order to maintain the navigational depths in the channel, the Port Trust had to hire a dredger from the Dredging Corporation of India for a period of six months from 24 April, 1981 for which a sum of Rs. 2.50 crores had to be paid to the Corporation. The Committee understand that as many as 28 posts of marine officers have been lying vacant in the Kandla Port for the last 2½ years and all efforts to recruit these officers have been unsuccessful in spite of the fact that the posts were advertised as many as 24 times. The Port Trust authorities had, therefore, proposed to grant special allowance to class I and II officers for working on extended shifts whereby the output would have been increased considerably. Since the Government did not approve the above proposal, the Port Trust decided to entrust the work of operation and maintenance of the 'Kutch Vallabh' to the Dredging Corporation of India who have taken it over with effect from 1 November, 1981. The other dredger (S. D. Kandla) would be operated in 3 shifts with the available staff.

3.28 The Committee consider that the question of availability of the requisite technical personnel should have been gone into in depth before making a heavy investment of over Rs. 7 crores on a dredger which the Port authorities could not operate to its full capacity. The Committee find that even in earlier years viz. 1972-73, 1973-74 and 1975-76 the Dredging Corporation of India had carried out dredging work for the Port. The Committee therefore, consider that the decision to purchase a new dredger was not quite sound.

3.29 The Committee regret that the Ministry/Port Trust authorities waited for as long as 2½ years to fill up the posts of marine officers required to operate the dredger. It is most unfortunate that despite lack of response, the proposal to grant special allowance to the existing staff for extended shifts was not agreed to. The Committee trust that Government would draw proper lesson from this experience so as to obviate recurrence of such costly mistakes.

CHAPTER IV

FINANCIAL RESULTS OF WORKING

(a) *Capital Debt-terms & conditions of*

4.1 Audit have pointed out that on the date of formation of the Port Trust (29th February, 1964), capital expenditure incurred by the Central Government for constructing the port amounted to Rs. 1878.06 lakhs. Of this, the Port Trust had been exhibiting provisionally Rs. 1655.26 lakhs as loan from Government (after deducting Rs. 222.80 lakhs which represented capitalised recurring expenditure). The terms and conditions governing the capital debt had not so far (October 1980) been determined and pending decision, the Port Trust had been paying Rs. 15 lakhs to Government every year towards interest on an *ad hoc* basis; thisworked out to less than 1 per cent on the amount exhibited as loan.

4.2 Government stated in March 1981 that the matter is under consideration of a Study Group appointed by Government for not only this port but also for five other ports.

4.3 Audit have further pointed out that since the Port Trust has been paying an *ad hoc* amount of Rs. 15 lakhs per annum as interest on capital debt so far, and even if the interest payable by the Port Trust is eventually determined at 5.25 per cent as the rate of interest prevailing in 1963-64 the year of formation of the Port Trust—not only will the annual income be reduced to the extent of Rs. 72 lakhs annually, but further, as such payments, including that of arrears on this account right from the formation of the Port Trust, would cause depletion in the available cash for investments in fixed deposits with the banks, the annual income of the Port Trust (which from this source alone, in 1980-81 amounted to Rs. 268 lakhs would be reduced considerably.

4.4 The Committee desired to know the reasons for not treating the capitalised recurring expenditure of Rs. 222.80 lakhs as loan. The Ministry of Shipping and Transport have stated:

> "The Port Authorities have rightly not included Rs. 222.80 lakhs (it should be Rs. 222.90 lakhs) which had been spent, as recurring expenditure prior to the constitution of the Port Trust Board on 29 February, 1964, as a part

of total expenditure incurred by the Central Government on the development of the Port. The action taken by the Port is in conformity with the provisions of the law contained in clause (c) of sub-section (1) of Section 29 of the Major Port Trusts Act, 1963 which is reproduced below:—

29(1) (c) "all non-recurring expenditure incurred by the Central Government or any State Government for or in connection with the purposes of the port up to such day and declared to be capital expenditure by the Central Government shall be treated as the capital provided by the Central Government or, as the case may be, the State Government to the Board;".

The aforesaid recurring expenditure did not result in creation of any permanent assets for the port. The broad details of this expenditure are as follows:—

	Rs. in lakhs
Establishment cost	148.05
Repairs & Maintenance	35.57
Township establishment expenditure etc.	19.32
Township maintenance expenditure	19.97
	222.91
or say	222.90

4.5. In reply to another question as to why the terms and conditions governing the capital debt of the Port had not been determined so far, the Ministry have stated:

"The terms and conditions regarding repayment of capital debt by the Kandla Port are required to be prescribed under Section 31 of the Major Port Trusts Act, 1963. This matter has been under the consideration of the Ministry in consultation with the Ministry of Finance, and a decision on this issue has yet to be taken. Presently, the subject is being studied by a Group of Officers comprising Financial Adviser (Transport), Joint Secretary (Budget) Ministry of Finance and the Joint Secretary (Ports) in the Ministry of Shipping and Transport. Efforts will be made to arrive at a decision early."

4.6. As regards the basis for *ad-hoc* payment of Rs. 15 lakhs per annum towards interest by the Kandla Port Trust, the Ministry have stated:

> "The Kandla Port Trust has been paying since 1960 an amount of Rs. 15 lakhs to the Government every year towards interest. Since Kandla Port was a Central Government Department in 1960, the Port was not required to pay any interest on the amount spent by the Central Government. As the original records relating to this decision are not available, the basis for fixing this amount at Rs. 15 lakhs cannot be indicated. Presumably, the Port started paying Rs. 15 lakhs every year on an *ad hoc* basis, in anticipation of the formation of the Port Trust."

4.7. During evidence the Committee desired to know the reasons why the terms and conditions of capital debt of the Kandla Port could not be finalised during the last 18 years. The Chairman, Kandla Port Trust stated:

> "Some concepts have to be decided by the Ministry. It is not only Kandla Port, but thereafter there are a number of ports which have come up. Some working groups were also constituted to go into this. But this was basically the reason that the concept whether it should be treated outright a grant or a loan for 30 years or 60 years and what should be rate of interest, has to be decided."

The Secretary, Ministry of Shipping and Transport added:

> "I also feel that this has been delayed too long......Within this year we will finalise."

Asked if there were any other instances of this nature he stated:

> "For Haldia, Mangalore and Tuticorin ports, still the interest rate is not fixed."

4.8. In reply to a further question whether there was no uniform policy with regard to realisation of interest from all Port Trusts, the witness stated:

> "Now we are charging 9 per cent."

The Financial Adviser of the Ministry explained the position as follows:

> "There are already four major port trusts where the interest rate and repayment schedule in respect of capital Expenditure incurred by the Government has to be fixed by the Government. These were earlier departmental ports—

Kandla, Goa, New Mangalore, Tuticorin. By April, 1980, these four or five ports became major ports. Prior to the formation as major port trusts, Government had incurred sizeable expenditure, firstly on, the creation of assets and secondly, on meeting its day-to-day expenditure. In the governmental accounting system, the expenditure and the receipts are separately accounted for. The methodology of recovering the money spent by Government as Capital Expenditure in creation of the assets in the ports, berths, equipment and other infrastructure has been under the consideration of the Government during last sixteen or fifteen years. Two or three views have been expressed. The Port Commission has suggested that there should be a complete moratorium on payment of principal and interest. That is when the port was under the administrative control of the Government of India, the capital expenditure incurred should be treated as a grant or Government should give moratorium for repayment of the interests and loan. The Ministry of Shipping and Transport and the Ministry of Finance at the level of the Secretary took the view that it will be difficult for the Government to agree to allow the Port Trusts to have the benefit of free grants.

Then, Sir, the question arose whether this expenditure could be treated as equity. There again, Government ran into difficulty. The difficulty was that the concept of equity is not followed in Ports. The financing system adopted by the Government in case of major Port Trusts is very simple. They give capital loans which are interest-bearing, at the moment the rate of interest being 8.75 per cent. It is fixed by the Government. There are no norms for fixing the interest rates. Now the budgetary support for capital expenditure required by the ports is provided for in the budget of the Ministry of Shipping and Transport and for the non-Plan expenditure, such of the ports which have deficit, are provided with ways and means loans, that is, to meet the gap between the revenue and expenditure. Now, Sir, the problem here is that there are five major ports where the expenditure incurred by the Government prior to their formation as major ports is yet to be determined. Three views have been expressed—one is that it should be treated as an outright grant; the other view is that it should be treated as equity and the third view is that there should be moratorium for a period of fifteen years, twenty years or thirty years and the Government should recover it in easy instalments and at easy interest rates. It is unfortunate that this thing has dragged on for the last so many years. It is equally true that these departmental ports which became Port Trusts have been having the benefit of practically interest free capital base and, to that extent, the figure of surpluses which have been reflected in the replies given to the hon. Committee are inflated."

4.9 Section 31 of the Major Port Trusts Act 1963 provides that:

"A Board shall repay, at such intervals and on such terms and conditions as the Central Government may determine, the amount of capital provided under clause (c) of sub-section (1) of section 29 with interest at such rate as may be fixed by Government and such repayment of capital or payment of interest shall be deemed to be part of the expenditure of the Board."

4.10 The Committee, therefore, wanted to know whether the Government had determined the rate of interest payable by the port trusts which came into existence after its enactment. The witness stated:

"What should be the rate of interest in regard to the expenditure incurred prior to formation of Kandla Port as a major port trust has not yet been determined by the Government. This Rs. 15 lakhs is an ad hoc amount which is being paid by the Port. As the Committee iself observed that if this Rs. 15 lakhs is reduced the interest will be less than one per cent. Today the Government is charging for the Plan Loan 8.75 per cent. One can say that the rate could be fixed at least at 8.75 per cent. This was the point I was submitting to the Committee. This has been under deliberation of the Ministry of Transport and Shipping for quite sometime. In fact I have seen it in some connection about six months ago. I found that the then Secretary, Ministry of Transport, somewhere in 1978 constituted a sub-committee with J. S. Ports, J. S. Budget of the Ministry of Finance and the F.A. to go into this question. The problem which I wanted to say was this. This question was to be gone into by the sub-committee constituted for the purpose. This is the easiest way. The whole problem was deliberated for so long. The sub-Committee had to deliberate on distinct line of arguments that had emerged through the deliberations of five or six years. One of the view which the Ministry of Transport and Shipping were pressing to treat the expenditure as grants i.e. whatever expenditure had been incurred by the Government of India prior to the formation of the Port Trusts should be treated as outright grants to the ports. Under the circumstances, even Rs. 15 lakhs will not be payable to Government of India. Then came the Ports Commission. They said that fifty per cent of the portion could be treated as grants and for the balance, the period of moratorium may be fixed for 25 or 30 years. Over this period, the port can discharge the ports' formation liability. Then came the Ministry of Finance. At one stage they wanted to convert these loans as equity. Then they realised that the concept of equity in the Port Trust was not valid. After that a sub-committee was formed in 1979. This Committee has not yet met. We hope by April-May the first meeting of the sub-committee will take place. Therefore, I will say that Government has yet to fix the rate. What principles will be followed have to be decided and accepted by the Government in view of the three distinct arguments being given by the Port Trust, Ministry of Shipping and Transport and Ministry of Finance."

4.11 Enquired whether at any point of time, the Ministry of Shipping and Transport proposed to the Ministry of Finance that they should fix the rate of interest on the capital debt in regard to these ports, the Financial Adviser answered:

"........the files which I have seen do not give any information that the Ministry of Shipping and Transport or the Port Trust proposed any percentage. The whole thing became a bit academic."

4.12 In reply to a question whether there is any provision in law whereby these amount can be treated as grant, the witness stated:

"........under the Port Trust Act it is for the Government to decide as the property ultimately vests in the Government. The Ministry of Shipping and Transport and Ministry of Finance have to come to an agreement. What I submitted earlier was that there was divergence of opinion in the approach to be followed. Personally, I think it will be difficult to go along with the view of the Ministry of Shipping and Transport that the whole thing should be treated as grant although Secretary, Transport says that in some countries for the development of ports it is treated as grant. Sir, it may be possible to work out some sort of *via-media*."

4.13 In a subsequent note, the Ministry of Shipping and Transport have informed the Committee that the terms and conditions of the loan capital in respect of the following six major ports have not been finalised so far. The date of formation of Port Trust and the amount of capital* involved is indicated against each Port:

"Name of Port	Date of formation of Port Trust	Amount of capital involved
		(Rs. in lakhs)
Kandla	29-2-1964	1715.00
Visakhapatnam.	29-2-1964	1190.69
Mormugao	1-7-1964	171.13
Paradip	1-11-1967	2141.56
Tuticorin	1-4-1979	4064.00
New Mangalore	1-4-1980	6572.00"

4.14 The Ministry have elaborated the reasons for not fixing the rate of interest on capital involved as under:

"The matter was first discussed at an inter-departmental meeting between the Ministries of Transport, Finance and the Chairman of Kandla and Visakhapatnam Port Trusts held on 4-1-1966 and a tentative decision was reached that 50 per cent of the capital debt should be repaid in 30 equal instalments with interest at 4 per cent per annum and the rest should be treated as resembling equity capital whose repayment terms would be considered after the liquidation of the first half of the debt. When the case was referred to the Budget Division of the Ministry of Finance, they did not accept the principle of treating a part of the capital as equity capital being applied to the Port Trusts. In May, 1968, this question was again considered and the Expenditure Division of the Ministry of Finance made certain suggestions which were not acceptable to the administrative Ministry. Meanwhile, the question of Government lendings to the Ports was also considered by the Major Ports Commission. The Commission submitted its report in 1970 and made certain recommendations.

*Not vetted by Audit.

The recommendations made by the Commission were considered at an inter-departmental meeting held on 10-8-1974 wherein it was tentatively felt that the Commission's recommendations of allowing a portion of the capital debt being treated as cash grant cannot be agreed as a general principle but individual projects could be examined on their merits. A note was prepared by the administrative Ministry for discussion with the Ministry of Finance (Budget Division) in which it was suggested that the formula recommended by the Major Ports Commission imports considerable flexibility and an opportunity for Ports to generate surpluses. The note was discussed at a meeting taken by the then transport Secretary on 6 May, 1976 and attended by Joint Secretary (Ministry of Finance) (Budget Division), F.A. (S & T) and Chairman of Kandla, Mormugao, Paradip and Visakhapatnam Ports. The representative of the Ministry of Finance indicated at this meeting that the statute for ports does not provide for any grants and that the ports as a part of the transport sector have to function as commercial undertakings and the terms of repayment have to be fixed keeping in view the fact that any major deviation from the existing principles will have far-reaching implications on the terms of lending applicable in other sectors. He further stated that the recommendations of the Major Ports Commission involve conversion of a certain portion of initial expenditure into grant for which there is no provision in the MPT Act, 1963. As such it would be difficult to consider the proposal of treating a portion of the capital invested as grant. Finally, a Study Group consisting of Joint Secretary (Ports), Joint Secretary, Ministry of Finance (Budget Division) and FA (S & T) was constituted in 1978 to formulate principles for fixation of initial debt at the time of formation of the Port Trusts Boards and for subsequent major port projects. It was also decided that the Study Group would identify and isolate items which should be excluded from the capital debt of the port or port project and should also decide on the terms of lending/repayment of the balance debts including the period of repayment, period of modatarium etc. This will also cover defining of development schemes which could be treated as major port projects fo- this purposes."

The report of the study group is awaited."

4.15. The Committee enquired about the rate of interest being charged from each of the major ports in respect of investments made prior to coming into force of the Major Port Trusts Act 1963. The Ministry have furnished the following information in regard to financial assistance given by the Government of India till 1950s:

"Port	Amount	Period	Rate of interest	Special conditions
Calcutta	Rs. 25 lakhs	60 years (1946—2006)	3%	Interest free for the 1st 12 years.
Do.	Rs. 25 lakhs	60 years (1947—2007)	3%	Do.
Do.	Rs. 491 lakhs covered by 7 loans	30 years (Sanctioned in the years of 1954, 1955 & 1956)	4½%	Interest free for the 1st 7 years.
Madras	Rs. 9.88 lakhs	30 years (1947—1977)	N.A.	Interest free for the 1st 12 years there after repayable by equated instalments.
Do.	Rs. 3.00 lakhs	1949-79	N.A.	Do.
Do.	Rs. 140 lakhs covering three loans	30 years (1954, 1955 and 1956)	N.A.	Interest free for the 1st 7 years and thereafter repayable by equated instalments.
Do.	28.29 lakhs	50 years (1937—1987)	¾%	—
Do.	28.00 lakhs	30 years (1938—68)	3%	—
Do.	24.00 lakhs	30 years (Sanctioned in 1946 & 1949 in two loans of Rs. 12 lakhs each).	3%	—

4.16 Clause (c) of sub-section (1) of Section 29 of the Major Port Trusts Act, 1963 provides that all non-recurring expenditure incurred by the Central Government or any State Government for or in connection with the purposes of the port upto such date and declared to be capital expenditure by the Central Government shall be treated as the capital provided by the Central Government or, as the case may be, the State Government to the Board. Section 31 of the Act further provides:

"A Board shall repay, at such intervals and on such terms and conditions as the Central Government may determine,

the amount of capital provided under clause (c) of sub-section (1) of Section 29 with interest at such rate as may be fixed by Government and such repayment of capital or payment of interest shall be deemed to be part of the expenditure of the Board."

