

**AVOIDABLE EXPENDITURE DUE TO
DELAY IN TAKING DECISION—
CHENNAI PORT TRUST**

**MINISTRY OF SHIPPING, ROAD
TRANSPORT AND HIGHWAYS
(DEPARTMENT OF SHIPPING)**

**PUBLIC ACCOUNTS
COMMITTEE**

2007-2008

FORTY-NINTH REPORT

FOURTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC ACCOUNTS COMMITTEE (2007-2008)

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(DEPARTMENT OF SHIPPING)



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LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2007-2008)

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5. Shri N.K. Jha — *Under Secretary*

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee to present this Forty-ninth Report relating to "Avoidable expenditure due to delay in taking decision—Chennai Port Trust" on Paragraph 12.1 of the Report of Comptroller & Auditor General of India for the year ended 31 March, 2005 (No. 3 of 2006), Union Government (Civil—Autonomous Bodies).

2. The Report of the Comptroller & Auditor General of India for the year ended 31 March, 2005 (No. 3 of 2006), Union Government (Civil—Autonomous Bodies), was laid on the Table of the House on 21 March, 2006.

3. The Committee took evidence of the representatives of the Ministry of Shipping, Road Transport and Highways (Department of Shipping) and Chennai Port Trust on the subject at their sitting held on 16 November, 2006. The Committee considered and finalised this Report at their sitting held on 18th July, 2007. Minutes of the sittings form Annexures to the Report.

4. The Committee would like to express their thanks to the officers of the Ministry of Shipping, Road Transport and Highways (Department of Shipping) and Chennai Port Trust for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

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

6. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;
24 July, 2007

02 Sravana, 1929 (Saka)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

REPORT

PART I

Background Analysis

I. Introductory

India with nearly 7517 kilometres long coastline has 12 major ports and 187 minor ports. Ports in India are divided into “major ports”, a list of named ports where the Central Government plays policy and regulatory functions, and “minor ports”, which are governed by State Governments. All the major ports except the Ennore Port, are governed by the Major Port Trusts Act, 1963 which vests powers in a Board of Trustees (BoT) to conduct regulatory as well as commercial functions. The Act also empowers the Boards to involve private participation to augment facilities and increase the efficiency of the ports.

Chennai Port Trust

2. Chennai Port is situated on the Coromandel Coast in South–East India. It is strategically located and well connected to the other major ports across the globe. It handled 11.5 % of the 384 million tonne cargo in 2001-02. Like the other major ports of the country, Chennai Port is also governed by the Major Port Trusts Act, 1963, made applicable to it from February 1975.

II. Audit Paragraph

3. This Report is based on the Audit Paragraph 12.1 of C&AG’s Report No. 3 of 2006 Union Government (Civil-Autonomous Bodies) relating to “Avoidable expenditure due to delay in taking decision — Chennai Port Trust”.

4. The Audit paragraph focuses on a case of dredging operations by the Port. The Chennai Port Trust maintained the required depth in the Port with its own dredger *Coleroon* and by engaging dredgers of the Dredging Corporation of India (DCI). Since the port dredger *Coleroon* completed its economic life of 20 years by 1996 and required replacement, the Port decided (August 1996) to procure a dredger for replacing *Coleroon*. After inviting tenders, the Port Trust placed (November 2000) the work order costing Rs. 52.24 crore with the Cochin Shipyard Limited (CSL) for delivery of a dredger within 24 months. Meanwhile, the Secretary (Shipping) of the Ministry, noting the high cost of dredging, suggested (September 2001) to the Port Trust to examine the possibility of selling the dredger under construction, and then to in-charter it for dredging in the Port. Acting on this suggestion, the Port Trust approached (January 2002) DCI to purchase the dredger. DCI agreed, subject to execution of a long-term dredging contract (10 to 20 years) with them.

5. Audit scrutiny has revealed that the Ministry, without assigning any reasons, did not agree (April 2003) to the Port entering into such a long-term contract with DCI. Thereafter, the Port Trust approached CSL for sale of the dredger directly from their shipyard. Accordingly, CSL initiated action in June 2003. CSL completed the construction (cost: Rs. 56.23 crore) in October 2003. As CSL was taking action to sell the dredger directly, the Port Trust allowed retention of the dredger by them. However, in March 2004, the Port Trust asked CSL to deliver the dredger if it could not sell the dredger in the near future. Meanwhile, the Port Trust paid an additional amount of Rs. 40 lakh to CSL towards charges for upkeep, maintenance, etc., for the period from October 2003 and for trials arranged for three prospective buyers. The Port Trust took delivery of the dredger in May 2004.

6. Audit also pointed out that in the meantime, the dredger *Coleroon* was decommissioned in October 2002. The Port Trust, after inviting tenders (February 2003) entrusted (June 2003) the work of deepening of Dr. Ambedkar Dock basin (estimated quantity 8.67 lakh cu.m.) and maintenance dredging in turning circle, approach channel, etc., (estimated quantity 7.15 lakh cu.m.) to DCI at rates ranging from Rs. 84 to Rs. 96.50 per cu.m., in addition to payment of Rs. 60 lakh towards mobilisation and demobilisation charges. The DCI commenced the work in September 2003 and completed it in March 2004. During 2004-05, the Port Trust deployed its new dredger and dredged 8.911 lakh cu.m. The average dredging cost for the new dredger worked out to Rs. 61.68 per cu.m. including depreciation.

Audit commented on the process of evaluating dredging options by the Ministry and the Port Trust. Initially, the Port Trust made (May 1996) a strong case in the feasibility study, for the acquisition of a new dredger, as the most economical option. Even in January 2002, the Committee constituted for examining the capacity and suitability of the proposed dredger concluded that the dredger under construction was most economical. Yet the Chennai Port Trust accepted the Ministry's suggestion for selling the dredger under construction. In December 2003, when the Ministry advised the Port Trust to prepare a comparative study, the Port Trust reported that outsourcing was cheaper than owning a dredger, contradicting their earlier study. However, after taking delivery of the new dredger and operating it, the Port Trust reported (October 2004) to the Ministry that operating the dredger was more economical than engaging DCI.

7. Hence, the shifting stands of the Port Trust and the Ministry points to serious deficiencies in the process of evaluating dredging options. The Port Trust while entrusting the work of dredging including maintenance dredging to DCI in June 2003 did not consider the possibility of utilising the newly constructed dredger evidently due to its decision to sell the dredger. Had the Port Trust used the new dredger for maintenance dredging during September 2003 — March 2004, they need not have paid Rs. 7.58 crore to DCI and could get the job done at an estimated cost of Rs. 4.97 crore, thus saving Rs. 2.61 crore. Thus, the inconsistent decisions of the Port Trust and the Ministry, after placing a work order for construction and supply of a dredger, led to the belated delivery of the dredger with consequent avoidable expenditure of Rs. 2.61 crore.

8. The Committee's examination of various issues arising out of Audit Para 12.1 of Report No. 3 of 2006 on "Avoidable expenditure due to delay in taking decision" has been discussed in detail in succeeding paragraphs.

