

**ESTIMATES COMMITTEE
(1967-68)**

THIRTY-FIRST REPORT

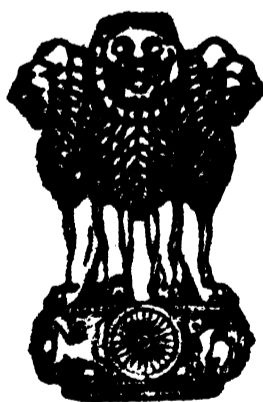
(FOURTH LOK SABHA)

MINISTRY OF TRANSPORT AND SHIPPING

(DEPARTMENT OF TRANSPORT)

PARADEEP PORT

**Action taken by Government on the recommendations
contained in the Seventieth Report of the
Estimates Committee (Third Lok
Sabha) on the erstwhile Ministry of
Transport—Paradeep Port**



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

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Shri G. D. Sharma—*Under Secretary.*

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(1967-68)

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SECRETARIAT

Shri B. B. Tewari—*Deputy Secretary.*

Shri G. D. Sharma—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Thirty-first Report of the Estimates Committee on the Action taken by Government on the recommendations contained in the Seventieth Report of the Estimates Committee (Third Lok Sabha) on the erstwhile Ministry of Transport—Paradeep Port.

2. The Seventieth Report was presented to the Lok Sabha on the 11th May, 1965. Government furnished their replies indicating the action taken on the recommendations contained in this Report between 29th November, 1966 and 21st October, 1967. The replies were examined by the Study Group 'F' of the Estimates Committee at their sitting held on the 22nd December, 1967. The draft Report was adopted by the Committee on the 17th February, 1968.

3. The Report has been divided into the following chapters—

- I. Report.
- II. Recommendations which have been accepted by the Government.
- III. Recommendations which the Committee do not desire to pursue in view of Government's reply.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the Seventieth Report of the Estimates Committee (Third Lok Sabha) is given in the Appendix. It would be observed therefrom that out of 20 recommendations made in the Report, 13 recommendations *i.e.*, 65 per cent have been accepted by Government and the Committee do not desire to pursue two recommendations *i.e.*, 10 per cent in view of Government's reply. Replies of Government in respect of the remaining 5 recommendations *i.e.*, 25 per cent. have not been accepted by the Committee.

NEW DELHI;
February 20, 1968.

Phalguna 1, 1889 (Saka).

P. VENKATASUBBAIAH,
Estimates Committee.
Chairman,

CHAPTER I

REPORT

Integrated Scheme for Development of Paradeep Port

Recommendation (Serial No. 1, Para. 3)

In para 3 of their Seventieth Report (Third Lok Sabha) on the Ministry of Transport (Paradeep Port) the Estimates Committee noted that in August, 1961, the State Government of Orissa had submitted to the Planning Commission a new integrated scheme costing Rs. 38·31 crores for the development of Paradeep into an all-weather deep-draft port forthwith. While this scheme was under consideration of Planning Commission and Government of India in October, 1962 for inclusion in the Third Five Year Plan, a specific proposal was also made on behalf of the State Government for "Paradeep Port being taken over by the Central Government as a major port at a later stage." The State Government's stand was that a port which had no railway connection could hardly be deemed to be a major port and that the provision of the railway connection might take a period of five or six years within which time the State Government could build the first stage of the port. They proposed that till the railway was built they should continue to be incharge of the operation also. The Secretary of the Ministry of Transport made it clear during evidence that it was the decision of the Cabinet not to treat it as a major port project. The Estimates Committee being unable to reconcile the two statements viz., of the State Government's proposal to hand over the port to the Centre at a later stage as a major port and that of Cabinet decision not to treat it as a major port, did not appreciate the decision of Central Government to allow the State Government to undertake an integrated project of the dimensions of Rs. 38·31 crores without clearly taking a decision about treating it as a major port.

2. Further explaining the position in a written reply the Government stated that "Even when it was decided by the Cabinet on 1st December, 1963 that the Paradeep Port Project should be executed by the State Government, it was realised that eventually it was to be taken over by the Central Government. The State Government had expressed the view that the appropriate stage at which the Project should be taken over by the Centre and the Port declared as a Major Port, would be when the rail link to Paradeep was ready and the iron ore mines at Nayagarh were developed. Constitutionally the Port Project came within the purview of the State Government and the Port could not be declared as a Major Port. However, in December, 1964, in the context of the huge financial outlay involved in the completion of the Project, which was beyond the financial resources of the State Government, it was decided by the Cabinet on 11th May, 1965 that the Project should be taken over as a Major Port Project by the Central Government as requested by the State Government."