4.17 The Committee find that on the date of formation of the Port Trust on 29 February, 1964 the capital expenditure incurred by the Central Government for construction of Kandla Port amounted to Rs. 1878.06 lakhs. Of this, the Port Trust had been exhibiting provisionally Rs. 1655.26 lakhs as loan from Government and Rs. 222.90 lakhs as capital recurring expenditure.

4.18 The Committee are concerned to note that the terms and conditions governing the capital debt have not been determined so far and pending decision the Port Trust has been paying Rs. 15 lakhs to Government every year towards interest on an ad hoc basis. This works out to less than 1 per cent on the amount exhibited as loan. It has been stated that the original records relating to this decision are not available and as such the basis for fixing the amount at Rs. 15 lakhs cannot be indicated. The Committee consider that pending a decision in the matter Government should have recovered interest at the prevailing rate.

4.19 The Committee observe that besides Kandla Port, five other major ports viz. Visakhapatnam, Mormugao, Paradip, Tuticorin and New Mangalore were set up after the enactment of the Major Port Trusts Act, 1963. In none of these cases, the capital debt has been determined so far. The capital involved in these six cases (including Kandla) is of the order of Rs. 15854.38 lakhs.

4.20 It was admitted in evidence that "these departmental ports which became port trusts have been having the benefit practically of interest free capital base and to that extent figures of surpluses which have been reflected in the replies given to the hon. Committee are inflated".

4.21 It is a matter of deep regret that even after a lapse of as many as 18 years since the enactment of Major Port Trusts Act which casts a statutory duty on the Central Government to determine the amount of capital provided as to the ports and the interest to be paid thereon, Government have not been able to make up their mind so far. Since the statute does not provide for any grants and the ports are expected to function as commercial undertakings as a part of the transport sector, the Committee see no reason why it should not be possible for Government to come to a speedy decision

in the matter. The Committee consider it highly regrettable that the matter has been allowed to remain in a state of suspense for too long. The Study Group appointed by the Government about four years back to formulate principles for fixation of initial debt at the time of formation of a Port Trust Board and for subsequent major port projects has not met even one so far. The Committee strongly deprecate this apathy and desire that the matter should be finalised without further loss of time.

(b) Rate of Return

4.22 The Commission on Major Ports had recommended in its Report (June 1970) that the Kandla Port should attain a return of 6 per cent by 1973-74, 9 per cent by 1976-77 and 12 per cent by 1978-79. These recommendations were accepted by Government in 1975 and the port charges were increased on 3 occasions—July 1975, July 1977 and May-June 1970—to achieve the prescribed return. The Port Trust had achieved a return of 10.12, 8.92, 20.45 and 19.09 per cent respectively over the capital employed in 1976-77, 1977-78, 1978-79 and 1979-80. The Ministry of Shipping have stated in this regard that a rate of return of not less than 12 per cent on the capital employed has been prescribed for all major ports. This consists of 6 per cent towards interest charges, 3 per cent towards replacement, rehabilitation and modernisation of capital assets and 3 per cent towards reserve for development, repayment of loans and contingencies.

4.23 In a note, the Ministry of Shipping & Transport have stated that the rate of return on capital employed has risen from 8.87 per cent in 1977-78 to 26.85 per cent in 1980-81. The increase in the rate of return from 1976-77 to 1980-81 is mainly attributable to the following factors:

(i) The income from 1977-78 onwards has been more steeply than the expenditure mainly due to increase in traffic from 68.15 lakh tonnes in 1977-78 to 88.16 lakh tonnes in 1980-81. This resulted in more surpluses from year to year.

(ii) The amount available for investment has also increased yielding more income under Finance and Misc. on account of interest.

(iii) With the commissioning of the Off-shore Oil Terminal at Vadinar in August, 1978, traffic of the Port increased considerably which resulted in additional revenue to the Port.

(iv) Income from demurrage charges levied in 1978-79 is also responsible for the increased income.

4.24. The Committee enquired about the criteria for determining depreciation, interest charges, reserves etc. The Ministry of Shipping and Transport have stated:

"Depreciation of the ports' assets is provided for on the historical cost basis on the straight line method.

The rate of interest on loans granted by Government of India to Major Ports is determined by Government of India from time to time. The current rate of interest by the Government of India is 9.5 per cent.

According to section 90 of the Major Port Trusts Act, 1963, Ports may, from time to time, set apart such sums out of their surplus income as they think fit, as a reserve fund or funds for the purpose of expanding existing facilities or creating new facilities etc. at the ports."

4.25. Audit have pointed out that the surplus was mainly due to cargo handling and that the operations, viz. port and dock facilities township and railways, showed a total deficit of Rs. 178.16 lakhs in 1978-79 and Rs, 246.50 lakhs in 1979-80.

The Ministry of Shipping and Transport have explained the position as under:

"The audit comments in regard to certain activities or sub-activities are based on a cost accounting statements. These statements often include substantial overheads not directly related to an activity, which tend to give an imbalanced picture. Such statements are generally prepared with a view to providing a device to the Management for considering from time to time the cost involved in providing a particular facility. A review of these statements enables the Management to revise rates of service, wherever considered necessary/expedient.

In the management of ports, it has been accepted for long that each service or activity need not be self supporting.

It would be appreciated that the port Administration, while fixing the rates, naturally takes into account the various considerations like the rates charged at other ports for similar facilities, what the trade would be able to bear, the cost incurred by it, etc. While designing the tariff, the principle of cross subsidisation between the various sub-activities and activities has to be necessarily relied upon to ensure a proper distribution of financial burdens among port users.

(ii) It is notable that the Commission on Major Ports has also accepted the principle of subsidisation between various port services *vide* theid recommendations contained in paras 9.12 to 9.15 of the Report."

4. The Committee desired to know whether the reasons for large deficits in operation of Port and Dock facilities, township and Railways had been analysed and if so what remedial measures had been taken. The Ministry have accordingly furnished the following details of income and expenditure of various sub-activities under the head "Port and Dock Facilites":

	1979-80		1978-79	
	Income	Expenditure	Income	Expenditure
			(Rupees in lakhs)	
(a) Tug services	40.70	65.60	43.96	73.13
(b) Pilotage	131.52	301.60	149.56	279.18
(c) Berthing and Mooring	76.50	47.46	77.31	43.33
(d) Port services	37.31	19.86	39.56	19.1
(e) Water supply to shipping	12.80	8.38	13.89	6.56
	298.83	442.90	324.28	421.31

The above analysis reveals that the sub-activities of tug services and pilotage are not remunerative.

4.27 Government have identified the following reasons for deficits in the operation of tug services, pilotage, township and Railways:

"(i) As regards tug services in Kandla Port, whenever there is a ship at the berth or in stream being shifted on the request of the Department for operational requirements accrual of potential revenue on that count is not reflected in the accounts. Similarly, for some other inter-departmental services, like hauling of dumb barges port craft for carrying out repairs of the navigational aids and harbour structure etc.) no adjustments were carried out till March 1981 in the accounts. In order to reduce the deficit action has been taken from April 1981 to provide suitable revenue accruals for such inter-departmental services. Besides, tug hire charges have also been re-structured on slab basis according to the gross tonnage of vessels, which will yield some additional revenue.

(ii) As regards the deficit in the pilotage. this is primarily due to the practice of booking the entire expenditure incurred on dredging to the head 'Pilotage' in the port accounts. It was felt at one time by Kandla Port Authorities that a substantial part of this cost on dredging should be shared by cargo handling capacity. As it was a question of common interest to all the major ports, it was remitted to a Sub-Committee set up by the Indian Ports Association. The Sub-Committee submitted its Report in May 1981 and it was then considered by the governing body of the Indian Ports Association at its meeting held in July 1981. The Sub-Committee's recommendation was that the existing practice of allocating the cost of dredging to the main activity of 'Port and Dock Facilities' should be continued—this recommendation was approved by the governing body of the IPA. In view of this recommendation, the deficit under the head 'Pilotage' would continue.

As emphasised earlier, each service or activity need not be self-supporting."

4.28 The deficit under the township activity is mainly due to the sub-activity of water supply which has been separately dealt within another chapter of the Report. The deficit under the head 'Port Railways' have also been dealt with in a separate chapter.

4.29 The Commission on Major Ports had recommended in June 1970 that a rate of return of not less than 12 per cent in the capital employed should be attained by all the major ports. The Committee are gratified to observe that the rate of return from Kandla Port has risen from 8.87 per cent in 1977-78 to 26.85 per cent in 1980-81. It has been stated that from 1977-78 onwards, the income has risen

more sharply than the expenditure due to increase in tariff from 68.15 lakh tonnes in 1977-78 to 88.16 lakh tonnes in 1980-81.

4.30 From an analysis of the activities of the port for the years 1978-79 and 1979-80, the Committee find that the surplus of Rs. 473.51 lakhs in 1978-79 and Rs. 436.34 lakhs in 1979-80 under the head 'Cargo handling' has been offset to a considerable extent by deficits under the head 'Port and Dock Facilities', 'Township' and 'Railways' amounting to Rs. 178.13 lakhs and Rs. 246.50 lakhs respectively during the above two years. Under the head 'Port and Dock Facilities' the deficits were mainly due to expenditure being more than income in these years in respect of two sub-activities viz. "tug services' and 'pilotage'. The deficits under 'Tug services' for the years 1978-79 and 1979-80 were Rs. 29.17 lakhs and Rs. 24.90 lakhs while the deficits under 'Pilotage' were of the order of Rs. 129.62 lakhs and Rs. 170.08 lakhs in the respective years. ..

4.31 Government have informed the Committee that the deficits under 'Tug services' were due to non-adjustment of inter-departmental charges like hauling of dumb barges, port craft for carrying out the repairs of the navigational aids and harbour structures etc. In order to reduce the deficit, action has been taken from April, 1981 to provide suitable revenue accrual from such inter-departmental services.

4.32. As regards deficits under the head 'Pilotage' Government have stated that these are primarily due to the practice of booking the entire expenditure incurred on dredging under this head in the port accounts. The matter was examined by a Sub-Committee set up by the Indian Ports Association and it has been decided (July 1981) that the cost of dredging should continue to be booked under the head 'Port and Dock Facilities'. The Ministry have therefore stated that the deficit under the head 'Pilotage' would continue.

4.33 The Committee have been given to understand that it is not possible to make each cost centre self-supporting and that cross subsidy is essential for development of traffic and for optimal utilisation of facilities. The Committee would like to point out that dredging is not only a distinct activity but also accounts for a large chunk of expenditure. It is therefore, necessary that expenditure on this activity is shown under a distinct sub-head rather than booking the entire expenditure to the head 'Pilotage' in the Port accounts. The matter should, therefore, be examined and necessary action taken early.

(c) *Recovery Rates*

4.34 Audit have pointed out that in 3 out of 9 items in 1978-79 and 5 out of 12 items in 1979-80, the recovery rates were not adequate even to cover the direct costs.

Enquired as to why the rates had been kept so low, the Ministry of Shipping & Transport have stated:

> "The commodities in which the rates are lower, as compared to direct costs, are sugar, cement newsprint and wheat. It may be mentioned that the warfage rates at Bombay for sugar, cement and foodgrains are Rs. 3.50, Rs. 4.90 and Rs. 3.50 per tonne respectively whereas at Kandla these rates are higher *i.e*. Rs. 9/-, Rs. 8/- and Rs. 7.20 per tonne respectively. As such, these rates should not be considered low."

4.35 In reply to a question whether the Ministry proposed to revise the rates of sugar, cement, foodgrains, newsprint etc., Chairman, Kandla Port Trust added:

> "As far as sugar, cement, foodgrains and newsprint are concerned, all these materials have started coming to the port during the last three or four years. We have taken into consideration the rates obtaining at Bombay Port for the same items. For sugar the direct cost is Rs. 9.42 against which I am charging Rs. 9/-. In Kandla there is an imbalance of import and export. We have rationalised the rates in order to correct this imbalance. Because of these considerations, in some of the commodities, deli berately, as a conscious decision, the rates have been kept lower."

The Additional Secretary of the Ministry added:

> "The ports are part of the international transportation system. Apart from the fact that ports have to be economically viable, the ports also will have to encourage the flow of international trade and commerce. The ports will have to work on commercial principles. Sometimes we find that we are not able to strictly apply commercial principles. For instance, some ports have been created like Goa which are principally for the export of iron ore. If you are to fix the port cost so that the port

is able to recover the fixed as well as variable costs on the export of iron ore, then it will be difficult for India to export as much iron ore as is being done now. The ports can be self-sufficient by adopting two methods—by increasing the income and by controlling the expenditure. The income is increased only by the port tariffs which are revised from time to time. The last major revision of port tariffs was done in 1976 and after that some *ad hoc* increases have been made in certain tariffs. Recently the Bureau of Industrial Costs and Prices have been asked to look into this problem comprehensively and advise the Ministry about the principles on which tariffs will have to be determined. As far as economics are concerned, in most of the ports which depend on budgetary support, we find that these ports have created new facilities recently as in Vizag, Goa and New Mangalore Ports. So they are not able to recover all the costs on these heavy investments and also because of the high establishment costs. Sir, there has been a sea change in cargo handling technology and in the ship technology over the last two or three decades. Considering the environmental stiuation in this country, we have not been able to proceed at the same fast pace in changing cargo handling system, it means a great degree of mechanisation has to take place. In this process a certain amount of labour becomes excess, but unfortunately the surplus labour cannot be sent out. In spite of the fact that we do have attractive voluntary retirement scheme in several ports, unfortunately the employees have not taken advantage of these voluntary retirement schemes. The next thing is about the datum of performance. These datums of performance by the labour were fixed originally when improved cargo handling systems had not been introduced. But in spite of continuous efforts not only on the part of the Port Trust, but also on the part of the Ministry to have these datums revised upwards with reference to the degree of mechanisation that has taken place, it has not been possible to pursuade the unions to accept upward revisions of datums. We are still continuing dialogue with the unions for upward revision of datums. The third is about the manning scales. The manning scales were also fixed a long time back, as a result of agreements, settlements and decisions, given by certain tribunals. Even though a degree of mechanisation has been achieved, it has been extremely difficult to reduce the manning scales. The Indian Labour Conference has decided that whenever mechanisation takes place, there should not be any retrenchment of workers.

There should not be any loss in earnings to the workers and whatever gains are made as a result of mechanisation or rationalisation will have to be equitably shared by the workers, the management and the society. When we are not able to retrench the surplus workers, the only other alternative which is open to us is to redeploy workers. Suppose we find workers surplus in a particular area, take them out and give them training in handling certain semi-mechanised or mechanised systems. But unfortunately what we find is that most of the cargo handling workers are illiterate, and a very large percentage of them are not trainable to handle semi-mechanised and mechanised systems with the result we are left with surplus labour. This is the most important area where economies could be thought of but unfortunately we have not been able to proceed with a fair measure of success in this particular direction. As a result of this, what we find is that in several ports, the ports are not able to generate adequate internal resources. For instance one of the main recommendations of the Major Port Commission is that a certain amount will have to be generated from the ports for the purpose of modernisation, rehabilitation and renovation. Many ports have not been able to achieve this objective because of the heavy commitment on existing establishments. The result is that the ports are not able to modernise and renovate and rehabilitate equipments. There are a number of ports where the equipments are fairly old. So, the output of these equipments is also not as much as desired.

These are some of the major issues which are facing us. We are continuously making efforts to improve performance. And at the recent Port Chairmen's Conference also a number of decisions have been taken where the port Chairman have been told that they will have to achieve certain financial and operational parameters and at their levels they should continue to have dialogues with the labour unions and as far as the central issues are concerned, the Ministry is also having dialogues with the labour unions so that we can arrive at the reasonable performance norms and manning scales."