III. Comparison of Rates per Cubic Metre of the Port's Own Dredger and Outsource Dredger with Departmental Rate

9. The rate per cubic metre of the Port's own dredger and that of the outsourced dredger (from M/s DCI) and the permissible departmental rate that was fixed for dredging during the period May 1996, January 2002, December 2003 and October 2004 are given as under:—

Rate per cu.m. of the Port's own Trailer Suction Hopper Dredger (TSHD) for the years May 1996, January 2002, December-2003 and October 2004

- | | |
|---|--|
| (a) May 1996—Rs.764.84 per cu.m. (Dr. Coleroon was under Dry-Docking repairs) | } All estimated rate for the new Dredger |
| (b) January 2002—Rs.137.00 cu.m (for 12.50 lakh cu.m.) | |
| (c) December 2003—Rs.225.00 cu.m.(for 5.63 lakh cu.m.) | |
| (d) October 2004—Rs.110.33 cu.m. (for 12.50 lakh cu.m.) | |

Dredger Corporation of India (DCI) Rates

- | | | |
|-------------------|---|----------------------|
| (a) May 1996 | — | DCI was not engaged. |
| (b) January 2002 | — | Rs. 162.56 |
| (c) December 2003 | — | Rs.96.63 |
| (d) October 2004 | — | DCI was not engaged. |

Departmental Rate

- (a) The departmental rate for 2003 when dredging was outsourced to DCI was Rs. 141.00. DCI quoted average rate works out to be Rs 96.63 per cu.m.

Factors Determining the Rate Dredging

10. According to Ministry, the Rate of Dredging per cubic metre depends upon following factors:—

- (a) Type of Dredging — Maintenance/Capital.
- (b) Quantity to be dredged.
- (c) Nature of Bottom.
- (d) Size of the Dredger.
- (e) Location of Dumping Area.
- (f) Dredging Area.

IV. Shifting Stands of the Chennai Port Trust and the Ministry in Respect of the Procurement and Outsourcing of Dredger

11. The shifting stands taken by the Ministry and Chennai Port Trust at various points of time in respect of owning/outsourcing a dredger are given as under:—

Year	Stands of Ministry/ ChPT
May 1996	Acquisition of a new dredger was most economical option
December 2003	Outsourcing was cheaper than owning a dredger
October 2004	Operating own dredger was cheaper than outsourcing dredger

(A) Stand Taken by the Chennai Port Trust in May 1996

12. The Port Trust initially made (May 1996) a strong case in the feasibility study, for the acquisition of a new dredger, as the most economical option. However, the Secretary (Shipping) noting the high cost of dredging, suggested (September 2001) to the Port Trust to examine the possibility of selling the dredger under construction, and then to in-charter it for dredging in the Port.

13. When asked whether the Port Trust had specifically analysed the reasons for higher dredging unit cost in the Port and satisfy itself that the costs could not be curtailed even with the new dredger, the Ministry, in a written note stated as under:—

“The port had assessed that the Unit dredging cost was high mainly due to following reasons:—

1. The dredger could not be used to its optimum capacity because it could be deployed for only one shift because of non-availability of a Dredger Master and due to shortage of certain categories crew.
2. In the event of outsourcing the dredging work, the port would still have to incur the expenditure on account of the salaries etc. of all the crew members. This amount would also have to be reckoned with while working out the unit cost of dredging.
3. Statutory maintenance such as Dry Docking of the Dredger in addition to normal maintenance have to be carried out periodically, the cost of which also has to be apportioned to the Unit Cost.

In view of above factors, none of the above mentioned cost can be curtailed even with a New Dredger.”

14. In their vetted comments, Audit stated that since the pay and allowances of all the crew members of the Port had to be paid under both options and as such

it would be more advantage to the Port only in the case of owning a dredger because the Port under that option at least could avail itself of services of some crew members in the operation of its dredger. According to Audit the performance of the two dredgers of the Chennai Port Trust during 2000-01 to 2002-03 was as follows:—

	2000-01		2001-02		2002-03	
	Coleroon	Pride	Coleroon	Pride	Coleroon*	Pride
Working days	133.50	92	106.50	73.50	48	127.50
Non-working days	231.50	273	258.50	291.50	135	237.50
Rate per cu.m of dredging, depreciation and interest – Rs.	157.16	468.31	101.84	774.32	175.19	466.31
Excluding depreciation and interest – Rs.	150.20	313.44	91.41	528.24	142.94	305.20

*Decommissioned with effect from 01.10.2002.

From the above table, it may be seen that the cost of dredging was more in the case of 'Pride' and performance of 'Coleroon' was comparatively better than the performance of Pride.

Audit further stated that the dredger *Coleroon* had completed its economic life of 20 years by 1996 itself and as such the cost of repair, maintenance etc., would definitely be more besides non-availability of the dredger for more time due to time required for special repair and maintenance. The maintenance cost would further decrease with the new dredger. Thus the Department's reply that the cost could not be curtailed even with a new dredger is not acceptable.

15. Explaining their stand on the Audit observation, the Ministry, in their reply, stated as under:—

“It is stated that whether the dredger is new or old, expenditure on account of maintenance will have to be incurred. Whether the dredger is new or old there are bound to be breakdown of machineries/equipments. In fact, it has been the experience world over, that it takes quite sometime for the machineries to settle down on a new ship and that breakdowns are more frequent on a new ship than on old ship where machineries have settle down. Dredger Cauvery is a state of the art Dredger whereas Coleroon is a dredger with obsolete technology. Hence the maintenance cost would be higher in case of Cauvery and not less as averred by Audit. Further depreciation in case of Cauvery will be much higher compared to Dr. Coleroon, because Dr. Coleroon was acquired at a cost of Rs. 3.66 crores whereas the Cauvery was acquired Rs. 57.00 crores approx. Fuel cost also has increased manifold in the recent past which will definitely add to the hike in the operational cost. The repair and maintenance cost of Dredger Cauvery is more than the Dredger Coleroon due to the modern technology and increase in price of equipment. Apart from

that, whether it is new dredger or old dredger, dry-docking has to be undertaken once in 2 years to ensure the sea worthiness of the dredger as per the statutory regulations. The dry docking expenditure for Dredger Cauvery will be much more than the expenditure for Dredger Coleroon. As the Dredger Cauvery is a modern dredger with high cost of spares compared to the Dredger Coleroon which was an old model dredger with obsolete technology. In view of that the maintenance cost of Dredger Cauvery will also be substantially high and hence cannot be compared with the old outdated dredger Coleroon. In view of that, the Audit contention that maintenance cost will further decrease with the acquisition of new dredger is not correct. On the other hand the operation and maintenance cost of new dredger shall be higher due to higher cost of acquisition and price of the spares of sophisticated equipment and machinery fitted in the dredger.”

16. The Committee enquired about the circumstances under which the Secretary (Shipping) suggested that Chennai Port Trust may examine the possibility of selling the dredger under construction and then in-charter for dredging. In response, the Ministry, in a written note, stated as under:—

“Jawaharlal Nehru Port Trust (JNPT), another major Port under the administrative control of this Department did not own any dredger and was getting the dredging done by in-chartering a dredger, apparently with good results. Therefore, during a Meeting held on 29.09.2001 to review the performance of Chennai Port Trust, the then Secretary (Shipping) suggested that Chennai Port may also explore the possibility of selling the new dredger under construction and in-charter the same on the lines of JNPT. Obviously, the main consideration was the need to bring down the cost of dredging in Chennai Port. Accordingly, the Port explored the possibility of selling the Dredger under construction to another Government organization viz., Dredging Corporation of India (DCI), on cost plus basis”.

17. When asked whether the Port Trust simply proceeded further on the lines suggested by the Secretary (Shipping) without conducting feasibility study/cost analysis, the Ministry, in a written note, stated as under:—

“In the wake of suggestion given by this Ministry to Chennai Port to consider Dredging through outside agencies, the Port explored the possibility of selling the Dredger to DCI keeping in view the then existing dredging policy. Chennai Port Trust made a comparative study of owning and outsourcing only with respect to M/s. DCI as per the Rate quoted by them at that time. The Port approached DCI, a public sector undertaking also under the administrative control of this ministry to take over the Dredger on “Cost plus” basis. Here it needs to be kept in mind that till the adoption of the then applicable dredging policy, dredging work by almost all Major Ports was awarded to DCI on nomination basis. Since the Major Ports as well as DCI were under the administrative control of the same Ministry and there was virtual absence of other dredging companies that could provide an alternative to DCI, most Major Ports naturally looked towards DCI for meeting their dredging requirements. However, it was apparent that in line with changing

economic scenario, dredging policy would also gradually provide for more competition in this field. As the Dredging Policy was due for a review in 2004, it is obvious why DCI insisted on a long term dredging contract for buying the dredger. It was because of the same reason that this Ministry did not agree for sale of dredger to DCI with the condition of a long term contract.”