3. The Committee regret the decision of the Government taken on 1st December, 1963 that the Paradeep Port should be executed by the State Government although it was realised by Government that eventually it would be taken over by the Central Government. They feel that after having accepted State Government's overall integrated scheme of Rs. 38.31 crores for inclusion in the Third Plan in October 1962, Government should have simultaneously initiated action for taking over the Port and declaring it as a major port instead of being guided by the wishes of the State Government to do so after the rail link to the port had been ready in 5-6 years' time.

Foreign Exchange for Paradeep Port

Recommendation (Serial No. 18, Para. 29)

4. In para 29 of the Report, the Committee noted that foreign exchange to the tune of Rs. 281.57 lakhs had been released by the Government of India for various items of work for the development of Paradeep Port. They desired to know specifically whether the erstwhile Ministry of Transport had recommended the release of the foreign exchange to the Ministry of Finance and if so on what considerations. The Ministry of Transport in a written note furnished to the Committee stated that "Release of foreign exchange for different requirements are made by the Ministry of Finance, after consideration from all aspects. The Paradeep Project, is an approved Third Five Year Project and as such the essential requirements of the Project have been met by the Ministry of Finance, after consideration, at a high level. As the project in the present case is being executed by the State Government, all requirements of foreign exchange have been submitted by them to the Government of India. The decisions of the Ministry of Finance in these matters represent the decision of the Government of India as a whole".

5. The reply of the Ministry did not specifically cover the points raised by the Committee and therefore left unresolved their doubts whether formal clearance from the Ministry of Transport was obtained before according sanction for release of foreign exchange and whether normal procedure obtaining in this behalf was followed.

6. In reply Government stated that "The position was explained at length in answer to Question No. 49* of the Estimates Committee's questionnaire. This Ministry has no further comments to offer".

7. The Committee regret to note that even now the reply of the Ministry does not specifically cover the points on which information was sought by them. It appears that foreign exchange to the tune of Rs. 281.57 lakhs was released by the Ministry of Finance for various items of work for Paradeep Port without the prior clearance from the

*Already reproduced above

concerned administrative Ministry i.e. the erstwhile Ministry of Transport.

The Committee consider that all requests for foreign exchange from the State Governments should be routed through the administrative Ministry concerned so as to enable the latter to carry out a proper appraisal of the nature and extent of such requirements before sanction is accorded by the Ministry of Finance. The Committee would like the representatives of the Ministries of Finance and Transport & Shipping to examine this matter thoroughly to find out whether the prescribed procedure in this regard was followed. They would further like the Government to ensure that such types of irregularities are not committed in future.

Classification of Ports

Recommendation (Serial No. 19, Para. 30)

8. In para 30 of the Report, the Committee *inter alia* noted that the predicament in which the Government of India found themselves could have been avoided if considering the magnitude of the development involved, a clear decision had been taken to treat Paradeep Port project as constituting a major port by appropriate legislative and executive sanction. They suggested that for future Government should clearly lay down the definition of major port so that there is no room for ambiguity in this behalf. In this connection, the Committee pointed out that in para 30 of their 48th Report (First Lok Sabha) on the Ministry of Transport—Major Ports (1956-57) they had recommended that the classification of 'Intermediate, Minor and Sub' ports should be given statutory recognition in order to enable the Centre to focus greater attention to the development of these ports. This recommendation of the Committee was accepted by Government who stated that "necessary legislation to amend the Indian Ports Act, 1908, will be taken at suitable opportunity". [*Vide* Sixty-Seventh Report of Estimates Committee (Second Lok Sabha)]. The Committee regretfully noted that despite their recommendation no statutory recognition had been given to the classification of ports and urged that necessary steps should be taken at an early date for classifying and defining all ports—minor, intermediate and major.

9. In reply, Government stated that "The question of the amendment of the Indian Ports Act in accordance with the earlier recommendations accepted by Government, is being gone into by a Sub-Committee appointed by the Inter-Ports' Consultations."

10. The Committee are distressed to note that even after accepting a recommendation as far back as 1959 Government could not find a "suitable opportunity" to implement it so far. The Committee are all the more concerned to note that even when they had pointed out this lapse subsequently in their 70th Report (1964-65) Government have

not yet implemented it and have stated that this question is "being gone into by a sub-committee appointed by the Inter-Ports Consultations". The Committee while, deprecating the delay in this matter would like the Government to expedite the implementation of the recommendation without further loss of time.