The Secretary, Ministry of Shipping and Transport added:

"We are thinking of a very proper scientific revision and we have to do this within the next two or three months."

4.36 To a question as to whether Government had considered the feasibility of attracting public investments by way of issuing debentures for improving the financial position of the ports as well as to raise funds for their modernisation, the Secretary, Ministry of Shipping and Transport replied:

"At this time we have been able to meet the capital requirements of the ports."

"There has been a fair amount of investment in the ports. There has been investment by MMTC, Agriculture Ministry, Petroleum Ministry in the port system. In the Vadinar Port a very large investment has been made by the public sector. On the containerisation a lot of private equipment is being used at the port."

4.37 In this connection, the Additional Secretary of the Ministry stated:

"There are ten major ports. The major ports of Bombay, Madras, Kandla are able to meet the plan expenditure from their own resources. All the other ports have to have budgetary support."

"For the next Annual Plan, the total order or expenditure will be about Rs. 128.50 crores, out of which Rs. 68 crores would be from the internal resources of the Ports and Rs. 60.50 crores would be by way of budgetary support."

4.38 The Audit paragraph has pointed out that the surpluses in cargo handling at Kandla Port were mainly due to liquid cargo and that the rates of recovery of various dry cargo commodities were not even adequate to meet the cost of operations. In 3 out of 9 items in 1978-79 and 5 out of 12 items in 1979-80 the recovery rates were not adequate even to recover the direct costs.

4.39 The Committee were given to understand that the last major revision of port tariffs was done in 1976 and that the Bureau of Industrial Costs and Prices have been asked to look into problems of all the major ports comprehensively and advise the Ministry about the principles on which the tariffs will have to be determined.

4.40 The Committee note that out of ten major ports, only three viz. Bombay, Madras and Kandla are able to meet the development expenditure from their own resources and that all the other ports have to have budgetary support. Considering that the ports have to encourage the flow of international trade and commerce and also function on commercial lines so as to be economically viable, it is necessary that norms of performance are improved. It was decided at the recent conference of Port Chairmen that they would have to achieve certain financial and operational parameters. The Committee expect that in pursuance of this decision, precise targets will be prescribed for each Port and the performance closely monitored.

4.41 In this connection, the Committee would like to draw attention to the following recommendation of the Committee on Transport Policy and Coordination (1966):—

"We are of the view that the Central Government should insist on Port Trusts specially in the larger ports, finding all the internal resources they can for development. They should also be encouraged to seek loans directly from the market and to this end they should receive the necessary support from the Reserve Bank of India and the Government of India. Loans from the Government of India should not constitute in the future as large a proportion of the total Port finances as may have been necessary during the period of accelerated development under the Five Year Plans when substantial new capacities had to be established over a short period. Indeed, as a matter of policy, Port Trusts should be expected so to manage their operations as to be able to draw at least part of their capital from the market.

4.42 The Committee find that the Commission on Major Ports (June 1970) had also endorsed the above recommendation.

In view of the above, the Committee expect that a decision on the question of allowing the major ports to augment their resources through market borrowings/debentures for financing their projects of modernisation and development during the Sixth Five Year Plan will be taken at the earliest.

(d) *Deficits in the Port Railways*

4.43 The Audit para reveals that there was a deficit of Rs. 22.36 lakhs in 1978-79 and Rs. 27.20 lakhs in 1979-80 in the operation of Port Railway. The Ministry of Shipping and Transport have explained:

"Unlike some other ports, the railway facilities within the Kandla Port are operated by the Trunk Railways. The

Port incurs expenditure only on the maintenance of tracks and sidings laid by it inside the port. Besides, the railway tracks from the interchange point to the port boundary are owned by the Port Trust. In turn, the railways were required to share revenue realised on account of terminal charges, haulage charges and siding charges.

The issue of payment by the Railways for the aforesaid charges has remained undecided till now. Depending upon the final settlement between the Railways and Kandla Port Trust, the accrual of arrears of revenue in favour and the Port Trust may be marginal. It is also notable that the Railways have represented that the working expenses incurred by them from 1977-78 have been more than the share of earnings of Kandla Port Trust on the above charges. While attempts have been made to resolve this issue, the analysis of the losses incurred by the Railways, as brought out in cost accounting statements, shows that it is due to debiting to the Railways' actual share of expenses on the general overheads. Such distribution of overheads can at best be *ad hoc* and based upon recognised costing principles and practices. The cost statements serve as a guide to management in regard to control of costs and fixing of prices."

4.44 In this connection, the Secretary, Ministry of Shipping and Transport stated during evidence:

"First of all, all the Port Railways are losing money. There are some Ports which operate their own Railway like Bombay and Calcutta. Kandla does not run its own Railway. It is done by the trunk railway. But I was just mentioning that all Ports are suffering huge losses on their operation of port railway and we are considering whether we should continue this system of port railway or not. In Kandla, we are a little bit lucky as it is a trunk Railway. Here we have to suffer some losses on account of the Railway operations. But it is not very much. There are certain problems for the Railway Ministry in the matter of apportionment of income and unfortunately they have taken much time and the issue is not yet settled."

4.45 Clarifying the position, the representative of the Ministry of Railways stated:

> "This metre gauge railway was first introduced at Kandla and the total cost estimated at the time was about Rs. 58.8 lakhs and the Kandla Port was expected to pay the cost and we had to build the same. But, unfortunately, out of Rs. 58.8 lakhs only 22 lakhs were deposited by Kandla Port Trust and the balance Rs. 36 lakhs has still not been paid. We have requested them to pay the whole amount. There is no dispute from our side. Our stand is that when we build the Railway. the charges should be borne by the Kandla Port Trust. Rs. 36.8 lakhs is still outstanding. On this capital which we take from the general revenue, we have to pay a dividend which is accumulating. The dividend as on 31-3-81 was about Rs. 55.8 lakhs. The total amount is Rs. 92.6 lakhs. On the Broad Gauge system, the total cost is Rs. 36 lakhs. They have paid Rs. 80 lakhs. There is not much outstanding. There is a dispute about metre gauge possible because they have no funds. The Railways' stand is that it should be paid."

4.46 In reply to a question regarding non-payment of terminal charges to the Port Trust, the representative of the Ministry of Railways stated:

> "We are only explaining that they have to pay the capital cost of the line first before they can expect us to pay railway charges."

4.47 In this connection, the Secretary, Ministry of Shipping & Transport deposed:

> "Some studies are going on in the Railway Ministry and they have not yet decided anything. There is a Committee which is set up and they are telling us that they are going to decide the revised terminal charges soon. I will have a discussion with the Railway Board again."

The Chairman, Kandla Port Trust added:

> "In Kandla Port, we have both the broad gauge and the metre gauge lines. The length of broad gauge is 4.8 km. from the inter-change point to the Customs fencing. The length of the metre gauge line was 4.88 km. Inside the port the length of the railway line laid was 12.70 km.

The metre-gauge lines were laid by the Railways in 1956 while that of the broad-gauge line in 1969 at the cost of the Kandla Port Trust. Against this metre-gauge line, there was an expenditure of Rs. 56,88,000/-. It excludes Rs. 23 lakhs being the cost of the construction of the quarters for the Western Railway staff. We have disputed that. Actually, excluding the amount of Rs. 23 lakhs of the remaining amount, Rs. 22 lakhs had been paid by us. For the broad gauge the total expenditure incurred was Rs. 82.00 lakhs. We have paid Rs. 80 lakhs. The balance is about Rs. 1.19 lakhs. In 1968 also there was a detailed discussion and there was an agreement. According to that, we were to get haulage charges, siding charges and terminal charges. Upto 31-3-77 from October 1956, the Kandla Port has to recover from them Rs. 2.57 crores. According to them, the Railways have to recover Rs. 2.29 crores from K.P.T. as on 31-3-1981. I have to recover Rs. 27 lakhs from the Western Railway. This has been going on for quite some time."

4.48 Commenting on the above statement of the Chairman, Kandla Port Trust, the representative of the Ministry of Railways stated:

"....I do not know how they have arrived at the figure of Rs. 2 crores. According to us—if you want, I shall give you a detailed statement—the total amount due to us is about Rs. 100 lakhs, that is, about one crore and the amount payable to them is about Rs. 70 lakhs. The actual payment to us is Rs. 62 lakhs. We had also written to them as early as 25th August, 1971 that this payment should be made. About the staff quarters he mentioned that about 376 men are working in the railways. Our view was that they were essential staff working for the port railway operation. As such it has to be borne by them. Out of 376, only 265 have been provided for with quarters. We have explained to them that in the other ports like Cochin. Tuticorin the expenditure on the entire staff quarters being borne by the Port Trust. We have taken this stand."

4.49 In reply to a question whether the Ministry of Railway, had to share the haulage charges with the Port Trust, the Additional Secretary of the Ministry stated:

"All over the world the terminal charges are shared between the railways and the ports but the sharing formula is not uniform. It depends on various factors and on the basis of agreements entered into between ports and railways the sharing takes place. From the side of ports they have been asking the railways for revision of the agreements. The haulage charges are fixed by the railways. Port Trust has been asking for revision of haulage charges. We had a meeting with the Railway Board about the pending issues. These are being considered by the Railway Board and we hope some satisfactory solution will be arrived at on these issues."

4.50 In a subsequent note furnished at the instance of the Committee, the Ministry of Shipping & Transport have stated:

"The matter has been pending since 1956 when the booking of goods traffic started at Kandla Port.

This Ministry contacted the Ministry of Railways (Railway Board) and it was mutually agreed that a meeting at the level of the General Manager of Western Railway and the Chairman of Kandla Port should be held immediately to resolve the disputes, and if some matters still remain unsettled these could be considered by holding an inter-ministerial meeting. Accordingly the G.M. of Western Railways and Chairman, Kandla Port Trust, were advised to hold the meeting immediately. The said meeting was held on 17-2-1982 in the office of General Manager, Western Railway, Bombay. The following decisions were taken in the matter.

I. *Metre Gauge line.*

(i) For the Metre Gauge portion of the line all settlements will be made w.e.f. 1-4-82. No adjustment either in favour of the Railways or in favour of the Kandla Port Trust will be made for the period from the date of construction till 1-4-1982.

(ii) Metre Gauge assets will be taken over by the Kandla Port Trust at the original capital cost.

(iii) No clear agreement was reached on the issue of the staff quarters. The Railways have claimed Rs. 23,72,952 being the cost of railways quarters and allied buildings etc. Chairman, Kandla Port Trust stated that he would have the matter examined once again. However, subject to the settlement of the capital cost, it was agreed that the Railways will maintain the **quarters** at their cost and recover the rent from their staff.

II. *Broad Gauge line.*

(i) In respect of B.G., costs are fully paid by Kandla Port Trust except for the cost of the construction of quarters which is disputed issue as mentioned in I(iii) above. In assessing net earning in respect of the B.G. portion from 1969 to 31-3-1977, the operating ratio for the entire B. G., system of the Western Railway will be held applicable to get an estimated figure of the working expenses. From 1-4-1977 onwards, the actual expenses as maintained in Railway books will be taken into account. After ascertaining the earnings and working expenses, the net amount payable to Kandla Port Trust will be calculated by the Railway. Thus the amount actually due to Kandla Port Trust from Railways is yet to be calculated on the basis of the decisions taken in this meeting.

4.51 The Committee desired to know why the Ministry of Railways were not prepared to take over the Port Railways. The Secretary, Ministry of Shipping & Transport replied:

"The Shipping Ministry has given a good deal of thought to this matter. The concept of port railway system has become obsolete in many other countries of the world. Traffic requirements are changing in ports. We have got a huge port railway labour force working in the ports. There are two thousand people in the Bombay Port Trust railways. We want to reduce them. Our policy is to shrink the working of the port railways. For the major ports like Bombay, Madras and Calcutta and also in the case of Goa etc. we try to hand over the system to the Trunk Railways. There are problems about the staff. But, for the Labour Unions and others it would be a rational exercise. Our problem is that the people working in our port railways do not want the system to to be dismantled and the railways do not want that much staff."

4.52 Enquired whether it would not be easy for the Railways to absorb the surplus staff, he replied:

"The railways are not going to absorb such a large number of staff. According to them the number required for

> Bombay Port is only 400. That means 1600 people will become surplus."

In this regard, the Ministry of Shipping & Transport have stated:

> "The suggestion of handing over the entire Port Railways to the Railway Ministry has been discussed informally with the Railway Authorities from time to time. The main difficulty, which is coming in the way of a transfer, is the Railways' reluctance to accept all the staff, presently working in the Port Railways. The matter was also discussed in the Port Chairman's conference held on January 13 and 14, 1982. It was decided in the meeting that a Two-Man Committee consisting of Chairman, Vishakapatnam Port Trust, and one officer from the Railway Ministry should be constituted to study the issue of transfer of Port Railways to the trunk railways. Accordingly, the Railways Ministry has been requested to communicate the name of the Officer, who will represent the Ministry of Railways on this Committee."

4.53 Unlike some other ports, the Port railway within the Kandla Port is operated by the Trunk Railways. The Railways are required to share with the Port Trust the revenue realised on account of terminal charges, haulage charges and siding charges.

4.54 The Audit para has pointed out that there were deficits of the order of Rs. 22.36 lakhs in 1978-79 and Rs. 27.20 lakhs in 1979-80 in the operation of Port Railways. The Committee regret to observe that the issue of payment of the terminal/haulage/siding charges by the Railways has remained undecided ever since the booking of the goods traffic started at Kandla Port in 1956. The Committee find that the real point of dispute is the question of payment of the cost of staff quarters and allied buildings which were built by the Railways as deposit works at a cost of Rs. 23.73 lakhs. The Railways' contention is that the Port Trust should "pay the capital cost of the line first before they can expect us to pay railway charges." Moreover, the staff were working for the Port Trust and as such the liability should be borne by them, as was the case with other Ports Trusts such as Cochin, Tuticorin etc. The Ministry of Shipping and Transport have on the other hand, taken the stand that the cost of staff quarters should be borne by the Ministry of Railways since these were built for their staff. The Committee consider it extremely unfortunate that it has not been possible for the two Ministries to settle this dispute for the last as many as 26 years. The Railways

could legitimately have insisted on pre-payment of the cost of staff quarters at required under rules prescribed for such deposit works is the Railway Manual. The Committee find that consequent upon the evidence tendered before them both by the representatives of the Ministries of Shipping and Transport and the Railways, a joint meeting was held in February, 1982 wherein an agreement has been reached on some of the outstanding issues. However, no settlement has yet been arrived at with regard to the capital cost of staff quarters and allied buildings though the Railways have agreed to maintain the same at their cost and recover the rent from their staff. The Committee would impress upon the two Ministries the need for arriving at a decision in the matter without any further delay. They would like to be apprised of the outcome within six months.

4.55 The Committee observe that the question of handing over the Port Railways to the Ministry of Railways so that they can function as an integral part of the trunk railways, has been remitted to a two-man Committee consisting of the Chairman of Visakhapatnam Port Trust and an official from the Ministry of Railways. The Committee understand that the main difficulty in effecting such transfer has been the reluctance of the Railways to accept all the surplus staff presently working in the Port Railways. As Bombay Port alone, as many as 1600 employees are expected to become surplus. The Committee consider that in the interest of efficient functioning of the Port Raiwlays and the ever increasing volume of traffic, it is only desirable that the port Railways are integrated into the trunk system as quickly as possible. The Committee hope that the question of absorbing the surplus staff would be settled amicably and the necessary re-organisation effected without much loss of time.

(e) *Recovery of rent of land and Buildings*

4.56. As on 31 March, 1980 a sum of Rs. 21.18 lakhs was outstanding for recovery towards rent of land and buildings. This included Rs. 4.09 lakhs representing the difference between rent demanded by the Port Trust for 3 fertilizer sheds constructed for use by the Ministry of Agriculture and the rent admitted by the said Ministry for the sheds. In a note on the subject, the Ministry have stated:

"The dispute between the Kandla Port Trust and the Ministry of Agriculture relates to the rate of rent for three godowns constructed by the former for use of the latter for storage of ferilizers. The three godowns were occupied by the

Ministry of Agriculture from May, 1971 to March, 31, 1976 and after that time godowns were given to the Food Corporation of India by the Ministry of Agriculture. On the basis of the cost incurred by the Kandla Port in constructing these godowns they demanded a rent of Rs. 3.65 per sq. metres of space. The Ministry of Agriculture and the F.C. I on the other hand have offered to pay Rs. 1.50 per Sq. m.