18. In their vetted comments Audit stated that there was no evidence on record in the files produced to them that the Port Trust made any comparative study specifically after Ministry’s suggestion in September 2001. In any of the references or in Board’s agenda notes/resolution also, no mention about any comparative analysis was mentioned. All the above indicates that the Port Trust simply started attempting to sell the dredger under construction without any fresh study. In response, the Ministry, in a written note, stated as under:—

“It is stated by Audit that no comparative study was made after the Ministry’s suggestion in September ’01, whereas Audit itself stated that Port undertook comparative study in January ’02, another comparative study in December ’03, when the DCI quoted Rs. 96.63/cu.m. It is seen that Port undertook comparative study at every stage depending on the circumstances prevailing at that particular point of time. The decisions are taken as per the circumstances prevailing at a particular point of time only. The Audit observation is self-contradictory. In view of that, the Audit observation that the Port Trust simply started attempting to sell the dredger under construction without any study is not correct. The Port Trust took the decision to buy the dredger only after conducting detailed study and after exploring the possibility of selling the dredger to DCI and enter into long-term contract with them. Since the DCI insisted for long-term contract and the Ministry did not give permission for that, the Port had no option, except to buy the dredger under construction.”

19. To a specific query whether the Port Trust had compared the cost of dredging by its own dredger with that of outsourced dredger before taking the decision to sell the dredger under construction, the Ministry, in a written note, stated as under:—

“The Chennai Port Trust compared the cost of outsourcing only with respect to the Rate quoted by M/s. DCI at that time. M/s. DCI had quoted very low Unit Cost during that period. The Rate on comparison led to the conclusion that Outsourcing of Dredging operation with M/s. DCI was more economical than owning the Dredging. Accordingly, the Chennai Port approached M/s. DCI to sell the Dredger and re-charter it to Chennai Port Trust. However, M/s. DCI wanted to enter into a Long-Term Maintenance Dredging contract with Chennai Port Trust. Hence, Chennai Port Trust sought the views of the Government. Here it needs to be pointed out that the dredging policy applicable at that point of time provided that all Major Ports (except Kolkata Port) at their, option may call tenders for maintenance dredging or negotiate with DCI for executing the work on nomination basis. Further, the policy provided for purchase preference to DCI, if it participated in the tender. As this policy was due for review in 2004, the Government did not consider it prudent to go into a long term agreement with DCI and accordingly advised the Port. However,

without a long term contract, DCI refused to buy the Dredger. Taking into account the then prevailing market circumstances, Chennai Port Trust compared the cost of outsourcing the dredger with respect to the Market conditions and accordingly a comparison was made based on the NPV of Cash Outflow with 5% Annual Escalation and without Escalation. Based on this analysis, the Port felt that it would be beneficial for it to own, operate and maintain the dredger which the Port could deploy whenever needed particularly during emergency period."

20. In their vetted comments, Audit, stated that in January 2002 itself, the officials of the Port, in the meeting to examine the capability and suitability of new dredger concluded, bringing out the unit cost under both options, that engaging the new dredger would be cheaper than outsourcing through DCI. Hence, the Ministry reply that DCI had quoted a very low unit cost which influenced Port's decision in favour of outsourcing/engaging DCI is not acceptable. Responding to the Audit observation, the Ministry stated as under:—

"In January 2002, the cost of dredging by the new dredger worked out as Rs. 137.00 per cu.m. and by DCI dredger Rs. 162.56 per cu.m. However DCI quoted the rate of Rs. 96.63 per cu.m. dredging during 2003. It is seen from this that the rate quoted by DCI at this particular point of time is much less than the rate of Rs.137 per cu.m. dredging cost worked out for the New Dredger. Decisions are based on inputs available at a particular point of time. Since the DCI rate was much less, hence the decision was to outsource the dredging to DCI. Moreover, the order for outsourcing the dredging to DCI was placed in June 2003, when there was an urgent need for capital and maintenance dredging. At this point of time the Trust new dredger was still under construction and it was also not known as to when the new dredger would be ready for dredging operation. Further the maintenance dredging also involved urgent berth dredging and the Trust's Grab Hopper Dredger Pride was also not available during this period on account of dry docking repairs. Moreover the total quantity to be dredged (both Capital & Revenue) was also huge quantity (15,82,000 cu.m.) this entire quantity had to be dredged within 6 months and the Trust's New Dredger if it was available would have taken much longer time to carry out the same quantity of dredging. Considering the fact that Dredger Cauvery was a small capacity dredger and works only in single shift, decision was taken to outsource the dredging to DCI under the above circumstances. Apart from that, the Port had to dredge huge quantity of 15.82 lakh cu.m. during the period of six months as the New Dredger was still under construction. Since the rate quoted by DCI was comparatively less than the rate arrived by the Port for owning the dredger, DCI was asked to carry out the dredging at that point of time. Hence, outsourcing the dredging operations to DCI at that particular point of time was commercially viable. Subsequently, the Port had to change its decision because of the Ministry not agreeing for a long-term contract with DCI."

21. When enquired whether the Port Trust took into consideration the report of the Committee before proceeding further, the Ministry, in a written note, stated as under:—

“On 21.12.2001, a Committee was constituted with Superintending Engineer (Mtec), Dredging Superintendent, Engineer Superintendent (Dredger) and Sr. Scientific Officer examined the following in order to plan the future strategy for dredging:

1. The expected percentage utilization of the new dredger inside the harbour per year.
2. Will this dredger be able to cater for the maintenance dredging in the channel also?
3. Will this dredger be able to clear the sand trap periodically?

This Committee took into account the quantity to be dredged *i.e.* 12.5 lakhs cu.m., and estimated the unit cost of dredging as Rs. 137 per cu.m. and the percentage of the utilization was worked out as 87.50%. As the new dredger had the capacity to dredge upto (-) 22m this dredger was capable of catering to the requirements of maintenance dredging in the channel as well as the sand trap periodically. The Committee’s findings only reinforced the stand of the Port to procure the new dredger with capacity to dredge upto (-) 22m in order to carry out all maintenance dredging work including sand trap dredging. The Chennai Port Trust took a decision to own a dredger, as M/s. DCI was not able to provide the dredger on immediate basis whenever the Port required to carry out the maintenance dredging on need basis or during emergency situations. Since the dredging operations are essential and required to be undertaken on a continuous basis in order to maintain adequate depths, the Chennai Port Trust decided to procure a dredger on its own to meet the operational requirements under all circumstances. In view of the above, there was no lapse in the decision making process.”

22. In their vetted comments, Audit stated that if the Port Trust required its own dredger to carryout dredging on need basis and during emerging situations, it would be appropriate on the part of Port to bring the above to the notice of the Ministry and it would not have resorted to sell the dredger under construction. Responding to the Audit observation the Ministry stated as under:—

“The Port Trust initially decided to procure its own dredger and accordingly the investment proposal was sent to Government. On this aspect, the Port Trust also placed an order on Cochin Shipyard Ltd. after following the tendering process for the procurement of new dredger. Meanwhile, it was suggested by Ministry to examine the possibility of outsourcing the dredging contract to DCI. At that point of time, DCI offered very low rate, since that rate offered by DCI was comparatively less as compared to the cost of owning, the Port Trust thought of selling the dredger under construction to DCI and enter into a long-term contract with DCI. Since, the proposal of the Port to enter into a long-term contract with DCI was not agreed to by the Ministry, the Port had no option except to buy the dredger as the Port required to undertake dredging activities on a regular basis and cannot depend on dredging through an outside agency without any long-term commitment.”