The Committee would also point out that long delays in the implementation of the recommendations of the Committee which have been accepted by Government not only detract from the importance of the recommendations but also raise doubts about the sincerity of Government to implement them. They would, therefore, like the Government to devise some means to ensure that the implementation of the recommendations accepted by Government is not delayed by them.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations (Serial No. 3, Para No. 7)

The Committee note that till April, 1964 the Supervisory Committee did not include any technical expert other than the Chief Engineer-cum-Administrator of the Project. The Committee feel that having regard to the size of the project and the complex nature of problems thrown up during the course of construction necessitating repeated modifications of design it would have been a distinct help to the Supervisory Committee to have a high ranking technical adviser to assist them in their deliberations right from the beginning.

REPLY OF GOVERNMENT

Noted.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967]

Recommendations (Serial No. 5, Para 15)

Now that the State Government have already completed 3,300 ft. out of the projected length of 3,900 ft. of the Western Breakwater by the 31st December, 1964 there is little point in discussing the merits of the continuous breakwater vis-a-vis the island breakwater. The Committee cannot, however, feel happy that the Central Government should have allowed the State Government to change the design of the Western breakwater from Island breakwater, as originally suggested by the Consulting Engineers, into continuous breakwater despite the fact that the Intermediate Ports Development Committee, the Japanese Survey Mission and the former Port Development Adviser, Government of India, had expressed themselves in favour of Island of breakwater.

REPLY OF GOVERNMENT

The position regarding change in the design of the breakwater was explained to the Estimates Committee at length (during the course of examination). This Ministry has no further comments to offer.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

Recommendations (Serial No. 6, Para 16)

The Committee are distressed to know that the Port authorities knowing fully that there was danger to the breakwaters due to storms did not take adequate timely precautions to protect the breakwater. They feel that there is an urgent need for making available in time all ancillary equipment required for execution of the various components of the Project so that the breakwater may be protected against ravages by storms and sea during stages of construction. The Committee are also unhappy that the financial loss suffered due to damage sustained by the breakwater has not yet been determined.

REPLY OF GOVERNMENT

The replacement value of the damage by the storm in question is Rs. 848.

[Ministry of Transport & Aviation (Transport Wing) letter No. 21-PDII(22)/66, dated the 20th January, 1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

- (a) Please indicate what positive steps were/have been taken to protect the breakwater against ravages by storms and sea during stages of construction.*
- (b) Please also indicate whether any financial loss has been suffered due to damages sustained by breakwater since March, 1964; and if so, its extent.*

(Lok Sabha Sectt. D.O. No. 4/22(1)ECI/65, dated 26th April, 1967).

FURTHER REPLY OF GOVERNMENT

The breakwaters are designed to take care of the ravages by storms and sea and for dissipating energy of storms and waves, armouring stones of varying sizes and weighing from 8 to 10 tons have been provided at the tip and the outer slopes of the breakwaters. The breakwaters have been completed except for the tips which have been left for settlement, if any. This work could be taken up after some time. The breakwater was constructed from the shore-end and by the time works proceeded into dangerous areas of the sea, armouring stones were dumped as provided in the design. However, during an unprecedented storm at Paradeep in August, 1964 there was some minor damage to the Southern Breakwater which resulted in a loss of Rs. 848.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 6th June, 1967].

Recommendation (Serial No. 8, Para No. 18)

The cost of the express highway from mining area to Paradeep is estimated to be Rs. 14.20 crores while the cost of the road transport

organisation is estimated at Rs. 2.45 crores. The Committee note that the integrated scheme for the development of the project envisaged that money for the express highway, road transport organisation, mining of iron ore etc. would be found from the State resources. As it is of the utmost importance that the handling charges for an exporting port are kept at a competitive and economic level, so as not to burden the exports, the Committee would like every care to be taken to see that the Port Project is not saddled with the cost of any development which does not strictly pertain to the port.

REPLY OF GOVERNMENT

Agreed. The cost of the items of work which do not pertain to the development of the port directly have been excluded from the scope of the Project. The liability incurred on account of these items of work is not being taken over from the State Government and the State Government have agreed to bear the cost of these items of work.

[Ministry of Transport & Aviation (Transport Wing) letter No. 21-PDII(22)/65, dated the 29th December, 1966].

Recommendation (Serial No. 9, Para 19)

As the primary purpose of developing the deep sea port at Paradeep is to facilitate export of iron ore, the Committee consider that the pace for port development should be integrated with the progress made in mining the ore in the hinterland and in arranging facilities for its transport to the shore.