The matter was referred to the Transport Ministry both by the Port and the Department of Agriculture keeping in view the background of the dispute and the fact that both the parties had not been able to come to an agreement. It was decided in consultation with the Department of Agriculture to remit the dispute to an arbitrator. It may be added that it is a normal practice to refer the disputes of such kind to an arbitrator. Accordingly, the Joint Secretary, Ministry of Law, Justice and Company Affairs, Branch Secretariat, Bombay was appointed as the arbitrator in February, 1980.

The hearings upon the above reference have been in progress before the aforesaid arbitrator. A hearing was held on 12 May, 1981, when both the parties explained their respective stands to the arbitrator. The hearing was inconclusive and the arbitrator directed the parties to file their statements of defence along with supporting documents etc. the next date of hearing was fixed on 30 June, 1981 when the Department of Agriculture requested for time to submit their defence. The arbitrator permitted them to file their statement by 16 August, 1981 and this has been done. The arbitrator's award is awaited."

The position of outstanding arrears on account of rent of land and buildings as on 31-3-1980 and on 30-6-1981 is as under:

Particulars of arrears	Amount outstanding as on 31-3-80	Amount outstanding as on 30-6-81
1. *Rent of land*		
a) Government Departments	1,69,467	62,913
b) Private Parties (salt and industrial plots)	9,68,182	9,47,134
c) Ground rent of plots in the township	1,16,063	1,02,717
2. *Rent of buildings*		
a) Government Deptts.	2,20,842	77,051
b) Private parties	2,34,632	2,30,663
3. Godowns rented to the Ministry of Agriculture	4,08,567	4,08,567
	21,17,753	18,29,045"

4.57. The steps taken for recovery of the outstanding due from concerned parties as given by the Ministry are as under:—

"1. *Rent of land*

(a) *Government Departments*

Out of the total outstanding amount of Rs. 1,69,467/-an amount of Rs. 1,52,307/- was outstanding against the Ministry of Agriculture towards the rent of land. Efforts were made to recover this amount and as a result, Rs. 1,05,245/- have been recovered upto 30-6-81. Besides, Rs. 1309/-were recovered from the departments. Efforts are continuing to recover the balance amount of Rs. 6,2913/-

(b) *Private parties (salt and industrial plots).*

Out of the outstanding amount of Rs. 9,68,182/-as on 31-3-1980, an amount of Rs. 21048/- has been recovered upto 30-6-1981. The balance amount could not be recovered as three salt losses had filed civil suits challenging the upward revision of ground rent in the year 1973-74. The Court referred the dispute to an arbitrator who gave his award in May, 1981 in favour of Kandla Port. In view of the award, the court has been moved to decide the pending dispute.

(c) *Ground rent of plots in the township*

Out of the outstanding amount of Rs. 1,16,063/- an amount of Rs. 13346/- was recovered upto 30-6-1981. For recovery of the balance amount, the defaulters have been issued notices.

2. *Rent of buildings*

(a) *Government Departments*

As the government departments like Customs, Posts & Telegraphs, Police, Controller of Import and Exports etc. have not yet built their own residential and official accommodation, the port has been allotting building to these departments on payment of standard rent. Though the bills are being regularly issued, the payments have not been forthcoming regularly. The matter of timely payment of rent was taken up at high level of the departments concerned. As a result, an amount of Rs. 1,43,791/- has been recovered upto 30-6-1981 against Rs. 2,20,842/- outstanding on 31-3-1980.

(b) *Private Parties*

Out of the amount of Rs. 2,34,632/- outstanding as on 31-3-1980 an amount of Rs. 1,86,285/- is recoverable from the labourers who occupied the semi-pucca port quarters at Kandla. Most of these labourers were not the employees of the Port. Legal action for recovery of outstanding dues of Rs. 1.56 lakhs was initiated against 54 occupants of these quarters and the cases were decreed in favour of the Port. However, the decrees could not be executed as the defendents had no moveable property. The steps to write off those dues are being taken.

The amount of Rs. 0.45 lakh is outstanding against various Port users. Steps for its recovery are being taken.

458. The Committee find that as on 31 March, 1980 a sum of Rs. 21.18 lakhs was outstanding for recovery towards rent of land and buildings. This amount included Rs. 4.09 lakhs representing the difference between the rent demanded by the Port Trust for three fertilisers sheds. constructed for use by the Ministry of Agriculture and the rent admitted by the said Ministry. The sheds were occupied during the period May 1971 to 31 March 1976 and thereafter they were given to the Food Corporation of India by the Ministry of Agriculture. Having failed to resolve the dispute among themselves it was decided to remit the matter to an arbitrator who was appointed in February, 1980. The arbitrator's award is awaited. It is unfortunate that the dispute should have been allowed to remain unsettled for so long. The Committee hope that the arbitrator's award would now be expedited.

(c) *Introduction of Modern Management Techniques*

4.59 The Committee enquired whether the Ministry had undertaken any management studies with regard to the functioning of major ports. The representative of the Ministry stated:—

> "Most of the ports have undertaken special studies in particular areas, like financial management, accounts and stores management, workshop management, maintenance management etc. I will not be able to say that all these

studies have been undertaken in all the ports. This is a subject which was recently taken up at the Ports Chairman Conference and a suggestion came that where special studies have been undertaken and these studies have been implemented in those ports with a certain measure of success, they will have to be adopted at other ports also."

4.60 In reply to a further question whether the ports should not function on modern lines with modern management controls, the witness stated:—

"Sir, we fully agree with you."

4.61 Further asked whether the Ministry had given thought to the question of formulating any guidelines for carrying on such studies on a Central pattern, the representative of the Ministry stated:

"A thought has been given to this. But we have not evolved any Central Pattern as such...We have advised the ports that they will have to undertake modern managerial practices in almost every area of activity, which are being constantly done in several ports. What remains to be done is to have an overall picture of what actually has been done and on that basis, to frame a Central Plan for introducing modern managerial practices in all the ports."

4.62 In reply to a question whether the Major Port Trusts Act required any modifications keeping in view the changed conditions, the witness stated:

"On the scheme of the Major Port Trust Act, the operational decisions are largely in the hands of the port trusts except for certain residual matters where the Government will have to take the decisions. The major investment decisions have to be taken by the Government. The pricing policy will have to be introduced only with the approval of the Government. The creation of certain posts beyond certain ranges also will have to be approved by the Government. Now, the powers are sought to be increased so that greater measure of autonomy could be given to the ports. We find that there are certain constraints in the ports operating efficiently because the decision making process has not been sufficiently delegated. To that extent, we are reviewing the law to see whether greater delegation can be given to the ports....I don't think any major changes are required in the Act."

4.63 The Committee were informed during evidence that most of the ports have undertaken special studies in specified areas such as financial management, accounts and stores management, workshop management, maintenance management etc., with a view to improving the operations. The ports have also been advised to introduce modern management practices in the various areas of activities. The Committee consider that the Ministry of Shipping and Transport should take a lead in the matter of introducing modern management control systems in the various ports. To this end, it would be useful to prepare a Central plan for implementation in the major ports in the first instance where in the interests of efficient handling of the increasing volume of cargo traffic it has become imperative to streamline the operations. The new managment practices and procedures adopted with success in one port also need to be brought to the notice of other port authorities. It is again for the Central Ministry to undertake this task. The Committee therefore suggest that the Ministry of Shipping and Transport should consider the feasibility of setting up a special Cell to study this question in the light of developments in foreign countries and frame a central plan for introducing modern management practices in the ports.

4.64 In this connection, the Committee would also like to point out that the question of giving a greater measure of autonomy to the ports with a view to expediting the decision making process needs to be considered in greater depth. The provisions of the Major Port Trusts Act should therefore be thoroughly reviewed and amendments as may be required keeping in view the present day conditions, may be brought before Parliament as expeditiously as possible.

CHAPTER V

DEVELOPMENT OF GANDHIDHAM TOWNSHIP

(a) *Township*

5.1. The Committee enquired about the present position, with regard to preparation of proforma accounts for the period after 1975-76, the amount outstanding against the allottes, to whom plots had been allotted in the Ghandidham township and the number of plots yet to be allotted/constructed. In a note on the subject the Ministry have stated:

"The proforma accounts for the period upto 1980-81 have since been prepared by the Kandla Port Trust and sent to Audit, The Kandla Port Trust reported that a capital expenditure of Rs. 199.63 lakhs was incurred upto 31-3-1980 on development of plots in the township. Against the above capital expenditure, development charges to the tune of Rs. 174.40 lakhs were recovered upto 31-3-1980. A further amount of Rs. 41.16 lakhs was recovered during 1980-81 bringing the total recovery to Rs. 215.56 lakhs against the total capital outlay of Rs. 204.82 lakhs upto 31-3-1981. As on 31st January, 1982, only Rs. 27,306 remained to be recovered on account of development charges due to upto 31-3-1980. The latest position as on 31-12-1981 of plots developed, allotted and constructed upon is indicated below:—

(i)	Total number of plots developed	4477
(ii)	Total number of plots allotted	4397
(iii)	Plans submitted	1631
(iv)	Plans approved	1572
(v)	Plots on which construction is completed	905
(vi)	Plots under construction	277

At present, the main constraint which is adversely affecting the construction activity in the township area is the acute shortage of cement. The matter of increasing quota of cement in the Gandhidham area has been taken up with the State Government."

5.2 During evidence, the Committee enquired from the representative of the Ministry of Works and Housing if the Ministry was concerned with the development activity of Gandhidham township, the witness stated:.

> "No. Urban development is a State subject. In the Central sector, we have started a programme of development of small and medium towns. The financial assistance is given on matching basis. Out of the 221 towns proposed to be developed during the Sixth Plan, the number allocated to Gujarat comes to 17. Out of 17 towns, we have received Projects for 15 and got them approved by the Ministry of Works and Housing. If the State Government can draw up a programme for the development of Gandidham against the remaining two towns, in accordance with our guidelines, the Ministry of Works and Housing would be too glad to consider that. But the initiative has to come from the State Government."

5.3. The Committee find that an expenditure of Rs. 199.63 lakhs had been incurred upto 31 March, 1980 by the Kandla Port Trust on development of plots in the Gandhidham Township. By the end of December, 1981, out of 4,477 plots developed, 80 plots remained unallotted. Out of 4,397 plots allotted, only 905 plot holders had completed construction and 277 plots were under construction. 390 allottees did not start construction although their plans were approved, plans in respect of another 59 allottees were under consideration for approval and 2,766 plot-holders had not even submitted their plans.

5.4 The Ministry of Shipping and Transport have informed the Committee that the major factor which is coming in the way of construction of houses in the township is the shortage of cement and steel. The Committee desire that the matter should be pursued with the State Government at a high level.

5.5 Since Gandhidham is a developing township and a large number of industries are being set up in the private sector particularly in the Kandla Free Trade Zone, there is acute shortage of houses in the area. The representative of the Ministry of Works and Housing informed the Committee that if the State Government could draw up a programme for development of the Township under the scheme for development of small and medium towns, Central assistance for the same might be available. The Committee desire that the Ministry of Shipping and Transport should take up the matter with the State Government without delay.

5.6 In fact, the Committee do not see any reason why the Kandla Port Trust should continue to bear the responsibility for development of the Gandhidham township any longer. The matter should therefore be taken up with the State Government and an early decision taken.

5.7 The Committee note that the work of preparation of the proforma accounts of the project after 1975-76 was considerably delayed and in fact it was only after the matter was raised by Audit that the work was taken in hand. The Committee urge that the accounts should henceforth be prepared concurrently.

(b) *Water supply*

5.8 The audit para has pointed out that the Port Trust charged water rates at 25 paise/30 paise per kilolitre from the municipality, railways etc. whereas it had been paying charges at 33 paise per kilolitre to the State Government. Asked about the reasons therefore, the Ministry of Shipping and Transport have stated:

> "While the rates charged from the Railways for supply of water for the commercial purposes have always been kept higher than those paid to the State Government, the rates charged from them for domestic consumption have been kept lower than those paid to State Government. Similarly the rates charged from the industrial and commercial consumers located within the Municipal area of Gandhidham have always been kept higher than those paid to the State Government.
>
> However, in respect of the supply of water made to the Railways and Municipality for their domestic consumption, the rates have been kept lower than those paid to the State Government. Due to the historical reason, the rates for domestic consumption have been kept low as basically the township was built for rehabilitation of displaced persons from West Pakistan. Besides, the majority of the population in this port township are employees working in various organisations who belong to lower income group. This is also in conformity with the policy of the Port Trust for charging lower rates from their employees for domestic consumption."

5.9 In reply to a question as to what steps were taken by the Port Trust to reduce its losses on water supply, the Ministry stated:

"The development of the township of Gandhidham was an integral part of the capital project of the Port and continues to be so. As a part of the sub-activity of the township, the Port Authorities took over the water supply scheme in 1955 from the Sindhu Resettlement Corporation Limited along with four tube wells. Subsequently five tube wells were added by the Port. Normally the supply of water to an area is a municipal function. Since there was no municipality in Kandla/Gandhidham area, the Port, keeping in view the integrated development of the area, started supplying water. Even after the Municipal Council came into existence in 1958 because of historical reasons the Port continued to supply water to the Gandhidham township. Initially, this was done from the Port's tube wells. Later, when the demand of water increased, the Port supplemented the supply by drawing from the sources of the State Government on payment to meet the additional demand.

The water supply scheme is treated as separate commercial activity with in the larger township project. The capital investment in the water supply scheme which was Rs. 45.36 lakhs in 1965-66 increased to Rs. 99.63 lakhs by the end of 1979-80. The Port incurred at total expenditure of Rs. 60.66 lakhs in the year 1978-79 on generation, maintenance and distribution of water, which includes an element of Rs. 21.60 lakhs towards the cost of water paid to the State Government. This expenditure is partially offset by income from various sources as indicated below:—

	Rs. in Lakhs
(a) Supply of water to ships	13·88
(b) Supply of water to other consumers including industries	19·97
Total	33·85

Thus, the loss was to the tune of Rs. 26.81 lakhs (Rs. 60.66 lakhs—Rs. 33.85 lakhs) in the year 1978-79.

In order to reduce the deficit in the water supply, the rates were revised and increased with effect from 1-9-1980 by 50 per cent in respect of all consumers except shipping and the port employees occuping port quarters. These

rates were made applicable to the Gandhidham Municipality with effect from 1-2-1981.

The following table indicates the position of the pre-revised rates and rates after revision:—

Category	Units	Pre-revised rate	Revised rate
1. Domestic (bulk) . .	1000 ltrs	0·25	0·40
2. Domestic (retail)	,,	0·30	0·45
3. Industries:			
(i) First 1 lakh ltrs	,,	0·40	0·60
(ii) Next 2 lakh ltrs	,,	0·50	0·75
(iii) Next 3 lakh ltrs	,,	0·60	0 90
(iv) Beyond 6 lakh ltrs	,,	0·65	1·00
4. Commercial and non -domestic purposes.	,,	0·65	1·00

This revision is expected to yield per annum an additional revenue of Rs. 12.00 lakhs approximately. With a view to reducing the deficits under this activity, further upward revision is under consideration."

5.10 The Ministry of Shipping and Transport have also informed the Committee in January, 1982 that 'the State Government has not taken over the responsibility of supply of water from 1-4-1981 as was agreed to by them in the meeting held at Gandhinagar on 9-4-1980. However, efforts are continuing that the responsibility of distribution of water in Gandhidham/Kandla area is taken over by the State Government or any other agency nominated by the State Government.'

5.11 The Chairman, Kandla Port Trust further stated during evidence:

"We want to get out of the situation very soon. We had a series of discussions with them, but somehow their plans did not fructify in time. This responsibility should have been transferred to the State Government by last year, but we are still trying to persuade them to take over. We have made substantial progress. Nok they want that the nine tube-wells of Kandla Port Trust should also be transferred to them. We have not been able to decide about it, because we have a responsibility to supply water to ships. They want infra-structure facilities also

to be transferred to the State Government. We have to take a decision on that also . . ."

He added:

"The final decision will be taken in the meeting which will be held in February. When Kandla Port started working in 1955 there was no municipality. Now the Municipality is there but it is a financially defunct body. They do not have any resources. And in the township it is mostly the employees of the Kandla Port or the port users who are residing. That is why, Kandla Port started charging lower rate from them."