(B) Stands of the Ministry and Chennai Port Trust in December 2003

23. In December 2003, the Ministry of shipping advised the Port Trust to make a comparative study of the cost involved in owning a dredger *vis-à-vis* outsourcing. The Port Trust reported that outsourcing was cheaper than owning a dredger, contradicting their earlier study. When asked about the basis on which it was concluded that the outsourcing was cheaper than owning a dredger, the Ministry, in a written note, stated as under:—

“During 2003, the Port entered into a contract with DCI for its maintenance dredging works as a part of overall dredging contract. The rate quoted by the DCI at that time was very competitive and even cheaper than the departmental estimate for such dredging works. The per unit cost of dredging by deploying Port’s own dredger at that point of time would have worked out Rs. 110.33 per cu.m. Considering that the total dredge quantity was 891437 cu.m. the total dredging expenditure would have been Rs. 9.83 crores. As against this, the Port got the dredging done from DCI at a total expenditure of Rs. 7.58 crores. Thus, the Port saved an amount of Rs. 2.25 crores by outsourcing the dredging work to DCI.”

24. In their vetted comments, Audit stated that the question is, on what basis the Port Trust concluded that outsourcing was cheaper than owning a dredger when the Ministry in December 2003 required the Port Trust to prepare a comparative study. It would not be relevant to substantiate the decision taken in December 2003 with the actual out turn during 2004-05. The actual quantity relevant to 2003-04 under maintenance dredging was 8.04 lakh cu.m. only as against 8.91 lakhs cu.m. adopted by the Ministry. In December 2003, the Port arrived at the cost of maintenance dredging by its new dredger as Rs. 225 per cu.m. (details of working were not available). Now the Ministry has projected the cost of dredging by its new dredger as Rs. 110.33 per cu.m. which was inclusive of return on investment at 6.50 per cent plus operating cost of Rs. 61.68 per cu.m. and corresponding administrative charges. Applying this rate of Rs. 110.33 per cu.m., the Ministry has projected the resultant savings and thus justified that outsourcing was cheaper. If so, it is not clear as to why the Port reported to the Ministry in October 2004 that operating its new dredger was cheaper. In their response to Audit observation, the Ministry stated as under:—

“The observation of Audit is not correct. During 2003 when the Port undertook the comparative study of owning vs outsourcing, it was considered that outsourcing was cheaper as M/s. DCI had quoted the rate of Rs. 96.63/cu.m. The rate of Rs. 225/- worked out by the Port was based on the anticipated cost of procurement of new dredger (not the actual cost of acquisition) and also the anticipated maintenance expenditure. The above rate of Rs. 225/- was worked out based on the anticipated quantity of 5.63 lakh cu.m. of dredged quantity. The rate of Rs. 96.63 of DCI and also subsequently the rate of Rs. 110.33 arrived by the Port was based on the anticipated quantity of 12.50 lakh Cu.m. of dredged quantity. If the dredged quantity is considered at 12.50 lakh Cu.m., then the comparative cost of owning during 2003 works out to

Rs. 101.28 only. This rate is more than the rate of Rs. 96.63 offered by M/s. DCI and hence the Port concluded at that point of time that outsourcing is cheaper. Subsequently, the Port Trust offered to sell the dredger to DCI and re-charter the dredger for its own dredging operations. The DCI stipulated condition that the Port Trust shall enter into a long-term contract in case DCI offered to take over the dredger. Since, the Ministry has not agreed to the above proposal, the question of comparing the rates of DCI quoted during December '03 and in October '04, when the dredger was actually acquired is not appropriate. The Port Trust conducted another study during October '04 after the acquisition of new dredger by doing NPV analysis and arrived at the rate of Rs. 123.60 crores towards outsourcing the dredging work to DCI. At this point, the owning of dredger worked out to Rs. 102.77 crores on the NPV analysis which is cheaper than the cost of outsourcing and hence, the Port advised the Ministry in October '04 that owning new dredger was cheaper than outsourcing at the time. It is to be seen that decisions are taken at a particular period and it varies depending on the circumstances. Audit has to see the circumstances under which the decisions are taken and should not come to a conclusion that a decision taken in June '03 shall hold good in October '04."

(C) Stands of the Ministry and Chennai Port Trust in October 2004

25. However, after taking delivery of the new dredger and operating it, the Port Trust reported (October 2004) to the Ministry that operating the dredger was more economical than engaging DCI. When asked about the basis for taking such position, the Ministry, in a written note, stated as under:—

“The Chennai Port Trust and M/s. DCI reached an understanding during 2001 on the deployment programme of dredgers to carry out the work in sand trap and other area including rates for engaging the DCI Dredger as on Long-Term Contract. The said understanding *inter-alia* contains the details of the rates proposed from 2000-2001 upto 2004-05, which varies between Rs. 125/- per cu.m. to Rs.145/- per cu.m. Hence, rate per cu.m. worked for owning and operating the dredger as Rs. 103.43 per cu.m. was considered economical at that point of time.”

26. Audit in their vetted comments have stated that the reply of the Ministry is contrary to their earlier reply. It is not clear how an estimated cost per unit between two options would vary vastly during a short span of three years *i.e.* January '02 to October '04. In response, the Ministry, stated as under:—

“There is no contradiction in the estimated unit cost arrived by the Port. During January, '02, the Port arrived at the rate of Rs. 137.00 as the cost of dredging by its own dredger. The Port has arrived at the rate of Rs. 110.33/-per cu.m. in October 2004 for owning. The difference is due to difference in the capital cost considered for the calculation. While arriving at the rate during January '02, the capital cost was assumed at Rs. 53 crores whereas in October '04 the capital cost was considered at Rs. 57.00 crores based on the actuals. The rate was subsequently revised to Rs. 101.28 in December, '03. In view

of that, it may be seen there is no vast variation between the estimated unit cost worked out in January '02 and October '04.”

27. The Committee sought to the reasons for contradicting the earlier decision taken in December, 2003 for outsourcing the dredger and concurring with the finding of the Committee constituted for examining the suitability of the dredger proposed to be acquired. In response, the Ministry, in a written note, stated as under:—

“The decisions have to be considered in the context of the then prevailing circumstances. It may be appreciated that there are no contradictions. The decisions taken as per the best commercial judgment of the Port in the circumstances prevailing at the time. When a comparison was made between Owning and Outsourcing with M/s. DCI during 2003, the lowest rate offered by M/s. DCI for maintenance dredging in the Port area was Rs. 96.63 per cu.m. Whereas the rate quoted in 2004 by M/s. DCI worked out to Rs. 194/- per cu.m. The Department Rate was constant at Rs. 122/- per cu.m. on both the occasions. Therefore, a decision was accordingly taken for outsourcing dredging to DCI when it quoted lower rates. However, when the rates quoted were higher it was considered prudent to dredge with own dredger. Thus, it may be appreciated that the decisions were driven by the then existing circumstances and cannot be construed as contradictory or inconsistent.”