The Committee are doubtful of the operational feasibility of maintaining an export traffic of 2 million tonnes of ore per annum by using a fleet of heavy trucks or truck-trailor combination.

The Committee understand that detailed comparison of costs of road and rail transport of iron ore from hinterland to Paradeep prepared by the Central Government some times ago showed that there were significant economics in rail transport as compared to road transport. The Committee cannot feel happy that inspite of the result of that comparative study of the cost of transport, plan has been made and expenditures have been incurred for road transport of ore. The Committee consider that even now the question of cost of transport of ore from the hinterland to Paradeep should be gone into in details by an expert team, and the most economic means of transport adopted. The Committee also feel that for the development of a port of the size of Paradeep, railway communication may be desirable. They hope that this matter will receive consideration of the Government.

The Committee note that the Indian Bureau of Mines who conducted a detailed exploration of the extent of iron ore deposits in the Daitari region of Orissa and submitted a report in August, 1963 were of the opinion that "If the fines from the over-burden which is of 48.2 per cent Fe grade is eliminated, a total of 22.60 million tonnes

of fines with a grade of 61.6 per cent Fe grade is recoverable from the lump ore zone and blue dust zone. In case the working of the blue dust zone for the fines is not considered economic the lump ore zone itself will yield 14.01 million tonnes of 59.5 percent Fe Grade."

The Committee understand that when the Orissa Government's proposal for the integrated project were examined in the Ministries concerned and in the Planning Commission considerable doubts were expressed about the economic viability of the integrated scheme. Doubts were also expressed about the capacity of Tomka/Daitari mines to sustain exports of more than 2 million tonnes of requisite quantity for a sufficiently long period. The Committee consider that if planning of Paradeep Port and connected ancillaries was to be done on realistic basis all such doubts about the capacity of Tomka/Daitari iron ore mines to sustain exports of the order of 2 million tonnes should have been resolved before according approval.

The Committee would like the Ministries of Commerce and Steel and Mines to go thoroughly into this aspect of the matter. The Committee would suggest that the deposits of iron ore available in nearby Nayagarh may also be investigated so as to ascertain their suitability for export.

REPLY OF GOVERNMENT

The mechanised mine at Daitari, which is expected to be commissioned by the Orissa Mining Corporation by the end of 1967-68, has been developed throughout with a rated capacity of 1.5 million tonnes, of annual production. For the balance 0.5 million tonnes, there are some isolated adjoining deposits like the Tomka mines in the neighbourhood of Daitari. Over and above this, the Mines & Metals Trading Corporation are already moving by rail via Kharagpur from the Barajamda Sector about 0.5 million tonnes. In view of this, the Ministry of Railways have undertaken the construction of the rail link from Cuttack to Paradeep. Of the 86 kms. of this rail link the final location survey for about 40 kms. has already been completed. The entire survey work including Traffic Survey is expected to be completed by December, 1967. The rail link is expected to be completed in about 3 years.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

Recommendation (Serial No. 11, Para 21)

The Committee regret to note that no detailed assessment was made by the Project authorities about the extent of dredging work required to be done in the lagoon and the entrance channel. Consequently, their estimates were prepared on unrealistic basis and had to be revised subsequently, necessitating an increase of Rs. 140 lakhs in the project estimates. The Committee further note another disquieting feature

viz. a very unusual type of dredger being deployed, which is understood to be suitable only for internal dredging and not the approach channel in the sea beset with swells. The Committee need hardly stress that every care should be taken in association with the Consulting Engineers to see that the quality of dredging work done is not below standard and that there is no delay in the execution of work as per scheduled programme.

REPLY OF GOVERNMENT

The Capital dredging programme of the lagoon basin and the entrance channel was completed without delay and there has been no complaint as regards the quality of the dredging.

[Ministry of Transport & Aviation (Transport Wing), letter 21-PDII(22)/66, dated the 29th December, 1967].

Recommendation (Serial No. 12, Para 22)

The Committee are concerned to note that the supply of the Suction Dredger which is very essential for maintenance dredging is likely to fall behind schedule.

The Committee would stress that every effort should be made to arrange supply of special quality steel plates and other material required for the construction of the dredger so that the original schedule for its delivery is adhered to.

In fact, as capital dredging in the entrance channel is likely to be completed shortly, it is imperative that the maintenance dredger is put in position in time to prevent the entrance channel being filled back by sand.