5.12 In a subsequent note, the Ministry have stated:

"The State Government, however, failed to take over the distribution of water supply on 1-4-1981 in spite of regular reminders from the Port Trust. The Secretary, Health and Family Welfare Department Government of Gujarat convened a meeting at Gandhidham on 18-4-1981 when the representatives of Gandhidham Municipality were also called. The representatives of Gandhidham Municipality raised certain objections against the decision of the State Government to take over the distribution of water without taking over the Viri and Nagalpur tubewells from the Port Trust. With a view to ensuring water supply for shipping purposes round the clock, the Port Trust has not been willing to part with its tubewells.

A further meeting was held at Kandla on 12-2-1982 for deciding about the transfer of the water supply distribution system to the State Government. This meeting was convened by the Secretary, Health Department, Government of Gujarat and attended by the representatives of the Municipality, Free Trade Zone and IFFCO, K. P. T. and State Public Health Department. In this meeting it was agreed by the Secretary, Health Department that the State Government would take over the distribution of water supply in Kandla—Gandhidham area w.e.f. 1-4-1982 subject to Government's approval and certain modalities to be finalised before that date."

5.13 The Committee find that the question of transferring to the State Government the water supply scheme in Kandla/Gandhidham area, on which the Port Trust have been incurring losses from

year to year, has been a matter of prolonged negotiations. As a sequel to the discussions held by the Study Group of the Committee with the State authorities in November 1981, it has now been possible for the Port Trust to finalise the matter and the transfer was to take effect from 1 April, 1982, subject to formal Government approval and certain modalities to be finalised before that date. The Committee expect that there would be no further hitch in the matter.

NEW DELHI;
April 15, 1982
Chaitra 25, 1904 (*Saka*)

SATISH AGARWAL
Chairman
Public Accounts Committee.

APPENDIX I

(*Vide* Para 1.1)

[Audit Paragraph No. 34 of the Advance Report of the C&AG of India for the year 1979-80, Union Govt. (Civil) on Kandla Port Trust]

34. *Kandla Port Trust*

1. *Introduction.*—The port at Kandla was developed as a major port by the Central Government with 4 cargo jetties and one oil jetty and its administration was handed over with effect from 29th February 1964 to a Board of Trustees constituted by Government under the Major Port Trusts Act, 1963. The Port Trust subsequently constructed and commissioned a fishing jetty (1965: cost Rs. 5.14 lakhs), a cargo jetty (1973: cost Rs. 211.05 lakhs) and an oil jetty (1975: cost Rs. 75.63 lakhs). In addition, the Port Trust provided infrastructure port facilities at an (estimated cost of Rs. 1559.27 lakhs) (expenditure up to 31st March 1980: Rs. 1132.08 lakhs) for a single buoy mooring oil terminal established by the Indian Oil Corporation (August 1978) at Vadinar, 93 kms. by sea from Kandla for handling large quantities of crude oil.

2. *Accounts and audit*

2.1 The Port Trust maintains its accounts and prepares its annual statements of accounts including balance sheet in the form prescribed by Government in consultation with the Comptroller and Auditor General of India. The accounts are audited by the Comptroller and Auditor General of India and the audited accounts together with the Audit Report thereon are forwarded to Government for being laid before the Parliament.

2.2 A summary of the capital and revenue accounts of the Port Trust for the years 1975-76 to 1979-80 is given below:—

	1975-76	1976-77	1977-78	1978-79	1979-80
				(Rupees in lakhs)	
1	2	3	4	5	6
A. *Assets at the end of each year*					
1. Capital assets at cost .	1259·83	2213·74	2822·02	2989·00	3667·86
Less depreciation . .	582·92	656·61	722·75	806·30	867·48

1	2	3	4	5	6
Assets at deprciated value	946·91	1557·13	2099·27	2182·70	2800·38
2. Work-in-progress	1611·22	1221·67	1017·92	1233·47	1002·30
3. Investments	144·59	173·57	229·45	258·79	310·19
4. Current assets	803·18	1314·17	1406·15	2204·98	2803·72
TOTAL	3505·90	4266·54	4752·79	5879·94	6916·59
B. *Liabilities at the end of each year*					
1. Capital debt from Government	3663·24	3127·43	3212·52	3492·01	3671·40
2. Current liabilities	290·64	274·54	342·99	438·32	390·79
3. Reserves, surplus, pension, provident fund, etc.	552·02	864·57	1197·28	1949·61	2854·40
TOTAL	3505·90	4266·54	4752·79	5879·94	6916·59
C. *Revenue and expenditure during the year*					
1. Revenue income	792·60	817·77	1014·10	1576·45	1867·13
2. Revenue expenditure					
(i) Cost of rendering services	336·50	356·06	396·31	538·40	611·56
(ii) Management and general administration	88·20	88·55	107·35	126·58	156·77
(iii) Finance and miscellaneous expenditure	79·38	258·00	454·38	417·26	514·19
TOTAL	504·08	702·61	958·04	1082·24	1282·52
3. Surplus	288·52	145·16	83·06	494·21	584·61

2.3 On the date of formation of the Port Trust (28th February 1964) capital expenditure incurred by the Central Government for constructing the Port amounted to Rs. 1878.06 lakhs. Of this, the Port Trust had been exhibiting provisionally Rs. 1655.26 lakhs as loan from Govevrnment (after deducting Rs. 222.80 lakhs which represented capitalised recurring expenditure). The terms and conditions governing the capital debt had not so far (October 1980) been determined and pending decision, the Port Trust had been paying Rs. 15 lakhs to Government every year towards interest on an *ad hoc* basis; this worked out to less than 1 per cent on the amount exhibited as loan.

2.4 The Commission on Major Ports had recommended in its report (June 1970) that the Kandla Port should attain a return of

6 per cent by 1973-74, 9 per cent by 1976-77 and 12 per cent by 1978-79. These recommendations were accepted by Government in 1975 and the port charges were increased on 3 occasions—July 1975, July 1977 and May-June 1979—to achieve the prescribed return. The Port Trust had achieved a return of 10.72, 8.92, 20.45 and 19.09 per cent respectively over the capital employed in 1976-77, 1977-78, 1978-79 and 1979-80. In this connection, an analysis of the principal activities of the port disclosed the following position for the years 1978-79 and 1979-80:

Activities	1978-79			1979-80		
	Income	Expenditure	Surplus (+) Deficit (—)	Income	Expenditure	Surplus (+) Deficit (—)
					(Rupees in lakhs)	
1. Cargo handling	821.61	348.10	(+)473.51	827.94	391.60	(+)436.34
2. Port and dock facilities	324.28	421.31	(—)97.03	298.83	442.90	(—)144.07
3. Township	26.72	85.46	(—)58.74	22.45	97.68	(—)75.23
4. Rentable lands and buildings (excluding colonies)	28.37	26.91	(+)1.46	23.28	6.37	(—)16.91
5. Railways	..	22.36	(—)22.36	..	27.20	(—)27.20
	1200.98	804.14	(—)296.84	1172.50	965.75	(+)206.75

It would be seen from the above table that the surplus was mainly due to cargo handling and that the operation, *viz.*, port and dock facilities, township and railways, showed a total deficet of Rs. 178.13 lakhs in 1978-79 and Rs. 246.50 lakhs in 1979-80.

The Port Trust stated (October 1980) that surplus under cargo handling and deficit under port and dock facilities were due to non-charging of due share of the major item of common overhead expenditure, *viz.*, maintenance dredging, which was debited to port and dock facilities, that deficit under "Township" was mainly due to expenditure on water supply to township and that under railways was due to non-allocation of share of earnings of the Western Railway to the Port Trust.

A further analysis of the surplus in cargo handing revealed that the surplus was mainly due to liquid cargo at oil jetties *vide* details below:—

	1978-79		1979-80	
	Liquid cargo	Dry cargo	Liquid cargo	Dry cargo
Quantity handled (in lakh tonnes)	29·28	16·07	25·42	16·30
Income (in lakhs of rupees)	589·15	232·46	488·26	339·68
Expenditure (in lakhs of rupees)	88·94	259·16	97·90	293·70
Surplus (+) Deficit (–)	(+)500·21	(–)26·70	(+)390·36	(+)45·98
Percentage of traffic	65	35	61	39

Further, a scrutiny in audit of the cost of operations of various dry cargo commodities revealed that the rates of recovery were not adequate to meet the cost of operations in any case (*vide* details in Annexure). It would be seen from the Annexure that in 3 out of 9 items in 1978-79 and 5 out of 12 items in 1979-80, recovery rates were not adequate even to cover the direct costs.

2.5 As on 31st March 1980, a sum of Rs. 21.18 lakhs was outstanding for recovery towards rent of land and buildings. This included Rs. 4.09 lakhs representing the differences between rent demanded by the Port Trust for 3 fertilizer sheds constructed for use by the Ministry of Agriculture and the rent admitted by the said Ministry for the shed; the dispute over rent was referred to an arbitrator by the Ministry of Shipping and Transport (February 1980) and his decision was awaited (October 1980).

3. *Traffic*

3.1 The annual cargo handling capacity of the Port at Kandla was assessed in July 1978 at 65 lakh tonnes assuming 85 per cent berth occupancy and reassessed in September 1979 at 50.50 lakh tonnes (20.50 lakh tonnes per annum for dry cargo jetties and 30 lakh tonnes per annum for the oil jetties) assuming 75 per cent berth occupancy as an ideal percentage. During the years 1978-79 and 1979-80, the berth occupancy of the dry cargo jetties worked out to 90 and 92 per cent respectively and of the oil jetties 76 and 72 per cent respectively. Despite more than optimum utilisation of the berth facility in the dry cargo jetties, the traffic handled there in the two years amounted to no more than 15.10 lakh tonnes and 16.00 lakh tonnes respectively indicating a shortfall of about 24 per cent in handling capacity. In the oil jetties, 29.28 lakh tonnes and 25.39 lakh tonnes were handled during 1978-79 and 1979-80 respectively. It was further noticed in audit that despite more than optimum utilisation of the berths, shipping days amounting to 2870 and 2536 were respectively lost during 1978-79 and 1979-80. The high utilisation of the berth and low outturn were attributed by the Port Trust (October 1980) to inadequate rate of clearance of imported cargo, failure of the Ministry of Agriculture to nominate suitable size of vessels for handling through marine unloader, caked condition of fertilizers making it difficult to handle through the marine unloader, slow rate of carting, etc. In regard to the shipping days lost, however, the Port Trust stated (June 1980) that the detentions were due to absence of tide to said from the port, absence of night navigation facilities, rain and inclement weather, shortage of pilots, heavy congestion at landing/loading points and strike by workers.

3.2 Position of the traffic estimated to be handled and actually handled during 1975-76 to 1979-80 was as under:

	Oil		Dry cargo	
	Estimated	Actual	Estimated	Actual
			(In lakh tonnes)	
1975-76	20·95	14·80	20·55	17·23
1976-77	15·00	17·50	22·00	15·64
1977-78	15·25	27·53	9·75	10·63
1978-79	23·65	30·33	10·35	15·02
1979-80	28·00	26·99	18·00	14·73

Thus, whereas during the 5 years, the actual traffic in oil (117.15 lakh tonnes) exceeded by 14 per cent the estimated traffic (102.85 lakh tonnes), the actual traffic in dry cargo (73.25 lakh tonnes) was less by 10 per cent than the estimated traffic (80.65 lakh tonnes), which itself was less than the capacity of the dry cargo berths (102.50 lakh tonnes) by over 20 per cent. Further, the traffic at the port had been mostly on Government and semi-Government organisations' accounts, pertaining to oil, fertilizers, vegetable oil, phos phoric acid, etc., traffic on private account having amounted to only 4 per cent. The traffic handled due to imports was 40.69 lakh tonnes and 37.08 lakh tonnes during 1978-79 and 1979-80 against 4.66 lakh tonnes and 4.64 lakh tonnes respectively due to exports.

3.3 At the single buoy mooring oil terminal at Vadinar, the traffic handled during 1978-79 and 1979-80 amounted to 13.35 lakh tonnes and 31.01 lakh tonnes of crude oil against the annual capacity of 80 to 120 lakh tonnes. The under-utilisation was due to less imports by the Indian Oil Corporation, the sole user of the oil terminal.

3.4. In paragraph 59 of the Audit Report (Civil) for 1969, it was mentioned that a fishing jetty, constructed at a cost of Rs. 5.14 lakhs and opened for traffic in July 1965, had not handled any fishing traffic. The Public Accounts Committee (5th Lok Sabha : 1971-72) had been informed by Government that for utilisation of the fishing jetty. 20 trawlers were being procured and in this connection the Public Accounts Committee had observed in its 20th Report (5th Lok Sabha : 1971-72) that it would watch the progress made in utilisation of the jetty which had not been put to use for several years since is construction. Between April 1973 and February 1979, 2 fishing trawlers of Central Government were stationed at the jetty and thereafter, they were shifted to Porbandar as Kandla was away from fishing grounds. The jetty had remained unutilised since March 1979. In order to have a separate berth for the dredgers and craft for maintenance and servicing, the Port Trust had decided (January 1980) to extend the fishing jetty suitably at an estimated cost of Rs. 89.86 lakhs.

4. *Dredging operations.*—The breach channel leading to the port was constructed in 1960 at a cost of Rs. 21.97 lakhs with an initial depth of 3.66 metres. Due to siltation, which had been a major problem at the port, the depth of the channel got reduced to 3.5 metres in 1972-73. The optimum depth, that had been considered necessary for operations at the port, was 4.27 metres in the channel. The dredging problems of the port were studied by the Central Water and Power Research Station, Pune which recommended in

November 1968 an annual dredging of 19 lakh cubic metres to maintain the required navigable level of the channel. The Port Trust undertook dredging operations with the help of a dredger (capacity : 800 cubic metres) procured by it September 1973 at a cost of Rs. 89.41 lakhs and other dredgers obtained on hire from outside; as a result the port maintained the optimum depth of 4.27 metres during 1974-75 and 1975-76. Based on the recommendations of the Research Station, Pune the Port Trust procured another dredger of higher capacity (2500 cubic metres in January 1976 at a cost of Rs. 705.05 lakhs.

The total annual dredging capacity of the 2 dredgers had been assessed at 26.50 lakh cubic metres, while working at a depth of 14 feet and 34.30 lakh cubic metres while working at depth of 16 feet (against requirement of 19 lakh cubic metres only) after giving due allowance for annual repairs, surveys, dry-docking, holidays, weekly offs, maintenance, lay-up for low water passage time to site of dredging and back to Port, etc. The actual dredging done by the 2 dredgers during 1976-77 to 1979-80, however, amounted to 15.91, 12.75, 15.99 and 13.94 lakh cubic metres only resulting in an overall shortfall of dredging by 23 per cent for the 4 years. As a result, the navigable depth decreased to 4.00 metres by January 1977 and further reduced to 3.7 metres since July 1979. In each of these years substantial hours had been spent at idle time by the dredgers and the time taken by them for passage from harbour to dredging ground and back was also excessive as per particulars below:

Particulars	Available working hours	Passage time from harbour to dredging ground and back	Waiting for tide	Total	Pumping and dumping	Idle time
1	2	3	4	5	6	7
				(in hours)		
As per assessment of Dredger Utilisation Committee . .	5280	440	1100	1540	3740	..
S. D. Kandla						
1976-77 . . .	5381	901	329	1230	1794	2357
1977-78 . . .	6789	1293	302	1595	2104	3090
1978-79 . . .	3664	630	89	719	1172	1773
1979-80 . . .	5894	1054	225	1279	2042	2573

1	2	3	4	5	6	7
M. D. Kutch Vallabh						
1976-77 . . .	4858	596	688	1284	1789	1785
1977-78 . . .	2628	585	252	837	981	810
1978-79 . . .	3517	631	218	849	1310	1358
1979-80 . . .	2554	449	191	640	862	1052

The Port Trust stated (October 1980) that the dredgers had been utilised under various constraints which were mainly (i) longer duration of repair periods spent at Bombay, (ii) non-availability of dry dock facilities at the port resulting in lay-up period at the port for want of repairs and (iii) shortage of marine officers.

5. *Port's craft and equipment*

5.1. The Port Trust approved (April 1972) the purchase of 4 steel barges of 150 tonnes capacity each in replacement of 4 existing barges of 100 tonnes each, at a total cost of Rs. 20.73 lakhs, based on an estimate submitted by a manufacturing company. Though the Port Trust was aware that this estimate was on the high side, it was forwarded to Government for administrative approval which was accorded in November 1972. Orders for 4 barges at a cost of Rs. 11.90 lakhs were placed (May 1973) on firm 'A'. In June 1973, the Board approved further purchase of 2 steel barges of 150 tonnes each at an estimated cost of Rs. 6.21 lakhs, from out of the savings in the original estimate of Rs. 20.73 lakhs and on receipt of Government's approval and placed a repeat order at Rs. 5.95 lakhs (October 1973) for them on the same firm. According to the stipulated delivery schedule, one barge was to be delivered in February 1974, 3 more by september 1974 and 2 more by January 1975. The 6 barges (cost: Rs. 17.85 lakhs) were however, received one each in March, May and December 1975 and May 1976 and 2 in May 1977.