28. Audit, in their further vetted comments stated that the decision to own the dredger or outsource should be based on all relevant factors, which are likely to affect the costing, stretching over a considerable period of time. When the life of an equipment is around 20 years, any decision based on one time position may not be correct. The different stands and the Ministry's attempt to justify each stand on one ground or other only points to lack of understanding of the issue. The Ministry now in its reply states that availability of a suitable dredger to meet the emergency situation would only support the option of owning a dredger. Under the circumstances, the Port Trust would have considered all these before making the attempt to sell the dredger under construction and brought this to the notice of the Ministry instead of blindly taking action to sell the dredger immediately on the lines suggested by the Ministry. Had this been done, the Port could have avoided the additional expenditure of Rs. 2.61 crores. Responding to Audit observation, the Ministry stated as under:—

“The observation of Audit that shifting of stand of the Port Trust and the Ministry points to the serious deficiency in the process of evaluating dredging option is not correct. There are no serious deficiencies in the process of evaluation the dredging options. The evaluation is done based on the circumstances prevailing during a particular period. The evaluation done 5 years ago need not hold now because of the change in the policy of the Government and changed circumstances. Even though, the Port took the decision to procure the dredger as the most economical option in May 1996, there is no wrong in exercising the option of outsourcing the dredging, if the option is beneficial to the Port. In this regard, Ministry based on the experience gained by them, advised the Port to go in for dredging through

outside agency through a Dredging Company. Hence, Port explored the option suggested by the Ministry and only in that aspect, Port approached DCI and also advised Cochin Shipyard Ltd. to sell the dredger. Since the Government of India had directed the Port not to enter into long-term contract with DCI, the Port had no option except to accept the dredger constructed by Cochin Shipyard Ltd., and deploy the dredger for its own use. The Audit reached at the conclusion that by deploying the new dredger for maintenance dredging, Port has incurred an additional expenditure of Rs. 2.61 crores. The Audit has arrived at the above amount by applying the rate Rs. 61.68/cu.m. on the quantity of 891437 cu.m. quantity dredged during the period from September '03 to March '04. It is submitted that the Audit has considered Rs. 61.68/cu.m. by taking into account the Operating Expenditure of Rs. 2,63,54,560/- and the depreciation of Rs. 2,86,30,478/- to arrive at the per unit cost of Rs. 61.68/cu.m. However, Audit has not considered the component of interest on Capital, which is also part of a cost element included to arrive at the rate for deployment of any equipment. Even though, TAMP has proposed a return on capital of 13.50% at a conservative interest rate basis of 6.50% was considered to arrive at the per unit cost of dredging for deploying the Trust own dredger. The rate works out to Rs. 103.43/cu.m. If the above rate is applied on the quantity of 8,91,437 cu.m., the total dredging expenditure works out to Rs. 9.22 crores, by deploying the Port's own dredger. Whereas, the Port had spent only a sum of Rs. 7.58 crores towards dredging by DCI and thus the Port had not incurred any additional expenditure rather saved a sum of Rs. 1.64 crores by outsourcing to DCI. Since it was informed by the Government not to enter into any long-term contract with DCI, the Port had no option, but to procure the dredger from Cochin Shipyard Ltd. and deploy it for its own use. In view of that, there is no additional expenditure or loss to the Port on account of undertaking the dredging through DCI."

V. Non-utilization of New Dredger during September 2003—March 2004

29. When the Committee asked about the reasons for non-utilisation of new dredger during the period September 2003 — March 2004, the Ministry, in their post-evidence reply, stated as under:—

“The dredger was under construction in September 2003. Dredger was ready for trial in October 2003 only. During the sea trials, the Port officials had identified some defects and made observations. After rectification of these observations and after fulfilling certain mandatory requirements dredger would have been ready to sail from Cochin in December 2003 only. Thus, the dredger was not available with the port and the exact date when it would become available could not be stated with certainty. Further, based on the suggestion made by the Ministry, the port was exploring the possibility to sell the dredger. If the Port had taken delivery of the dredger from the shipyard and then tried to sell it, then it would have become a second hand sale and it would not have fetched the same price as a new dredger. Thus, M/s. CSL

was informed to retain the dredger for scouting a buyer upto May 2004. Hence, Port could not utilize the dredger during September, 2003 to March, 2004.”

30. According to Audit, failure to decide between outsourcing the Chennai Port’s dredging requirements and owning a dredger contributed to the delay in delivery of the dredger ordered by the Port and resulted in avoidable expenditure of Rs. 2.61 crores. In his deposition before the Committee, the Secretary, Department of Shipping, stated that it is a kind of notional loss or notional avoidable expenditure because in any case the dredging job had to be taken and at that time their own dredger was not available. Therefore, their dependence, on DCI was almost inevitable. In their post-evidence reply, the Ministry further stated as under:—

“Audit contention that failure to decide outsourcing the Chennai Port’s dredging requirements and owning a dredger contributed to the delay in delivery of the dredger ordered by the Port and resulted in avoidable expenditure of Rs. 2.61 crore is not correct. Because when the contract for outsourcing the dredging work was given in June 2003, Trust’s dredger cauvery was still under construction and it was not known at that particular point of time when the dredger would be ready. Further urgent capital and Maintenance dredging had to be done to facilitate handling of deep draught vessels.”

31. Asked to explain the rationale behind the Department of Shipping justification that the avoidable expenditure of Rs. 2.61 crore incurred on account of non-use of the new dredger during September 2003 to March, 2004 as a “Notional Loss”, the Ministry in their note stated:

“There is no loss to the Port Trust as pointed out by the Audit for the following reasons:—

1. The Port Trust has taken timely action to purchase the new dredger *i.e.* order placed during 2000, with a delivery schedule of December 2002.
2. As the Dredger was not ready by CSL during December 2002, a decision was taken to call for tender for the immediate requirement of maintenance dredging along with capital dredging during December, 2002 and order was placed on DCI during June, 2003.
3. The CSL failed to deliver the dredger in time, due to the Force Majeure Clause like weather, delay in getting approval from statutory bodies etc., and not due to delay in taking any decision by the Port Trust.
4. Even though the Port Trust has examined the possibility for selling the dredger after placement of order on CSL, yet this decision neither had any bearing on the CSL to deliver in time *i.e.* before December, 2002, nor Port Trust to outsource the dredging operations during the period from June, 2003 to December, 2003.”

32. When asked whether the system of cost evaluation adopted by the Port had an inherent deficiency that gave scope for manipulation in the cost calculations so

as to suit the decision, which the authorities desired to take, the Ministry, in a written note, stated as under:—

“It may be appreciated that the cost factor is not the only factor in deciding whether to own a dredger or to outsource the dredging work. The availability of a suitable dredger as and when required particularly in the emergency situations is an equally important factor to reckon. All the relevant factors are taken into account to evaluate various options, which was done in this case as well. As such, there is no deficiency in the Cost evaluation method adopted by the Port which is a universally accepted method. The cost evaluation varies from time to time depending upon the inputs and circumstances prevailing at the point of time of decision making, which is a variable factor.”

33. In their vetted comments Audit pointed out that different conclusions contradicting to each other over a short period of less than three years *i.e.* from January '02 to October '04 would only point to serious deficiency in the cost evaluation method adopted by the Port. If the Port required its own dredger to meet emergency situation, as now stated, the Port would not have resorted to initiate action for sale of the dredger under construction. Responding to Audit observation, the Ministry stated as under:—

“..... In addition, it is submitted that cost alone cannot be a critical factor for decision making. As already stated, the Port required to undertake dredging through the year and for that purpose, a dredger for the Port is essentially required. Since, the Dredger Coleroon had outlived its life, proposal was sent to Government to replace the above dredger. Meanwhile, the Port awarded the work to DCI, since dredging work had to be undertaken urgently, as the new dredger was still under construction. Port wanted to enter into a longterm contract with DCI, as the dredging work has to be undertaken on a regular basis. Since, the Ministry has not agreed for entering into long-term contract with DCI, the Port had no option except to buy the dredger from M/s.Cochin Shipyard Ltd.”