REPLY OF GOVERNMENT

The dredger is now expected to be ready by June, 1967. A close watch is being kept on the progress of the work. Meanwhile, maintenance dredging has been carried out by hiring other dredgers for short periods.

[Ministry of Transport & Aviation (Transport Wing) letter No. 21-PDII(22)/66, dated 29th December, 1966].

Recommendation (Serial No. 13, Para 23)

The Committee are unhappy that a vital item like sand pump, needed for keeping the entrance channel free from sand, which was an integral part of Stage I of development of Paradeep Port was left out from the original estimates in order to limit them though unrealistically, to Rs. 12 crores. The Committee would stress that early decision should be taken on the question of placing orders for the sand pump which is a vital part of the scheme envisaged by the consultants for maintenance dredging. In placing the orders, Government should

fully satisfy itself that the design of the sand pump would suit the requirements.

REPLY OF GOVERNMENT

An order for the construction and supply of the sand pump according to proper specifications has been placed.

[Ministry of Transport & Aviation (Transport Wing), letter No. 21-PDII(22)/66, dated 29th December, 1966].

Recommendation (Serial No. 14, Para 24)

In view of the findings of the consultants that erosion is occurring in the vicinity of the root of the future eastern breakwater the Committee would underline the need for taking an early decision in the matter to protect the interests of the port. The Committee have no doubt that in undertaking the construction of Eastern Breakwater the lessons learnt in the construction of the Western Breakwater would be put to good use to effect economy and ensure sound construction.

REPLY OF GOVERNMENT

The Eastern Breakwater has since been completed. The erosion referred to in the recommendation is due to the non-nourishment of the eastern side of that breakwater. When a sand pump-cum-shore based dredger is brought into commission, the erosion will be checked. Meanwhile, protective measures like stone rivetting are being taken to prevent the erosion at the root of the breakwater.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

Recommendation (Serial No. 15, Para 25)

The Study Group of the Estimates Committee which visited Paradeep Port in October, 1964 questioned the necessity of undertaking construction of cargo berth at this stage of development. The Committee were glad to be informed during the course of evidence by the official representatives in November, 1964 that the work on cargo berth has since been stopped. The Committee are distressed to find that about Rs. 1 lakh should have been spent on preliminary works pertaining to general cargo berth without first establishing its immediate necessity with reference to the cargo to be handled.

The Committee deprecate the tendency to incur expenditure on a project without thoroughly investigating its economics and necessity and without waiting for its formal clearance by the Central Government.

REPLY OF GOVERNMENT

Noted.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

Recommendation (Serial No. 16, Para 26)

The Committee see no reason why the cost of Cuttack-Kujang Road should be debited to the Port Project. They feel that this work should appropriately form a part of the road development scheme and be a charge on the road development.

REPLY OF GOVERNMENT

The cost of this work as well as certain other works which do not pertain to the development of the port have already been separated from the cost of the port works. The State Government have already agreed to this arrangement.

[Ministry of Transport & Shipping (Transport Wing), letter No. 21-PDII(22)/66, dated 29th December, 1966].

Recommendation (Serial No. 17, Para 27)

The Committee feel that the raising of a township costing Rs. 2 crores in the early stages of the Port Project, particularly when other essential port facilities are yet to be developed, is too ambitious a plan imposing a very considerable burden on the financial resources of Government. They suggest that the desirability of constructing permanent buildings in the proposed township should be re-examined in the light of the resources available. The Committee would also like to emphasise the need for drawing up a phased programme for the construction of the township out of the revenues of the Port after it becomes fully operational. In the meanwhile, the Committee recommended that the temporary buildings already constructed and which are stated to have a life of 20—25 years should be fully utilised.

REPLY OF GOVERNMENT

This is exactly what is being done. The programme of consulting permanent buildings in Paradeep is being adjusted to the resources available and to most urgent needs.

[Ministry of Transport & Aviation (Transport Wing), letter No. 21-PDII(22)/65, dated 29th December, 1966].

Recommendations (Serial No. 20, Para 31)

In conclusion, the Committee would like to record that Paradeep has got a good harbour and other facilities of a major port and that the progress of work so far made, in spite of many irregular procedures has been rather satisfactory. The Committee feel that this port needs now to be developed by the Central Government as a major port whose necessity on that side is well recognised. The execution of the remaining portion of the work or any future development there, would then be the direct responsibility of the Central Government. The Committee suggest that before reimbursing the State Government the amount already spent, a thorough scrutiny should be made of the

expenditure incurred and any further commitment in this regard should be made only after a thorough scrutiny. As the expenditure incurred on the Paradeep Project, may have rendered the financial position of the State Government very difficult, the Committee suggest that if necessary, a part payment not exceeding 50 per cent of the expenditure incurred, may be made.