Although the supply orders provided for recovery of liquidated damages, the Port Trust granted (May 1977) extension of time up to 10th May 1977 without levy of any liquidated damages (amount: Rs: 7.48 lakhs) on the ground that no loss was suffered since there was no demand for the barges and that even the existing 4 barges could not be fully utilised.

These new barges were utilised for 1883 barges days (22 per cent) only out of 8739 barge days for which the barges were available till 31st March 1980. Thus, the barges did not have adequate work load and the purchase resulted in idle investment.

The expenditure incurred on the maintenance of barges during 1974-75 to 1979-80 amounted to Rs. 1.64 lakhs. The Port Trust stated (December 1979) that the barges were procured to handle ships in stream as its scale of rates provided for handling and taking charge of all non-underlined items in stream as well and that being a service rendering organisation, it was required to maintain minimum barge handling equipment, irrespective of their 100 per cent utilisation.

5.2. The Port had a fleet of 3 tugs as on 1st April 1979 for rendering service to ships and harbour craft as detailed below:—

Sr. No.	Name of the Tug	Capacity in tons	Cost (Rupees in Lakhs)	Date of purchase
1	2	3		5
1.	S. T. Rukmani		15	7th Oct. 1955
2.	S. T. Rupavati		15	10th June 1965
3.	M. T. Vir		15	26 th Sep. 1972

A fourth tug (M. T. Kutch Kesari) of 45 tons bollard pull capacity estimated to cost Rs 604 lakhs, order for which was placed in February 1976, was received in September 1979 after incurring expenditure of Rs. 459 lakhs (July 1980) mainly for handling shipping at Vadinar.

A study of the operation of the 3 tugs for 1978-79 and 1979-80 indicated the following position:—

	S.T. Rukmani		S.T. Rupavati		M.T. Vir	
	1978-79	1979-80	1978-79	1979-80	1978-79	1979-80
	1	2	3	4	5	6
1. Number of hours available for operation . .	5097	4232	3697	5657	5472	5604
2. Number of hours worked (excluding standby duties) .	925	795	713	1116	1222	1381

	1	2	3	4	5	6
3. Idle hours for want of work with reference to (2) above . . .	4172	3437	2984	4541	4250	4223
4. Number of hours worked including standby duties .	5042	3776	2821	3473	3672	3996
5. Idle hours with reference to (4) above . . .	55	456	876	2184	1800	1608

A study of the cost of operation of these tugs for 1977-78 to 1979-80 disclosed that even after allocation of costs to other activities like navigation, water supply and dredging, there were uncovered deficits of Rs. 13.73 lakhs, Rs. 29.17 lakhs and Rs. 24.90 lakhs for years 1977-78, and 1978-79 and 1979-80 respectively as stated below:—

Particulars	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
Direct cost	25·95	49·22	42·42
Total cost	46·67	73·13	65·60
Hire charges	32·94	43·96	40·70
Deficit	13·73	29·17	24·90

The deficit was attributed to non-accrual of revenue for periods during which tugs were on standby duty, and also when tugs were used for towing harbour craft.

5.3. For handling fertilizers and related raw materials imported in bulk, the Port had been operating and maintaining since November 1977, a marine unloader installed by the Ministry of Agriculture. Out of 3.25 lakh tonnes of cargo meant to be handled by the unloader, only 2.42 lakh tonnes were handled in 1659 hours in 222 days (34.5 per cent of working hours) during 1979-80, giving an average discharge of less than 146 tonnes per hour against its rated peak capacity of 500 tonnes per hour; under-utilisation of the unloader also resulted in loss of 310 shipdays by way of preberthing detention. Low discharge by the unloader was attributed to: (i) condition and characteristic of the cargo, (ii) ships nominated by the Ministry of Agriculture being not according to designed requirements, (iii) low rate of clearance of unloaded cargo, (iv) inadequate capacity of bulk storage, keeping in view the rate of clearance and (v) absence of suitable clean-up units.

5.4 As on 31st March 1979, the port had a fleet of 25 wharf cranes, 4 mobile cranes, 7 forklifts and 3 tractors (besides a 60-tonne gantry crane at a dry cargo jetty and a 2-tonne crane at the fishing jetty). The extent of utilisation of these facilities during 1977-78 to 1979-80 is given below:—

	Net working hours available (excluding holidays)	Hours actually worked for port operation	Hours spent on repairs etc.	Idle hours
	1	2	3	4
	(In thousands of hours)			
Wharf crane				
3-ton capacity				
—cargo jetty (16 Nos.)	389·4	223·0	31·4	135·0
—Bunder Basin (2 Nos.)	49·0	2·9	2·2	43·9
6-ton capacity				
—cargo jetty (4 Nos.)	97·2	56·9	8·2	32·1
—Bunder Basin (1 No.)	23·4	2·8	0·2	20·4
10-ton capacity				
—cargo jetty (1 No.)	24·5	4·5	1·8	18·2
—Bunder Basin (1 No.)	24·5	0·3	1·7	22·5
Mobile cranes (4 Nos.)	106·3	4·7	19·3	82·3
Forklifts (7 *Nos.*)	138·6	44·1	28·7	65·8
Tractor (3 Nos.)	76·0	4·0	6·8	65·2

In addition, the Port Trust purchased one mobile crane of 12.5-tonne capacity in September 1979 (cost: Rs. 8.16 lakhs), two 3-tonne cranes in February 1980 (cost: Rs. 11.41 lakhs) and 6-forklifts in 1979 (cost: Rs. 11.16 lakhs).

It was seen in audit that the equipment had all along been under-utilised for want of adequate work, such under-utilisation having amounted to over 52 per cent of the net available working hours during the years 1977-78 to 1979-80. Consequently, the income derived from their operations had not been adequate enough to meet the cost of their operations as would be evident from the particulars given below in respect of cranes:

	1978-79	1979-80
	(Rupees in lakhs)	
Income	16·29	27·42
Direct cost	21·02	25·26
Total cost	40·50	47·47
Deficit	24·21	20·05

The deficits in operation of cranes amounted to Rs. 24.21 lakhs in 1978-79 and Rs. 20.05 lakhs in 1979-80

6. *Water supply.*—The Port Trust had been arranging water supply to the Gandhidham township, the port area, the railways, and the industries located outside the township. Water is being procured by the Port Trust mainly by bulk purchase from the State Government and partly by tube-wells operated by the Port Trust. For the period from 1976-77, the Port Trust had not prepared any account indicating financial results of the operations; the amounts compiled for the period from 1969-70 to 1975-76, however, revealed that against a total operational cost of Rs. 130.49 lakhs, the recoveries amounted to Rs. 77.53 lakhs only involving loss of Rs. 52.96 lakhs *vide* particulars given below:—

Period	Direct expenses	Indirect expenses	Total cost	Total recovery	Loss
1	2	3	4	5	6
		(Rupees in lakhs)			
1969-70	14·77	4·52	19·29	8·65	10·64
1970-71	9·64	4·52	14·16	10·47	3·69
1971-72	10·39	4·75	15·14	10·89	4·25
1972-73	11·83	4·94	16·77	12·57	4·20
1973-74	11·80	5·00	16·80	10·38	6·42
1974-75	15·86	6·16	22·02	12·24	9·78
1975-76	19·83	6·48	26·31	12·33	13·98
TOTAL .	94·12	36·37	130·49	77·53	52·96

It was noticed in audit that the Port Trust charged water rates at 25 paise/30 paise per kilolitre from the municipality, railways and a few other consumers who consumed nearly 50 per cent of water supply whereas the Port Trust had been paying charges at 33 paise per kilolitre to the State Government. The Port Trust stated (November 1980) that:

—the rates had been revised effective from September 1980 in respect of other consumers and from February 1981 in respect of the municipality;

—the State Government were expected to take over the responsibility from Ist April 1981; and

—it was not worth while to prepare a proforma account beyond 1975-76 at this stage.

7. *Gandhidham township.*—In February 1956, a project estimate for Rs. 357 lakhs comprising works estimated to cost Rs. 188 lakhs for central development of 4337 aeres of land and Rs. 169 lakhs for internal development of 1235 acres of land was submitted by the Port authorities to Government. The project as a whole was not approved by Government; however, piecemeal sanctions for Rs. 290 lakhs were accorded against which expenditure till end of March 1980 was Rs. 199.63 lakhs. It was envisaged in the project reports that the entire cost of the project would be recovered from the parties to whom the lands would be allotted and that annual revenue by way of ground rent assessed at Rs. 11.64 lakhs would be realised. By the end of May 1980, out of total 4113 plots developed, 278 plots remained unallotted. Out of 3835 plots allotted by May 1980, 723 plot holders had completed construction, 91 had started construction and 2766 had not even submitted plans. Yearwise breakup of defaulters, who had not submitted plans and completed construction within the prescribed time limits, was not available. The Port Trust stated (September 1979) that since the defaulters were in thousands, no penal action was thought advisable, particularly, because of poor response and absence of demand if plots were forfeited.

As per proforma accounts of the project for 1975-76, a net capital of Rs. 149.58 lakhs remained to be recovered and the account for later period (after 1975-76) had not been prepared so far (October 1980).

8. *Summing up.*—The following are the main points that emerge:

Although the Port Trust achieved an annual return of 10.72, 8.92, 20.45 and 19.09 per cent during the years 1976-77, 1977-78, 1978-79 and 1979-80 respectively, the surplus was mainly due to operations in the oil jetties which accounted for 65 per cent and 61 per cent of total traffic in 1978-79 and 1979-80 respectively. The recovery rate for handling cargo at dry cargo berths did not cover even direct cost in respect of 3 out of 9 items in 1978-79 and 5 out of 12 items in 1979-80.

Against the capacity to handle traffic of 20.5 lakh tonnes in dry cargo jetties, the traffic actually handled was only 17.23, 15.64, 10.63, 15.02 and 14.73 lakh tonnes during each year from 1975-76 to 1979-80. Further the port has failed to develop traffic from private trade, which constituted only 4 per cent and traffic on Government and semi Government accounts (96 per cent) was mainly in oil, fertilizers, phosphoric acid, etc.

Despite availability of adequate dredging capacity, dredging had not been done to the required extent resulting in depth of breach channel reducing to 3.7 metres from July 1979 onwards against minimum requirement of 4.27 metres.

The Port craft and equipment like tugs, barges, marine unloader, cranes, forklifts and tractors had not been utilised adequately and they remained idle generally for more than 50 per cent of their capacity.

The Port Trust had been arranging supply of water to the Gandhidham township and incurred loss of Rs. 52.96 lakhs during 1969-70 to 1975-76 on the operations mainly due to supply of water at rates lower than the purchase rates.

The work of development of Gandhidham township undertaken by the Port Trust had not progressed adequately and out of 38.35 plots allotted up to May 1980, 2766 plot holders had not even submitted plans for construction.

ANNEXURE

(Referred to in sub-pargraph 2.4)

Commodity	1978-79			1979-80		
	Cost per tonne		Rate of recovery per tonne	Cost per tonne		Rate of recovery per tonne
	Direct	Total		Direct	Total	
1	2	3	4	5	6	7
				(In lakhs of rupees)		
Liquid cargo at oil jetty	1·57	3·04	20·12	2·04	3·85	19·21
Dry cargo jetties						
Bulk cargo . .	2·32	9·67	7·98	2·68	10·1.1	7·87

1	2	3	4	5	6	7
Sugar . . .	7·65	15·00	7·20	9·42	16·85	6·75
Cement . . .	8·53	15·88	4·95	9·34	16·77	8·00
Food products . .	9·56	16·91	10·80	10·39	17·82	12·00
Wheat . . .	9·32	16·67	7·92	13·09	20·52	7·43
Guargum . .	8·14	15·49	8·64	8·72	16·15	9·00
Fertilizers (bagged) .	9·62	14·97	10·80	No traffic		
Rice and barley .	No traffic			8·98	16·41	9·00
Vegetable oil (Packed)	Do.			11·37	18·80	11·70
News print . .	Do.			14·22	21·65	10·80
Soda ash. . .	Do.			9·94	17·37	12·00
Others . . .	9·56	16·91	9·65	12·79	20·22	12·11

APPENDIX II

Statement of Observations and Recommendations

S. No.	Para No.	Ministry/Deptt. concerned	observation and Recommendations
1	2	3	4
1	2·8	Ministry of Shipping & Transport	The annual handling capacity of the Kandla Port was assessed by the Kaul Committee (1978) at 65 lakh tonnes—30 lakh tonnes for the cargo jetties and 35 lakh tonnes for the oil jetties. In August 1979 the Ministry of Shipping and Transport rassessed the port's handling capacity at 50.5 to 55.5 lakh tonnes i.e., 20.5 lakh tonnes for the cargo jetties and 30—35 lakh tonnes for the oil jetties. The Committee find from the information now furnished that the capacity has been further reduced to 47.5 lakh tonnes *i.e.*, 17.5 lakh tonnes for cargo jetties and 30 lakh tonnes for oil jetties, due to the reason that only one marine unloader has been installed against two originally contemplated. The Ministry stated that upon a rational assessment' made subsequently it was found that the figure of 85 per cent berth occupancy adopted by the Kaul Committee was not only considered high but also undesirable from practical considerations". The capacity was therefore reassessed at 75 per cent berth occupancy. Chairman, Kandla Port Trust stated in evidence that 85 per cent berth occupancy for 300 working days "is a very high norm for the working of the Port. It is dangerous to work actually at that level of efficiency". The Committee

			were further informed that major ports all over the world assume a berth occupancy of 60 per cent to ensure that the overall average pre-berthing detention period does not go beyond two to three days. Keeping in view the constraints of resources and the recommendations of the Major Ports Commission as well as the National Transport Policy Committee, the Ministry had determined port capacity at 75 per cent berth occupancy.
2	2.9	Do.	The Committee find that the actual berth occupancy in the cargo jetties was as high as 90 per cent in 1978-79 and 1980-81 and 92 per cent in 1979-80 while in the oil jetties it was 76 per cent in 1978-79, 72 per cent in 1979-80 and 80 per cent in 1980-81. Audit have pointed out that due to various factors like pre-berthing detention weather constraints, detention on account of lack of space in bulk storage sheds, absence of night navigation facilities, shortage of pilots, labour problems etc. the effective capacity of the port has varied from 67 to 73 per cent in the case of cargo jetties and 52 to 60 per cent in the case of oil jetties. The Committee have dealt with the reasons for the low outturn in subsequent paragraphs of this Report.
3	2.10	Do.	The Ministry propose to provide additional berthing facilities in the current plan at an estimated cost of Rs. 41.18 crores. The Committee would like to impress upon the Ministry the need to review critically the various factors hindering smooth operation at the Kandla Port and to take concerted measures to improve efficiency and ensure better outturn before taking any major investment decision.
4	2.17	Ministry of Shipping & Transport/ Ministry of Petroleum.	The Committee find that as against the installed capacity of 120 lakh tonnes per annum at the off shore oil terminal at Vadinar the traffic in crude oil actually handled amounted to as low as 13.35 lakh tonnes in