34. According to Audit, the huge difference between the cost evaluation based on certain assumptions and actuals would only point to serious deficiency in the system of cost evaluation. Any cost evaluation between two options *viz.* own service and outsourcing should be based on all relevant factors stretching over a considerable period of time. Different conclusions contradicting to each, over a short period of three years *i.e.* January 2002 to October 2004 could only be a pointer to the serious deficiency in the system of evaluation. In response the Ministry, in a written note, stated as under:—

“As already stated earlier, there is no deficiency in the system of cost evaluation. The evaluation is done based on the circumstances prevailing during a particular period. The evaluation done 5 years ago need not hold now because of the change in the policy of the Government and changed circumstances. Even though, the Port took the decision to procure the dredger as the most economical option in May 1996, there is no wrong in exercising the option of outsourcing the dredging, if the option is beneficial

to the Port. In this regard, Ministry based on the experience gained by them, advised the Port to go in for dredging through outside agency through a Dredging Company. Hence, Port explored the option suggested by the Ministry and only in that aspect, Port approached DCI and also advised Cochin Shipyard Ltd. to sell the dredger. At every stage, the Port worked out the cost of Owning Vs Outsourcing the decision was taken at that time to choose the best option that was commercially viable and beneficial to the Port. When the outsourcing decision was taken, the rate of DCI was compared with the estimated cost of owning of new dredger. When the new dredger was acquired, the actual cost of new dredger was compared on NPV analysis with the rate offered by DCI. In both the options, the decisions were taken based on the commercial viability. Hence, there is no deficiency in the system of cost evaluation.”

35. In their vetted comments Audit pointed out that if the Port could save Rs. 2.25 crore by outsourcing the dredging operation, how the Port Trust reported to the Ministry in October 2004 that operating its own dredger was more economical than engaging DCI. The Department has ignored the fact that the Port has already invested the amount on the dredger. Keeping the dredger idle on one side without any earning the outsourcing dredging services cannot be construed as “best commercial judgement”. Loading the return on investment on the equipment without any earning and comparing this cost with outsourcing to show that outsourcing was cheaper can only be construed as an another attempt of manipulation of result according to the requirement. The return on investment could be really earned only if the dredger was used for its operation. Had the Port Trust utilized the dredger for its operation, it could have completed the task at a lesser cost (Rs.4.97 crore) besides earning some return on investment (*i.e.* Rs. 2.61 crore).

36. In response to Audit observation, the Ministry stated as under:—

“The Port has only pointed out the deficiency with the calculation made by Audit assuming notional loss of Rs. 2.61 crores. The Audit has arrived at the figure by selectively taking the cost components included to arrive at the rate of Dredger Cauvery. Even Audit has compared the rate of new dredger upon its acquisition during October '04 and compared with the cost of outsourcing done during the year 2003. The Port only clarified the deficiency in the calculation of Audit as Audit has not considered the return on investment in the cost component. The return on investment is always included as part of any normal costing exercise to arrive at the unit cost. Even in this case, the Port has considered only 6.50% as rate of return on a very conservative basis as compared to the rate of 13.50% proposed by the TAMP. It is submitted that, Audit has considered only a rate of Rs. 61.68/cu.m. on quantity of 804685 cu.m. and arrived at the dredging cost of Rs. 4.97 crores. The Audit calculation is only notional as it is not practically possible to get the dredging done at the rate of Rs. 61.68. This shows clearly that Audit has not considered the practical aspects relating to the decision making process and choose to arrive at a figure of Rs. 2.61 crores on notional basis. In view of the above, the Audit Observation is not correct.”

VI. Major bottlenecks faced in respect of using the Port Dredger

37. According to Chennai Port Trust the total Dredging capacity of the TSHD per year is 12.00 lakhs cu.m. (approx.) when the Dredger works round the clock in three shifts. Presently Dredger is working in Single shift only hence it can dredge about 4.00 lakhs cu.m. per year to meet the requirement. Its capacity utilization is only one third of its total capacity. The Committee desired to know about the major bottlenecks faced by the Chennai Port Trust. In response, the Ministry, in their post-evidence reply, stated as under:—

“The dredger is presently operating in single shift and carrying out daily maintenance dredging satisfactorily. The major bottle neck is the non-availability of certified/trained manpower in the officer as well as crew categories for optimal utilization. For satisfactory single shift operation in house training has been given to certain category of crew. As stated earlier a proposal is being mooted for outsourcing of manning the dredger for optimum utilization.”

38. When asked whether the Dredger crew were sufficient in number so as to carry out the dredging operations at the optimum level, the Ministry, in their post-evidence reply, stated as under:—

“Dredger crew numbering 130 are sufficient for operating TSHD Cauvery in single shift and GHD Pride in 2 shifts. The Crew engaged in running the Port Dredger (TSHD) are permanent employees of the Chennai Port Trust. However, one Dredger Master and two Dredger Engineers are engaged on contract.”

39. Asked whether the existing dredger crew possessed requisite knowledge of running and maintaining the new dredger which was proposed to be acquired, by the Port Trust, the Ministry, in their post-evidence reply, stated as under:—

“The new Dredger is equipped with variety of electronically controlled equipment with advanced Technology. The existing Dredger crew, after receiving adequate training, is able to maintain and run the new Dredger satisfactorily.”

40. When asked about the latest position with regard to shortage of crew in certain categories, the Ministry in a post-evidence reply stated as under:—

“When the dredger ‘Cauvery’ was inducted into the Chennai Port Trust there was shortage of crew for Dredge pipe operation, Winch operation, steering etc., even for single shift operation, despite Dredger ‘Coleroon’ crews were available for manning Dredger Cauvery. However in due course by giving training to the above categories of Port Trust crew, shortage for one shift operation has been overcome. However shortages of Dredger Master (DM) still continued. One D.M. has been inducted on contract basis but one vacancy still remains unfilled despite best efforts taken by Chennai Port Trust. However Port Trust has taken action to widen the scope of qualification prescribed for the post of Dredger Master by including Dredger Master Grade-I as exists in DCI. With regard to shortage of Dredger Engineers, the

same have been overcome by employing Dredger Engineers on contract basis for one shift operation. For optimal utilization of Dredger 'Cauvery', there is requirement of four Dredger Masters and 7 Engineers. As stated earlier response for taking up assignment of Dredger Master, the response is very poor due to shortage of required qualified crew in the open market, as they prefer sailing considering the remuneration/salary. Shortages of crew are there in all categories due to superannuation, VRS, non-availability of certified/trained crews, restriction imposed by Government. This Department is considering the proposal of Chennai Port for recruitment under Annual Direct Recruitment Plan. However, even induction of crew at the entry level also cannot resolve the problem because MMD certified categories of crew required for operating and manning the dredger will not be available in the open market for induction. It is because of this reason that possibility of outsourcing the manning of the dredger is under examination."

PART II

OBSERVATIONS AND RECOMMENDATIONS

41. The Chennai Port being an artificial Port has to be dredged throughout the year to remove the siltation/material spilled alongside the berths in order to maintain the required depths in basin, berths and approach channels. The Chennai Port Trust maintains the required depth in the Port with its own dredger Coleroon and by engaging dredgers of the Dredging Corporation of India (DCI). The Port dredger Coleroon had completed its economic life of 20 years by 1996 and therefore required replacement. The Port had decided in August 1996 to procure a dredger for replacing Coleroon, which was ultimately procured in 2004, after frequent shifting of stands between owning and outsourcing during the years 2001 to 2004. Audit had pointed out that failure to decide between outsourcing the Chennai Port's dredging requirements and owning a dredger contributed to the delay in delivery of the dredger ordered by the port and resulted in avoidable expenditure of Rs. 2.61 crore. The Committee's examination of the Audit Para has revealed major flaws in the decision making process in the Chennai Port Trust which are dealt with in the succeeding paragraphs.