REPLY OF GOVERNMENT

The first stage development of the Paradeep Port has been completed. The Port has been opened to traffic.

There is no proposal to reimburse the amount spent by the State Government that was incurred by them when the Project was under their control. This amount, according to the terms of the take-over, will be treated as a loan by the State Government to the Port to be repaid in due course. Loans equivalent to the amount spent by the State Government on the Port Project have already been advanced to the State Government to tide over their financial difficulties.

[Ministry of Transport & Shipping (Transport Wing), letter No. 21-PDII(22)/66, dated 20th January, 1967].-

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Serial No. 7, Para 17)

The Committee understand that "as global tenders were not possible", the contract or the ore handling plant had to be negotiated with suppliers in a selected country. The Committee would like the Government to satisfy themselves as to why global tenders for the plant were not possible.

The Committee would also like the Government to investigate whether a proper assessment was made of the iron ore resources available in the hinterland of Paradeep which would enable it to sustain export of 2 million tonnes of ore from Paradeep and would have justified a plant with the handling capacity of 2,500 tonnes per hour, being installed in Stage I of the development of the Port.

REPLY OF GOVERNMENT

Para 1.—Inviting global tenders would have meant providing foreign exchange from free resources which was not possible.

Para 2.—The Orissa Government and the Minerals and Metals Trading Corporation have been consulted in the matter.

[Ministry of Transport & Aviation (Transport Wing), letter No. 21-PDII(22)/65, dated the 29th December, 1967].

COMMENTS OF THE COMMITTEE

The Committee would like to know the result of consultation with the State Government and the Minerals and Metals Trading Corporation.

Recommendation (Serial No. 10, Para 20)

(i) The Committee note that the Central Government promised a loan assistance of Rs. 1.5 crores to the State Government for developing Paradeep as an intermediate port and on that expectation, the State Government spent about Rs. 95 lakhs. The Committee further note that the Central Government later on did not pay the loan assistance to the Orissa Government perhaps on the ground that the Orissa Government was developing Paradeep on a size and dimension of a major port. The Committee feel that when the Central Government realised the ambitious scheme of the State Government, the Central

Government should have taken a very definite stand of preventing the State Government from taking up on themselves a scheme beyond the sphere of the State Government and which would rightly belong to the sphere of the Central Government according to entry 27-Union List of the Seventh schedule of the Constitution. So the responsibility of the infructuous expenditure of Rs. 95 lakhs should more or less be equally shared by both the Central Government and the State Government.

REPLY OF GOVERNMENT

The circumstances in which the State Government were allowed to execute the Port Project have been indicated in our comments on recommendation No. 4. In the light of this, the responsibility for the infructuous expenditure of Rs. 95 lakhs cannot be attributed, even in part, to the Central Government.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

(ii) *The Committee further regret that in spite of the facilities already available at Paradeep for the export of iron ore, as has been done in previous years, no attempt was made for the export of 40,000 tons of iron ore accumulated there. The Committee also note that the promised loan assistance of Rs. 1.5 crores to the State Government was not released by the Central Government and feel that in view of the changes in the project and dimension of the Paradeep Port, there was little justification for releasing that amount. The Committee also like to indicate here that by simply withholding the amount of the promised loan, the responsibilities of the Central Government in that ambitious scheme have not been discharged and that they should have stopped any further progress in the work.*

The Committee suggest that Government may explore the possibilities of exporting early the 40,000 tons of iron ore lying at Paradeep.

REPLY OF GOVERNMENT

Regular exports of ore upto 3 lakh tons have been planned for the period October, 1966—March, 1967.

[Ministry of Transport & Aviation (Transport Wing), letter No. 21-PDII(22)/65, dated 29th December, 1966].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Please indicate whether the 40,000 tons of iron ore lying at the Port have actually been exported.

[L.S.S. D.O. No. 4/22(1)ECI/65, dated 26th April, 1967].