1	2	3	4
			1978-79, 31.01 lakh tonnes in 1979-80 and 38.56 lakh tonnes in 1980-81. The under-utilisation is stated to be due to less import of crude oil. This in turn is stated to be due to the fact that the Mathura Refinery has not yet been commissioned. As per the original schedule, the refinery was to be commissioned in April 1978. For various reasons, the completion of the refinery has been delayed and it is now expected to go on stream in April 1982. The Committee observe that due to the delay in the completion of the Mathura Refinery the Viramgam-Mathura section of the pipeline had also to be delayed. The pipeline system was commissioned in March 1981 whereas the trial run of the Mathura Refinery was carried out only in the first week of January, 1982.
5	2·18	Do.	The Committee have been assured that with the Mathura Refinery now going on stream, the Single Buoy Mooring (SBM) System will be able to meet the full loading requirement for both the Mathura and Koyali Refineries by using large sized tankers for imported crude oil provided the night facilities of piloting are provided by the Kandla Port Trust authorities.
6	2·19	Do.	The Committee thus observe that utilisation of the large capacity built up at Vadinar to feed the Refineries at Mathura and Koyali has been very poor because of the inordinate delay in the commissioning of the Mathura refinery has been delaye dand it is now expected to go on stream in April cost of the Mathura Refinery project has escalated from Rs. 97 crores at 1978 price level to Rs. 253.92 crores at September, 1981 price level. As

			the entire project is an integrated one, the Committee cannot but take a serious note of the huge escalation in cost on the one hand and non-utilisation of capacity available at Vadinar on the other, due to the considerable slippage in the schedule of completion of the Mathura refinery. The Committee expect that the Ministry of Petroleum would ensure that such costly delays are avoided. The Committee desire that the question of providing night facilities of piloting may be examined when the traffic at Vadinar gets augmented sufficiently to justify provision of such facilities.
7	2·23	Ministry of Shipping and Transport	The Committee observe that a fishing jetty constructed at Kandla at a cost of Rs. 5.14 lakhs and opened to traffic in July 1965 could not be utilised for the intended purpose because of poor catch in the area. The jetty is now being utilised for berthing, weekly servicing and bunkering of the port craft other than dredgers. It is proposed to extend the jetty at an estimated cost of Rs. 89.86 lakhs to get over the operational difficulties in bunkering and in carrying out maintenance and repair work involved in double banking the port dredgers with the working ships at the cargo berths. The modified jetty would enable berthing of port dredgers with other port craft. The Committee expect that with the availability of a separate berth for maintenance and repair work, it would be possible to utilise the cargo berths to the optimum level.
8	2·26	Ministry of Shipping & Transport /Commerce/ Railways.	The Committee are concerned to observe that huge quantity of cement—presently of the order of 3 lakh tonnes, imported annually through Kandla Port, is being moved entirely by road to distant destinations in Rajasthan, Punjab and Haryana due to the inability of the Railways to provide wagons for clearance of the same. It was stated

1	2	3	4
			in evidence that the Railways had expressed inability to do so since the cement was imported in paper bags, which they were not prepared to accept. The Committee have now been given to understand that the Railways have agreed to provide wagons in block rakes but the facility is still not being utilised because of the inabiilty of the Central Warehousing Corporation who are the handling agent of the Cement Controller, to load the cargo in block rakes. Since the movement of cement of distant destinations by road is 3 to 4 times costlier, the Committee cannot view this situation with equanimity. Considering the huge wastage of national resources involved in such movement and the high cost which the consumer has ultimately to pay for this essential commodity, the Committee desire that the matter should be taken up by the Ministry of Shipping & Transport with the Ministry of Railways and the Ministry of Commerce at a high level with a view to sorting out the problems.
9	2.27	Ministry af Shipping and Transport/CommercetRailways	The Committee need hardly point out that all talk of transport co-ordination would be meaningless unless it is ensured that commodities like cement, fertilizer etc. are carried by the Railways over long distances. The Committee expect that this matter would engage the serious attention it deserves and an early decision taken.
10	2.38	Ministry ot Shipping & Transport/Agrculture	The Committee note with serious concern that the marine unloader berth could not be utlised to its optimum capacity of 6 lakh tones per annum

			because of the failure of the Ministry of Agriculture to nominate suitable size of vessels for handling through the marine unloader, caked condition of fertilizers making it difficult to handle, slow rate of carting etc. The Committee find that the actual utilization of the marine unloader was as low as 43 per cent in 1978-79, 50 per cent in 1979-80 and 54 per cent in 1980-81. The Committee have been informed that the performance of the equipment is dependent on normal operation of the entire system including the regular clearance of fertilizers from the Port and adequate storing facilities thereof. The Committee are surprised to note that during 1979-80, there was no clearance on as many as 104 days while the operations were affected for another 54 days due to 'go slow' by FCI labour. It is unfortunate that as a result of under utilisation of the unloader, 310 ship days were lost by way of pre-berthing detentions. Of these, as many as 161 days were lost due to bunching of ships.
11	2.39	do.	The Committee consider that this is indicative of the clear failure of the Department of Agriculture to plan the arrival of fertilizer vessels in a phased manner. The Committee have been informed that a standing inter-ministerial Committee on Rationalised Distribution of Cargo has been in existence since February, 1978. The Committee consists of the representatives of the Ministries of Shipping and Transport, Agriculture, Steel, Civil Supplies, Chemicals and Fertilisers etc. as well as the representatives of the Shipping Corporation of India and the Indian National Shipowners' Association. It is charged with the responsibility of planning, port-wise, import /export of bulk cargo with the object of utilising the capacity in the ports and avoiding congestion. It is surprising that despite the existence

1	2	3	4
			since 1978 of a coordinating machinery representing all the concerned interests, it has not been possible for the Ministry of Shipping and Transport to ensure full utilisation of the capacity available at Kandla Port.
12	2·40	Ministry of Shipping & Transport/Cabinet Sectt.	The Commitee consider that it is necessary to redefine and enlarge the role and function of the Coordinating Committee with a view to achieving better utilisation of the capacities at the various ports. To this end, the question of moving more powers to the inter-Ministerial Committee so as to enable it to impose, if necessary, the allocations to different ports in the national interests, may be examined. The Committee desire that the matter should be sorted out at a high level, say, in the Committee of Secretaries and an early decision taken.
13	2·41	Ministry of Shipping & Transport/Agriculture/ Railways/ Cabinet Sectt.	The Committee find that another important factor affecting the operations at the Port is the slow clearance of imported cargo because of the inadequate availability of railway wagons both on the BG and MG railway system. The Committee have dealt with this aspect in a later section of this Report.
			So far as fertilizer traffic is concerned the Committee are distressed to find that the availability during the year 1979-80 averaged only 56 wagons (both BG and MG) against the daily quota varying from 85 to 135 wagons. It has been argued on behalf of the Railways that they are required to undertake considerable amount of empty haulage of wagons because of the imbalance between the import and export traffic at Kandla. The Commit-

			tee consider that it may be useful to associate the railways with the standing Interministerial Committee on Rationalised Distribution of Cargo so that a well coordinated plan of movement of traffic to and from the various ports, particularly the major ports, can be drawn up and implemented. The Committee would therefore, like the suggestion to be examined in the context of enlarging the powers, scope and functions of this committee.
14	2.47	Do.	The Committee observe that the share of cargo handled on private account at Kandla Port has increased from 1.58 lakh tonnes in 1979-80 to 4.08 lakh tonnes in 1980-81 as a result of package of incentives offered in 1979. Even so, it accounts for only 8 per cent of the total traffic handled during that year. The Committee have been informed that the general cargo traffic on private account has not developed to the desired level because of lack of regular and frequent liner services from the Kndla Port and absence of any hinterland generating such chargo since the entire area contiguous to the port is commercially and industrially backward. Till recently, the industries located in the Kandla Free Trade Zone could not generate sufficient volume of general cargo traffic which acted as a disincentive to the liner vessels calling at the port. The Committee have, however, been informed that since November, 1981 a Soviet Shipping Company is calling regularly at the port and the latest assement is that industries in the Kandla Free Trade Zone would generate about 700 tonnes of export cargo every month. The Committee were also informed in evidence that export cargo which is a very sensitive cargo needs a very special infrastructure. The private trade therefore prefers Bombay where all the facilities are available.

1	2	3	4
15	2.48	The Ministry of Shipping and Transport/Commerce	The Committee note with concern that the main handicap at Kandla is the non-availability of wagons. According to the data furnished by the Ministry of Shipping and Transport, the supply of wagons against the average daily indents was only 56 per cent in 1979-80, 36 per cent in 1980-81 and 62 per cent in 1981-82 (upto December 1981). The Kaul Committee had pointed out that 10 lakh tonnes of export cargo from the hinterland of Kandla is now being routed through Bombay Port and a major portion of this could be attracted to the Kandla Port if concession to the extent of 50 per cent in rail freight was given by the Railways. The Ministry of Railways have agreed in principle to the grant of freight rebate for export of certain commodities on the condition that the Ministry of Commerce or the concerned Ministries undertake to reimburse to the Railways all the revenue loss on this account together with a five per cent service charge. Since the augmentation of export traffic from Kandla would not only correct the imbalance between the imports and exports but would also result in large number of empties becoming available for the import traffic, the Committee consider that the question of granting freight rebate for exports through Kandla Port needs to be considered seriously. The Committee like the matter to be examined by the Committee of Secretaries and an early decision taken thereon.
16	2.49	Do.	The Committee would also like a detailed survey to be carried out of the export cargo from the hinterland of Kandla Port which is at present being routed through other ports with a view to devising ways and means to divert such traffic to Kandla. Such a survey should be entrusted to the

			inter-ministerial Committee on Rationalised Distribution of Cargo. The Committee would like to be apprised of the findings of the survey and the action taken in pursuance thereof.
17	2·63	Do,	The Committee regret to observe that the progress of setting up industries in the Kandla Free Trade Zone which was set up as far back as in 1965 is very tardy. So far only 60 units have started functioning. The activity is stated to have got accelerated since 1980-81 when the exports increased to Rs. 25.51 crores from Rs. 9.40 crores in the previous year. During 1981-82 (upto December 1981). the exports are stated to have been of the order of nearly Rs. 45 crores and the total exports during the year are expected to be of the order of Rs 60 crores.
18	2·64	Do.	The Committee find that the value added to the exports from the Kandla Free Trade Zone was nearly 70 per cent in 1972-73. There has been a persistent decline since then and the figure came down to 46.28 per cent in 1979-80. During 1980-81 there was a slight improvement when the figure stood at 50 per cent. During 1981-82 (upto December 1981), the value added was 48 per cent. The Committee do not see any reason why the units which have got fully stabilised by now should not be able to show better results over the years. The Committee. therefore consider that the matter needs to be examined in greater detail. The Committee would like to be apprised of the results of such study and remedial measures taken in pursuance thereof.
19	2·65	Do.	The Committee find that nearly 75 per cent of the exports from Kandla Free Trade Zone are meant for the Soviet Union. Government have decided that exports to rupee trading areas will be treated on par with imports from general currency areas in order to balance the trade with the Soviet

1	2	3	4
			Union particularly because of the higher imports of crude oil from that country. The Committee take note of the assurance given to them that the Ministry of Commerce as well as Kandla Free Trade Zone Board are fully aware of the need to diversify the markets for our export products to avoid over-dependence on any single market. The Committee would like to be apprised of the specific steps taken in this direction and the results achieved.
20	3.2	The Ministry of Shipping and Transport	The Committee note that prior to 1972 the Kandla Port had a fleet of 25 barges which was reduced to 9 by April, 1972 when the Port Trust approved the purchase of 4 steel barges of 150 tonnes capacity each in replacement of 4 existing barges of 100 tonnes each at a cost of Rs. 20.73 lakhs, based on an estimate submitted by a manufacturing company. It is surprising that though the Port Trust was aware that this estimate was on the high side, it was forwarded to Government for administrative approval which was accorded in November, 1972. Accordingly, orders for 4 barges at a cost of Rs. 11.90 lakhs were placed in May 1973 on the firm. The Committee fail to understand why the Port Trust authorities did not call for quotations for supplying the barges instead of banking on one particular firm for submitting the estimates which were found to be too much on the high side.
21	3.3	Do.	The Committee further observe that the Board approved in June 1973 further purchase of 2 steel barges of 150 tonnes each at an estimated cost of Rs. 6.21 lakhs, from out of the savings in the original estimate of Rs. 20.73 lakhs. It would appear that Government gave their approval to the

			proposal without going into the reasons for the savings and, as would be clear from the succeeding paragraphs, without even examining the justification therefor.
22	3.4	Do	It is interesting to note that the repeat order for supply of these two barges was placed on the same firm in October 1973 at a cost of Rs. 5.95 lakhs (against administrative approval to the estimate of Rs. 6.21 lakhs) and again without calling for tenders. The Committee would like to be apprised of the reasons why orders for the barges were placed on the firm in question without calling for tenders.
23	3.5	Do.	The Committee further observe that the Kandla Port Trust Authorities did not take action for recovery of liquidated damages amounting to Rs. 7.08 lakhs for the failure of the manufacturing company to adhere to the time schedule for supply of steel barges on the ground that no loss was suffered since there was no demand for barges and that even the existing four barges could not be fully utilised. The argument is self-contradictory for the apparent reason that if the existing barges were not being fully utilised, there was no justification to go in for new barges. In any case, there is no reason why such leniency should have been shown to the firm. The Committee, therefore, consider it to be a lapse on the part of the Port Trust authorities and would like the matter to be investigated further with a view to fixing responsibility.
24	3.6	Do.	The Audit para reveals that the new barges were utilised only to the extent of 22 per cent till 31 March, 1980. The Committee are not convinced with the argument that the barges were required to maintain minimum

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			cargo handling equipment irrespective of their 100 per cent utilisation. The Committee consider that while a certain amount of cushion may be necessary and desirable, there is no justification for making investments in assets to such an extent that their acquisition becomes redundant. The Committee expect that such situations will be avoided.
25	3.12	Ministry of Shippihng and Transport	The Committee find that due to high cost of operation of three tugs deployed at Kandla Port during 1977-78, 1978-79 and 1979-80, there were uncovered deficits of the order of Rs. 13.73 lakhs, Rs. 29.17 lakhs, and Rs. 24.90 lakhs respectively. The Ministry of Shipping and Transport have stated that the increase in operational expenditure was on account of revision of wages, heavy increase in the cost of fuel requirements, increase in general overheads, 50 per cent concession in tug hire charges for general cargo vessels as a part of package of incentive offered to trade for attracting general cargo etc. To reduce deficits, the Port Trust have decided to take appropriate credit in the accounts for deploying the tugs to assist the departmental ships in their movement. The fees for attendance, pulling and pushing have also been revised on slab basis with effect from January, 1980. The hire charges for the new tug meant for exclusive use at the oil terminal have been fixed so as to cover all the charges and leave a surplus. At the same time, the Ministry have stated that it has been accepted for long that each service or activity may not be self-supporting. While this may be so, the Committee consider that periodic review of the cost of operation, activity-wise, is essential so as to find out what exactly it costs to provide a

			certain service and how the definits can be kept to the barest minimum. Where a service has to be provided on a subsidised basis say, in the case of export cargo, the extent of concession, the rationale therefor, and the reasons for its continuance, should be fully gone into from time to time.
26	3.16	Do.	Besides a 60 tonne gantry crane at a dry cargo jetty and a 2 tonne crane at the fishing jetty, the Kandla Port had a fleet of 25 electric wharf cranes, 4 mobile cranes, 7 forklifts and 3 tractors as at the end of 1978-79. A mobile crane of 12.5 tonnes capacity and two 3 tonnes Cranes and 6 forklifts were added during 1979-80.
27	3.17	Do.	The Committee find that the income derived from the operation of these equipments had not been adequate to meet the cost of their operation and there were deficits amounting to Rs. 24.21 lakhs in 1978-79 and Rs. 20.05 lakhs in 1979-80. The Ministry of Shipping & Transport have informed the Committee that the Port Trust had revised their rates with effect from 11 May, 1979, and that in order to further reduce the deficit, another upward revision of the existing rate structure after taking into account the increase in cost of stores, power and wages is under active consideration of the Port Trust.
28	3.18	Do.	The Committee regret to note that the question of revising the rates for the services rendered has apparently been considered only after the huge losses have been brought to notice by audit. As stated earlier, this underscores the need for periodic review of the cost of various services rendered by the Port authorities, as well as ensuring optimum utilisation of available assets. The Committee expect that the Ministry will be more vigilant in this regard in future.