(Recommendation Sl. No. 1)

42. The Committee have noted that the Chennai Port Trust initially made a strong case for procuring a new dredger, as the most economical option and decided in May 1996 to procure the dredger to replace the old dredger "Coleroon". After four years of dithering, the work order was finally awarded to Cochin Shipyard only on 18.11.2000 to construct and deliver the dredger within 24 months. The justification for procurement of a new dredger was that the Dredging Corporation of India (DCI) was not able to provide the dredger, whenever the Port required to carry out the maintenance dredging on need basis or during emergency situations. However, noting the high cost of dredging by the Port owned dredger, the Secretary (Shipping) suggested in September 2001 to the Port Trust to examine the possibility of selling the dredger under construction and then to in-charter it for dredging activities in the Port. The factors attributed for the higher unit cost of dredging by the Port dredger, due to which it had been decided to sell the dredger, were under-utilization of the dredger due to non-availability of a dredger master and shortage of crew and the extra expenditure incurred on account of the salaries etc. of the crew members. Subsequently, in December, 2001 the Chennai Port Trust constituted a Committee to examine the suitability and capacity of the proposed dredger for their operational requirements. In its report submitted in January, 2002, the Committee *inter-alia* came to the conclusion that the proposed dredger under construction was capable of catering to the requirements of maintaining dredging to the requisite levels and to carry out all maintenance dredging including sand trap dredging, which thus only re-inforced the original decision taken by the Port Trust in 1996 that owning of a dredger was the most economic option. Instead of taking into consideration the Report of the Committee of Officers and bringing out the findings of the Committee to the notice of the Ministry, the Port Trust, based on the suggestion of the Secretary (Shipping), simply approached Dredging Corporation of India (DCI) in January, 2002 to buy the dredger under construction, which speaks volume of the

casual approach of the Port authorities in the matter. The Ministry have however contended that Chennai Port Trust had compared the cost of outsourcing only with respect to the rate of unit cost quoted by Dredging Corporation of India (DCI) at that time which was very low during that period, which led to their conclusion that outsourcing of dredging operation was more economical than owning the dredger.

(Recommendation Sl. No. 2)

43. However, the judgement of the Ministry and the Port Trust were belied when the DCI refused to buy the dredger under construction unless the Port Trust entered into a long term dredging contract (10 to 20 years). As the dredging policy was due for review in 2004, the Government did not consider prudent for the Port Trust to enter into a long term agreement with DCI. The Committee find it strange that having decided to go in for outsourcing of dredging operation by Dredging Corporation of India on grounds of cost efficiency, economy and trends in other major ports, the Ministry did not allow Chennai Port Trust to enter into a long term agreement with the Dredging Corporation for their dredging work. If the Ministry, in the first place, had wanted only a short-term out-sourcing arrangement, it is a matter of contradiction that they directed the Port trust to sell the dredger under construction and eventually in-charter it for dredging operations at the port. Although the Ministry have tried to justify their shifting positions as “decisions based on circumstances”, it cannot escape logical conclusion that the Ministry made an undesirable interference in the affairs of the Port Trust outside the purview of policy. The Committee would like to be apprised about the precise circumstances and the objective conditions behind the Ministry’s directive to Chennai Port Trust in the case in question and also about similar instances in the last three years or so when the Ministry’s directive ran contrary to the decisions/ recommendations of the Port Trust.

(Recommendation Sl. No. 3)

44. The Committee further note that as per the own admission of the Ministry, since the dredging operations are essential and are required to be undertaken on a continuous basis in order to maintain adequate depths, the Chennai Port Trust had decided to procure a dredger of its own to meet the operational requirements under all circumstances. The Committee are surprised that instead of taking into consideration all these factors and bring to the notice of the Ministry the operation requirements in the long run, the Chennai Port Trust simply obeyed the Ministry’s diktat to sell the dredger ignoring the cost effectiveness of owning a dredger at that given point of time. Even though the Ministry and Chennai Port Trust have pleaded that the dithering and delay in decision making did not lead to additional costs for the Port Trust, it is obvious the dredger which should have been in place by the year 2002 actually came to be installed at the Port Trust only in 2004, resulting in avoidable additional expenditure incurred on dredging operations done through out-sourcing. In this context, the Committee desire that the Ministry should do a detailed study/analysis of the pros and cons involved in the owning vs. out-sourcing issue, keeping in view the emerging operational requirements in the ports and apprise the Committee about the policies formulated as a result thereof.

(Recommendation Sl. No. 4)

45. The Committee are astonished to note that Chennai Port Trust decided in August, 1996 to procure a replacement dredger, but floated a global tender only in 1998 for the same. This tender was however, cancelled on technical grounds and the tender was re-invited in 1999. Subsequently, the work order was placed for the replacement dredger on M/s. Cochin Shipyard Limited in 2000 with the scheduled delivery date in December 2002. However, the new dredger could be delivered only in May, 2004. It is thus clearly evident that there was inexplicable delay at every stage of decision making. In this regard, the Secretary (Shipping) during his deposition before the Committee also conceded that there was indeed a delay in the process of acquisition of new dredger and that the action for procurement should have been initiated by the Port Trust in 1993-94 itself. While deploring the all-round delay on the part of Chennai Port Trust in taking crucial decisions concerning their operations, the Committee would like to emphasise that the Ministry should oversee and ensure setting up of an in-built mechanism in the Port Trust to pre-empt such avoidable delays in decision-making.

(Recommendation Sl. No. 5)

46. The Committee further observe that the unit cost calculation for dredging with own dredger and outsourcing the operation varied over the period 2002-04. While the initial calculations before the decision to sell the dredger indicated owning a dredger as cheaper, the calculation made after the decision to sell the dredger was taken concluded that outsourcing was cheaper. Then again, after taking over the dredger finally, the Port Trust reported that dredging with newly owned dredger was more economical than outsourcing. Such varying conclusions over a period of less than three years *i.e.* from January 2002 to October 2004 would only point to serious deficiencies in the cost evaluation method adopted by the Port Trust. Although the Ministry have contended that the evaluation is based on the circumstances prevailing during a particular period, contradictory conclusions arising out of cost evaluations based on same assumptions only brings out the serious deficiencies in the financial system obtaining in the Port Trust. The Committee cannot agree with the Ministry's contention that decisions may vary according to circumstances, as the decision relating to owning a dredger is a major investment decision running into crores of rupees and involving long term interests of the port and which thus cannot be left to vagaries of time. The Committee are of the view that any cost evaluation between two options *viz.* owning and outsourcing should have been based on all relevant factors including futuristic scenario so that a long term contract could be effected for dredging works in the Port. Accordingly, appropriate parameters could have been incorporated in the cost- evaluation system of the port. The Committee now desire that henceforth, while taking such crucial financial decisions, "due diligence" studies should be carried out, keeping in view all possible factors including anticipated scenarios. Once a decision is taken, it should not be changed to the detriment of the business interests of the Organisation. In the light of this experience, the Committee, would like the Port Trust to review their internal processes for better evaluation of financial decisions. The Committee would await specific action taken by the Ministry/ Port Trust in this regard.