FURTHER REPLY OF GOVERNMENT

The total quantity of ore received at the port site from Tomka Daitari is 1,17,510 tons. Out of this quantity 53,584 tons including 40,000 tons of which mention has been made in the recommendation under consideration have been exported upto 12th May, 1967 and the balance is scheduled to be shipped by the end of July, 1967.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 6th June, 1967].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 1, Para 3)

The Committee are unable to reconcile the two statements viz. of the State Government's proposal to hand over Paradeep to the Centre at a later stage as a Major Port and that of Cabinet decision, not to treat it as a Major Port. They are also unable to appreciate how a decision was taken to allow the State Government to undertake an integrated project of the dimensions of Rs. 38·31 crores, out of which Rs. 11·60 crores were for the development of the main port, without clearly taking a decision about treating Paradeep as a major port.

REPLY OF GOVERNMENT

Even when it was decided by the Cabinet on 1st December, 1963 that the Paradeep Port Project should be executed by the State Government, it was realised that eventually it was to be taken over by the Central Government. The State Government had expressed the view that the appropriate stage at which the Project should be taken over by the Centre and the Port declared as a Major Port, would be when the rail link to Paradeep was ready and the iron ore mines at Nayagarh were developed. Constitutionally the Port Project came within the purview of the State Government and the Port could not be declared as a Major Port. However, in December 1964, in the context of the huge financial outlay involved in the completion of the Project, which was beyond the financial resources of the State Government, it was decided by the Cabinet on 11th May, 1965 that the Project should be taken over as a Major Port Project by the Central Government as requested by the State Government.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

COMMENTS OF THE COMMITTEE

Please see comments in paras 1—3 of Chapter I of the Report.

Recommendation (Serial No. 2, Para 4)

The Committee feel that before accepting the proposal of Rs. 38·31 crores to be put in the Third Plan, the Planning Commission/Government should have made a proper assessment of the proposal made by the Government of Orissa with the quantity and quality of ore likely to be available for export, and also whether in view of the Cabinet decision of not treating Paradeep as a major port, Rs. 38·31 crores was worth spending on the project.

REPLY OF GOVERNMENT

The Project was originally envisaged by the State Government as a State project and, as has already been noted by the Estimates Committee in para 3 at page 3 of their Report under consideration, the State Government's proposals were "the subject of several examinations, reviews, discussions at various levels by individual Ministries concerned and by the Central Cabinet and eventually the State Government's overall programme was accepted by the Planning Commission for inclusion in the Third Five Year Plan in October 1962". This Ministry has no further comments to offer.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

COMMENTS OF THE COMMITTEE

Please see comments in para 3 of Chapter I of the Report.

Recommendation (Serial No. 4, Para 13)

The Committee are unhappy to note that the programme of construction as originally outlined by the Orissa Government in the later half of 1962 on the basis of which the decision was taken by the Government of India to concur in the State Government's proposal to take up the project within the Third Plan had undergone a radical revision necessitating an increase in outlay from Rs. 12 crores to Rs. 20 crores and then to Rs. 26 crores to be spent by October, 1965. The Committee are constrained to observe that the original estimate prepared by the Orissa Government for completion of phase I of Stage I of Port development was unrealistically framed and the overall estimate turned out to be low as certain essential components like Sand Pump and Gantry and Eastern Breakwater were left out from the original Project Estimate. The unrealistic nature of the estimate is apparent from the fact that the State Government had to revise their estimates at different stages.

The Committee regret that the Central Government and the Planning Commission did not in the initial stages scrutinise these details and the financial resources position of the Orissa Government when it embarked on an ambitious scheme and also when it declared its intention of handing over the project to the Government of India for being developed as a major port. The Committee consider that the outlays on port construction with the proposed outlays on complementary works like the development of mine, construction of the Express Highway and the setting up of a Transport Organisation Division were apt to stretch the resources of the State to the utmost and necessitate either a curtailment of outlays on other sectors of the State Plan or raising of additional resources by way of increased taxes both of which should have been the subject matter of some scrutiny by the Central Government. In any case the Committee feel that the situation has posed a problem of immense magnitude for the Government of India

who how intend to take over the assets and liabilities attached to the Paradeep Port from the Government of Orissa.

REPLY OF GOVERNMENT

Para 1: Noted.

Para 2.—The proposal of the State Government to develop Paradeep into an ore-exporting port was carefully examined and this Ministry were of the view on the whole it would be better that the Project was taken over by the Central Government. The matter was referred to the Cabinet and they decided that the State Government should execute the Project.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

COMMENTS OF THE COMMITTEE

Please see comments in para 3 of Chapter I of the Report.

Recommendation (Serial No. 18, Para 29)

The reply of the Ministry of Transport does not specifically cover the points raised by the Committee and, therefore, leaves unresolved doubts whether formal clearance from Ministry of Transport was obtained before according sanction for release of foreign exchange and whether normal procedure obtaining in this behalf was followed.