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29	3.26	Ministry of Shipping and Transport.	Based on the recommendations of the Central Water and Power Research tation, Pune the Kandla Port Trust procured a dredger 'Kutch Vallabh' of 2500 cubic metres capacity (in addition to an existing dredger-SD KANDLA) in January, 1976 at a cost of Rs. 705.05 lakhs. The total annual dredging capacity of the two dredgers was assessed at 26.50 and 34.30 lakh cubic metres while working at a depth of 14 feet and 16 feet respectively against the port's requirements of 19 lakh cubic metres after giving due allowance for annual repairs, surveys, dry-docking, weekly offs etc. The Committee are distressed to find that against the above capacity the actual dredging done by the two dredgers during 1976-77 to 1979-80 amounted to no more than 15.91, 12.73, 15.99 and 13.94 lakh cubic metres thus resulting in an overall short-fall of 23 per cent for these 4 years. As a consequence, the navigable depth decreased to 4.0 metres by January, 1977 and to 3.7 metres since July, 1979. The Committee note with concern that against 40,565 available working hours during 1976-77 to 1979-80, pumping and dumping were done for 15794 hours only. Excluding the passage time taken from harbour to dredging grounds and back and waiting time for tide amounting to 9973 hours, the idle time spent by these dredgers was as much as 14798 hours. The Port Trust have stated that the dredgers could not be utilised to their rated capacity due to repair periods, low water layups due to tidal reasons and non-availability of dry dock facilities at the port,

30	3·27	Do.	The Committee observe that in order to maintain the navigational depths in the channel, the Port Trust had to hire a dredger from the Dredging Corporation of India for a period of six months from 24 April, 1981 for which a sum of Rs. 2.50 crores had to be paid to the Corporation. The Committee understand that as many as 28 posts of marine officers. have been lying vacant in the Kandla Port for the last 2 1|2 years and all efforts to recruit these officers have been unsuccessful inspite of the fact that the posts were advertised as many as 24 times. The Port Trust authorities had, therefore, proposed to grant special allowance to class I and II officers for working on extended shifts whereby the output would have been increased considerably. Since the Government did not approve the above proposal, the Port Trust decided to entrust the work of operation and maintainance of the 'Kutch Vallabh' to the Dredging Corporation of India who have taken it over with effect from 1 November, 1981. The other dredger (S. D. Kandla) would be operated in 3 shifts with the available staff.
31	3·28	Do.	The Committee consider that the question of availability of the requisite technical personnel should have been gone into in depth before making a heavy investment of over Rs. 7 crores on a dredger which the Port authorities could not operate to its full capacity. The Committee find that even in earlier years viz. 1972-73, 1973-74 and 1975-76 the Dredging Corporation of India had carried out dredging work for the Port. The Committee therefore, consider that the decision to purchase a new dredger was not quite sound.

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32	3.29	Do.	The Committee regret that the Ministry|Port Trust authorities waited for as long as 2½ years to fill up the posts of marine officers required to operate the dredger. It is most unfortunate that despite lack of response, the proposal to grant special allowance to the existing staff for extended shifts was not agreed to. The Committee trust that Government would draw proper lesson from this experience so as to obviate recurrence of such costly mistakes.
33	4.16	Do.	Clause (c) of sub-section (1) of Section 29 of the Major Port Trusts Act, 1963. provides that all non-recurring expenditure incurred by the Central Government or any State Government for or in connection with the purposes of the port upto such date and declared to be capital expenditure by the Central Government shall be treated as the capital provided by the Central Government or, as the case may be, the State Government to the Board. Section 31 of the Act further provides : "A Board shall repay; at such intervals and on such terms and conditions as the Central Government may determine, the amount of capital provided under caluse (c) of sub-section (1) of Section 29 with interest at such rate as may be fixed by Government and such repayment of capital or payment of interest shall be deemed to be part of the expenditure of the Board."

34	4.17	Do.	The Committee find that on the date of formation of the Port Trust on 29 February, 1964 the capital expenditure incurred by the Central Government for construction of Kandla Port amounted to Rs. 1878.06 lakhs. Of this, the Port Trust had been exhibiting provisionally Rs. 1655.26 lakhs as loan from Government and Rs. 222.90 lakhs as capital recurring expenditure
35	4.18	Do.	The Committee are concerned to note that the terms and conditions governing the capital debt have not been determined so far and pending decision the Port Trust has been paying Rs. 15 lakhs to Government every year towards interest on an ad hoc basis. This works out to less than 1 per cent on the amount exhibited as loan. It has been stated that the original records relating to this decision are not available and as such the basis for fixing the amount at Rs. 15 lakhs cannot be indicated. The Committee consider that pending a decision in the matter Government should have recovered interest at the prevailing rate.
36	4.19	Do.	The Committee observe that besides Kandla Port, five other major ports viz. Visakhapatnam, Mormugao, Paradip, Tuticorin and New Mangalore were set up after the enactment of the Major Port Trusts Act, 1963. In none of these cases, the capital debt has been determined so far. The capital involved in these six cases (including Kandla) is of the order of Rs. 15854.38 lakhs.
37	4.20	Do.	It was admitted in evidence that "these departmental ports which became port trusts have been having the benefit practically of interest free

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			capital base and to that extent figures of surpluses which have been reflected in the replies given to the Hon. Committee are inflated".
38	4·21	Do.	It is a matter of deep regret that even after a lapse of as many as 18 years since the enactment of Major Port Trusts Act which casts a statutory duty on the Central Government to determine the amount of capital provided to the ports and the interest to be paid thereon, Government have not been able to make up their mind so far. Since the statute does not provide for any grants and the posts are expected to function as commercial undertakings as a part of the transport sector, the Committee see no reason why it should not be possible for Government to come to a speedy decision in the matter. The Committee consider it highly regretable that the matter has been allowed to remain in a state of suspense far too long. The Study Group appointed by the Government about for years back to formulate principles for fixation of initial debt at the time of formation of a Port Trust Board and for subseuqent major port projects has not met even once so far. The Committee strongly deprecate this apathy and desire that the matter should be finalised without further loss of time.
39	4·29	Do.	The Commission on Major Ports had recommended in June 1970 that a rate of return of not less than 12 per cent of the capital employed should be attained by all the major ports. The Committee are gratified to ob-

			serve that the rate of return from Kandla Port has rise from 8.87 per cent in 1977-78 to 26.85 per cent in 1980-81. It has been stated that from 1977-78 onwards, the income has risen more sharply than the expenditure due to increase in traffic from 68.15 lakh tonnes in 1977-78 to 88.16 lakh tonnes in 1980-81.
40	4.30	Do.	From an analysis of the activities of the port for the years 1978-79 and 1979-80, the Committee find that the surplus of Rs. 473.51 lakhs in 1978-79 and Rs. 436.34 lakhs in 1979-80 under the head 'Cargo handling' has been offset to a considerable extent by deficits under the head 'Port and Dock Facilities', 'Township' and 'Railways' amounting to Rs 178.13 lakh and Rs. 246.50 lakhs respectively during the above two years. Under the head 'Port and Dock Facilities' the deficits were mainly due to expenditure being more than income in these years in respect of two sub-activities viz. "tug services" and 'pilotage'. The deficits under 'tug services' for the years 1978-79 and 1979-80 were Rs. 29.17 lakhs and Rs. 24.90 lakhs while the deficits under 'Pilotage' were of the order of Rs. 129.62 lakhs and Rs. 170.08 lakhs in the repective years.
41	4.31	Do.	Government have informed the Committee that the deficits under 'Tug services' were due to non-adjustment of inter-departmental charges like hauling of dumb barges, port craft for carrying out the repairs of the navigational aids and harbour structures etc. In order to reduce the deficit, action has been taken from April, 1981 to provide suitable revenue accrual from such inter-departmental services.

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42	4.32	Ministry of Shipping and Transport	As regards deficits under the head 'Pilotage' Government have stated that these are primarily due to the practice of booking the entire expenditure incurred on dredging under this head in the port accounts. The matter was examined by a Sub-Committee set up by the Indian Ports Association and it has been decided (July 1981) the cost of dredging should continue to be booked under the head 'Port and Dock Facilities'. The Ministry have therefore stated that the deficit under the head 'Pilotage' would continue.
43	4.33	Do.	The Committee have been given to understand that it is not possible to make each cost centre self-supporting and that cross subsidy is essential for development of traffic and for optimal utilisation of faciltiies. The Committee would like to point out that dredging is not only a distinct activity but also accounts for a large chunk of expenditure. It is therefore, necessary that expenditure on this activity is shown under a distinct sub-head rather than booking the entire expenditure to the head 'Pilotage' in the Port accounts. The matter should, therefore, be examined and necessary action taken early.
44	4.38	Do.	The Audit paragraph has pointed out that the surpluses in cargo handling at Kandla Port were mainly due to liquid cargo and that the rates of recovery of various dry cargo commodities were not even adequate to meet the cost of operations. In 3 out of 9 items in 1978-79

			and 5 out of 12 items in 1979-80 the recovery rates were not adequate even to recover the direct costs.
45	4·39	Do.	The Committee were given to understand that the last major revision of port tariffs was done in 1976 and that the Bureau of Industrial Costs and Prices have been asked to look into problems of all the major ports comprehensively and advise the Ministry about the principles on which the tariffs will have to be determined.
46	4·40	Do.	The Committee note that out of ten major ports, only three viz. Bombay, Madras and Kandla are able to meet the development expenditure from their own resources and that all the other ports have to have budgetary support. Considering that the ports have to encourage the flow of inter-national trade and commerce and also function on commercial lines so as to be economically viable, it is necessary that norms of performance are improved. It was decided at the recent conference of Port Chairman that they would have to achieve certain financial and operational parameters The Committee expect that in pursuance of this decision, precise targets will be prescribed for each Port and the performance closely monitored.
47	4·41	Do.	In this connection, the Committee would like to draw attention to the following recommendation of the Committee on Transport Policy and Coordination (1966):— "We are of the view that the Central Government should insist on Port Trusts specially in the larger ports, finding all the internal resources they can for development. They should also

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			be encouraged to seek loans directly from the market and to this end they should receive the necessary support from the Reserve Bank of India and the Government of India. Loans from the Government of India should not constitute in the future as large a proportion of the total Port finances as may have been necessary during the period of accelerated development under the Five Year Plans when substantial new capacities had to be established over a short period. Indeed, as a matter of policy, Port Trusts should be expected so to manage their operations as to be able to draw at least part of their capital from the market."
48	4.42	Ministry of Shipping and Transport	The Committee find that the Commission on Major Ports (June 1970) had also endorsed the above recommendation. In view of the above, the Committee consider that the question of allowing the major ports to augment their resources through market borrowings|debentures for financing their projects of modernisation and development during the sixth Five Year Plan may be given serious consideration.
49	4.53	Do.	Unlike some other ports, the Port railway within the Kandla Port is operated by the Trunk Railways. The Railways are required to share with the Port Trust the revenue realised on account of terminal charges, haulage charges and siding charges.

50	4.54	Do.	The Audit para has pointed out that there were deficits of the order of Rs. 22.36 lakhs in 1978-79 and Rs. 27.20 lakhs in 1979-80 in the operation of Port Railways. The Committee regret to observe that the issue of payment of the terminal/haulage/siding charges by the Railways has remained undecided ever since the booking of the goods traffic started at Kandla Port in 1956. The Committee find that the real point of dispute is the question of payment of the cost of staff quarters and allied buildings which were built by the Railways as deposit works at a cost of Rs. 23.73 lakhs. The Railways' contention is that the Port Trust should "pay the capital cost of the line first before they can expect us to pay railway charges." Moreover, the staff were working for the Port Trust and as such the liability should be borne by them, as was the case with other Ports Trusts such as Cochin, Tuticorin etc. The Ministry of Shipping and Transport have on the other hand, taken the stand that the cost of staff quarters should be borne by the Ministry of Railways since these were built for their staff. The Committee consider it extremely unfortunate that it has not been possible for the two Ministries to settle this dispute for the last as many as 26 years. The Railways could legitimately have insisted on pre-payment of the cost of staff quarters as required under rules prescribed for such deposit works in the Railway Manual. The Committee find that consequent upon the evidence tendered before them both by the representatives of the Ministries of Shipping and Transport and the Railways, a joint meeting was held in February, 1982 wherein an agreement has been reached on some of the outstanding issues. However, no settlement has yet been arrived at with regard to the capital cost of staff quarters and allied buildings though the Railways have

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			agreed to maintain the same at their cost and recover the rent from their staff. The committee would impress upon th two Ministries he need for arriving at a decision in the matter without any further delay. They would like to be apprised of the outcome within six months.
51	4.55	Do.	The Committee observe that the question of handing over the Port Railways to the Ministry of Railways so that they can function as an integral part of the trunk railways, has been remitted to a two-man Committee consisting of the Chairman of Visakhapatnam Port Trust and an official from the Ministry of Railways. The Committee understand that the main difficulty in effecting such transfer has been the reluctance of the Railways to accept all the surplus staff presently working in the Port Railways. At Bombay Port alone, as many as 1600 employees are expected to become surplus. The Committee consider that in the interest of efficient functioning of the Port Railways and the ever increasing volume of traffic, it is only desirable that the Port Railways are integrated into the trunk system as quickly as possible. The Committee hope that the question of absorbing the surplus staff would be settled amicably and the necessary re-organisation effected without much loss of time.
52	4.59	Ministry of Shipping & Transport/Agriculture	The Committee find that as on 31 March, 1980 a sum of Rs. 21.18 lakhs was outstanding for recovery towards rent of land and buildings. This amount included Rs. 4.09 lakhs representing the difference between the rent demanded by the Port Trust for three fertilisers sheds constructed

			for use by the Ministry of Agriculture and the rent admitted by the said Ministry. The sheds were occupied during the period May 1971 to 31 March 1976 and thereafter they were given to the Food Corporation of India by the Ministry of Agriculture. Having failed to resolve the dispute among themselves it was decided to remit the matter to an arbitrator who was appointed in February, 1980. The arbitrator's award is awaited. It is unfortunate that the dispute should have been allowed to remain unsettled for so long. The Committee hope that the arbitrator's award would now be expedited.
53	4.63	Ministry ot Shipping & Transport.	The Committee were informed during evidence that most of the ports have undertaken special studies in specified areas such as financial management, accounts and stores management, workshop management, maintenance management etc., with a view to improving the operations. The ports have also been advised to introduce modern management practices in the various areas of activities. The Committee consider that the Ministry of Shipping and Transport should take a lead in the matter of introducing modern management control system in the various ports. To this end, it would be useful to prepare a Central plan for implementation in the major ports in the first instance where in the interest of efficient handling of the increasing volume of cargo traffic it has become imperative to streamline the operations. The new management practices and procedures adopted with success in one port also need to be brought to the notice of other port authorities. It is again for the Central Ministry to undertake this task. The Committee therefore suggest that the Ministry of Shipping and Transport should consider the feasibility of setting up

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			a special Cell to study this question in the light of developments in foreign countries and frame a central plan for introducing modern management practices in the ports.
54	4.64	Minitry of Shipping and Transport	In this connection, the Committee would also like to point out that the question of giving a greater measure of autonomy to the ports with a view to expediting the decision making process needs to be considered in greater depth. The provisions of the Major Port Trusts Act should therefore be thoroughly reviewed and amendments as may be required keeping in view the present day conditions, may be brought before Parliament as expeditiously as possible.
55	5.3	Do.	The Committee find that an expenditure of Rs. 199.63 lakhs had been incurred upto 31 March, 1980 by the Kandla Port Trust on development of plots in the Gandhidham Township. By the end of December, 1981, out of 4477 plots developed, 80 plots remained unallotted. Out of 4397 plots allotted, only 905 plot holders had completed construction and 277 plots were under construction. 390 allottees did not start construction although their plans were approved, plans in respect of another 59 allottees were under consideration for approval and 2766 plotholders had not even submitted their plans.
56	5.4	Do.	The Ministry of Shipping and Transport have informed the Committee that the major factor which is coming in the way of contruction of houses in the township is the shortage of cement and steel. The Committee

			desire that the matter should be pursued with the State Government at a high level.
57	5.5	Do.	Since Gandhidham is a developing township and a large number of industries are being set up in the private sector particularly in the Kandla Free Trade Zone, there is acute shortage of houses in the area. The representative of the Ministry of Works and Housing informed the Committee that if the State Government could draw up a programme for development of the Township under the scheme for development of small and medium towns, Central assistance for the same might be available. The Committee desire that the Ministry of Shipping and Transport should take up the matter with the State Government without delay.
58	5.6	Do.	In fact, the Committee do not see any reason why the Kandla Port Trust should continue to bear the responsibility for development of the Gandhidham township any longer. The matter should therefore be taken up with the State Government and an early decision taken.
59	5.7	Do.	The Committee note that the work of preparation of the proforma accounts of the project after 1975-76 was considerably delayed and in fact it was only after the matter was raised by Audit that the work was taken in hand. The Committee urge that the accounts should henceforth be prepared concurrently.
60	5.13	Do.	The Committee find that the question of transferring to the State Government the water supply scheme in Kandla/Gandhidham area, on

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			which the Port Trust have been incurring losses from year to year, has been a matter of prolonged negotiations. As a sequel to the discussions held by the Study Group of the Committee with the State authorities, it has now been possible for the Port Trust to finalise the matter and the transfer would take effect from 1 April, 1982, subject to formal Government approval and certain modalities to be finalised before that date. The Committee expect that there would be no further hitch in the matter.