REPLY OF GOVERNMENT

The position was explained at length to the Estimates Committee (during the course of examination). This Ministry has no further comments to offer.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22)/66, dated 21st October, 1967].

COMMENTS OF THE COMMITTEE

Please see comments in para 7 of Chapter I of the Report.

Recommendation (Serial No. 19, Para 30)

The Committee are conscious of the fact that the Project has reached an advanced stage and considerable amounts of money have already been invested. The Committee consider it unfortunate that a situation like the present one should have been allowed to develop in a project of the size and magnitude of Paradeep Port.

The Committee are also not happy over the manner in which the Central Government have allowed the State Governments to proceed with the construction of the project setting out an unrealistic target date and pressing into service all their resources of men and material, more or less on an emergency basis, to complete what is called, Phase I of Stage I of the Port Development for an export of 2 million tonnes

of iron ore per annum. This target date has been put out as the *raison d'être* for all the shortcuts adopted in either modifying the designs post-haste or in rushing the construction work without due regard for procedures and cost. The Committee cannot but feel distressed at the manner in which the estimates of important components of the Port Project have been revised upward from time to time, designs altered and deviations made from the Master Plan prepared by the Consulting Engineers. The result is that a port initially mentioned as a minor port and envisaged in the Third Five Year Plan to be developed as an intermediate port has ultimately assumed dimensions of a major port.

It would obviously not be a healthy precedent if the Central Government were to reimburse the entire cost of the project without full and detailed scrutiny of the accounts (assets, liabilities, infructuous expenditure, heavy charges for transport of ore by road etc.) and other technical details. The Committee feel that the predicament in which the Government find themselves could have been avoided if considering the magnitude of the development involved, a clear decision had been taken to treat Paradeep Port Project as constituting a major port by appropriate legislative and executive sanction. The Committee would suggest that for future, Government should clearly lay down the definition of major port so that there is no room for ambiguity in this behalf. The Committee in para 30 of their 48th Report (First Lok Sabha) on the Ministry of Transport-Major Ports (1956-57) had recommended that the classification of "Intermediate", "Minor" and "Sub", ports should be given statutory recognition in order to enable the Centre to focus greater attention to the development of these ports. This recommendation of the Committee was accepted by Government who stated that "necessary legislation to amend the Indian Ports Act, 1908, will be taken at a suitable opportunity". (Sixty-Seventh Report of the Estimates Committee, Second Lok Sabha on the Ministry of Transport and Communications). The Committee regret to note that despite the Committee's earlier recommendation no statutory recognition has been given to the classification of ports. The Committee would reiterate their earlier recommendation and urge that necessary steps may be taken at an early date or classifying and defining all ports, minor, intermediate and major.

The Committee need hardly say that the execution of a project of the dimensions of a major port should not have been left to the State Government and like to stress that if a project is treated as major port it should be undertaken either directly by the Central Government or through a Central Board presided over by a representative of the Central Government and having adequate representation of technical and financial experts.

REPLY OF GOVERNMENT

Para 1: Noted.

Para 2: In view of the comments made on Recommendation No. 4, this Ministry has no further comments.

Para 3: It has been decided that the expenditure incurred by the State Government on the Project before its take-over by the Centre, would not be reimbursed to the State Government by the Centre, but would be treated as a loan by the State Government to the Port to be repaid in due course.

The question of the amendment of the Indian Ports Act in accordance with the earlier recommendations accepted by Government, is being gone into by a Sub-Committee appointed by the Inter-Ports' Consultations.

Para 4: Noted.

[Ministry of Transport & Shipping (Transport Wing) D.O. No. 21-PDII(22), dated 21st October, 1967].

COMMENTS OF THE COMMITTEE

Please see comments in para 10 of Chapter I of the Report.

NEW DELHI;
February 20, 1968.

Phalguna 1, 1889 (Saka).

P. VENKATASUBBAIAH,
Chairman,
Estimates Committee.

APPENDIX

(*Vide* Introduction)

Analysis of the action taken by the Government on the recommendations contained in the 70th Report of the Estimates Committee (Third Lok Sabha)

I.	Total number of recommendations	20
II.	Recommendations which have been accepted by Government (<i>vide</i> recommendations at S. Nos. 3, 5, 6, 8, 9, 11—17 and 20)	
	Number	13
	Percentage to total	65
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 7 and 10)	
	Number	2
	Percentage to total	10
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 1, 2, 4, 18 and 19)	
	Number	5
	Percentage to total	25