(Recommendation Sl. No. 6)

47. The Committee note with concern that there are shortages in various categories of the dredger's crew due to various reasons like superannuation, VRS, non-availability of certified/trained crews, restrictions imposed by the Government, higher remuneration/salary given to the crew members in the open market etc. for optimal utilization of the new dredger. When the dredger 'Cauvery' was inducted into the Chennai Port Trust, there were shortages of crew for dredge pipe operation, winch operation, steering etc., even for a single shift operation, despite the crew of the earlier dredger 'Coleroon' being also available for manning it. Presently, the new dredger is dredging about 4 lakh cu.m. per year only, which is about 1/3rd of its total capacity, on account of shortages of certified/trained manpower in the officer as well as crew categories. The Committee trust that Port authorities would initiate early action for filling up vacant positions so as to carry out dredging operations optimally.

(Recommendation Sl. No. 7)

48. The Committee are unable to understand as to why the Ministry/Chennai Port Trust had purchased T.S.H.D. Cauvery costing about Rs. 52.24 crore having total capacity of 12.00 lakhs cu.m. per year when they knew that they were unable to utilise the full capacity. This factor assumes significance particularly in the backdrop of high costs involved in the operation of Port dredger and which prompted the Ministry to suggest to the Port Trust to opt for outsourcing. Purchasing higher capacity dredger and keeping it idle by utilizing its 1/3rd capacity, is evidently against the basic tenets of financial propriety. The Committee thus would once again like to emphasise the need for a through cost-benefit analysis while taking major financial decisions for better working of the Port Trust.

(Recommendation Sl. No.8)

49. The Committee's examination of the subject has brought into sharp focus the policy issue relating to the autonomy of the Port Trust and the larger role and responsibility of the administrative Ministry *vis-à-vis* Port Trust Management. Facts discussed in the preceding paragraphs abundantly reveal that there has been uncalled for interference from the Ministry in the internal working of the Chennai Port Trust and that too in matters relating to commercial decisions such as owning *vis-à-vis* outsourcing of dredger for meeting their operational requirements. Since the Port Trust is in a better position to assess its varied requirements relating to dredging and the various operational/functional difficulties relating thereto, the Ministry should have left the matter relating to owning and outsourcing of dredger to the wisdom of the Port Trust rather than issue instructions peremptorily, which tantamounted to erosion of the functional and managerial autonomy of the Port Trust. On the other hand the Chennai Port Trust being in a better position to understand their dredging requirements, should have brought to the notice of the Ministry the difficulties faced by them in accepting the decision of the Ministry for outsourcing. What perturbs the Committee is the fact that though in December, 2003 the Dredging Corporation of India had offered a very competitive rate of Rs.96.63 per cu.m., the Ministry did not accept the same for a long term agreement with them in view of the impending change in the dredging policy in 2004. As a consequence thereof, the Port Trust could

not take a prudent commercial decision. Such interventions by the administrative Ministry in the internal matters of the Port Trust, particularly those relating to commercial and investment decisions, do not augur well for the healthy functioning of the Port Trust as it has to operate and survive in the market and face fierce competition from other ports, both public and private, in attracting traffic. The Committee hope that the Ministry would desist from such interference in the internal matters of Port Trusts and would allow adequate functional and operational autonomy to the managements of all the Port Trusts in the Country.

(Recommendation Sl. No. 9)

50. Another issue which has come to fore is the role of Boards of the Trusts. The Committee are not sure whether the issue dealt with in this Report relating to acquisition of dredger was placed before the Board of Chennai Port Trust which apart from various experts, has nominees of the Central Government. The Committee would accordingly await necessary clarification from the Government in this regard.

(Recommendation Sl. No. 10)

ANNEXURE-I

MINUTES OF THE FIFTEENTH SITTING OF PUBLIC ACCOUNTS COMMITTEE
(2006-2007) HELD ON 16TH NOVEMBER, 2006

The Committee sat from 1100 hrs. to 1200 hrs. on 16th November, 2006 in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Khagen Das
3. Shri P.S. Gadhavi
4. Shri Raghunath Jha
5. Shri Bhartruhari Mahtab
6. Shri Brajesh Pathak
7. Shri Mohan Singh
8. Shri Rajiv Ranjan 'Lalan' Singh
9. Shri Kharabela Swain
10. Shri Tarit Baran Topdar

Rajya Sabha

11. Shri R.K. Dhawan
12. Shri Janardhana Poojary
13. Shri Suresh Bhardwaj
14. Dr. K. Malaisamy

SECRETARIAT

1. Shri Ashok Sarin — *Director*
2. Shri M.K. Madhusudhan — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri B.K. Chattopadhyay — ADAI (RC)
2. Shri Nand Kishore — Principal Director (AB)
3. Shri Sanjay Kumar — Director (DT-II)

**Representatives of the Ministry of Shipping, Road Transport & Highways
(Department of Shipping)**

1. Shri A.K. Mohapatra — Secretary (Shipping)
2. Shri T. Srinidhi — Director (Finance)

Representatives of Chennai Port Trust

1. Shri K. Suresh — Chairman
2. Shri P.C. Parida — FA & CAO

Representatives of Dredging Corporation of India Limited

1. Shri A.K. Dhar — Director (Finance)
2. Shri P. Rama Rao — General Manager (Marketing)

2. At the outset, the Chairman, welcomed the Members and the Officers of C&AG of India to the sitting. The Committee then took up for consideration and adoption of the following draft Reports:—

- (i) Action Taken on 14th Report of Public Accounts Committee (14th Lok Sabha) relating to "Assessment of Private Schools, Colleges and Coaching Centres".
and
- (ii) Action Taken on 23rd Report of Public Accounts Committee (14th Lok Sabha) relating to "Review of Norms for Re-appropriation of Funds".

After some deliberations, the Committee adopted these draft Reports without any amendments/modifications and authorized the Chairman to finalise and present the same to the Parliament in the light of factual verification by Audit.

3. Thereafter, the Committee were briefed by the Audit Officers on Paragraph Nos. 12.1 and 12.2 of C&AG's Report No. 3 of 2006, Union Government (Civil—Autonomous Bodies) relating to "Avoidable Expenditure due to Delay in Taking Decision" and "Loss of Revenue" respectively.

4. Then, the representatives of the Ministry of Shipping, Road Transport & Highways (Department of Shipping) and Chennai Port Trust were called in and the Committee commenced the oral evidence on the subject. The Secretary, Department of Shipping and Chairman, Chennai Port Trust explained to the various points arising out of Audit Para and the queries raised by the members. To certain queries, for which the witnesses could not give satisfactory replies, Hon'ble Chairman directed the Secretary (Shipping) to furnish the requisite Information in writing at the earliest.

5. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

ANNEXURE-II

MINUTES OF THE SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE
(2007-2008) HELD ON 18TH JULY, 2007

The Committee sat from 1100 hrs. to 1130 hrs. on 18th July, 2007 in Room No. 51 (Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri R.L. Jalappa
6. Shri Raghunath Jha
7. Shri Bhartruhari Mahtab
8. Dr. Rajesh Mishra
9. Shri K.S. Rao
10. Shri Mohan Singh
11. Shri Tarit Baran Topdar

Rajya Sabha

12. Shri Janardhana Poojary
13. Shri Suresh Bhardwaj
14. Shri Prasanta Chatterjee
15. Dr. K. Malaisamy
16. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Brahm Dutt — *Director*
3. Shri M.K. Madhusudhan — *Dputy Secretary-II*
4. Shri Ramkumar Suryanarayanan — *Under Secretary*
5. Shri N.K. Jha — *Under Secretary*

Office of the Comptroller and Auditor General of India

1. Shri Nand Kishore — Pr. Director (AB)
2. Shri Jayanti Prasad — Pr. Director (INDT)

2. At the outset, the Chairman, welcomed the Members of the Committee to the sitting. Thereafter, the Committee took up for consideration and adoption of the following draft Reports:—

- (i) Draft Report relating to "Functioning of Employees' State Insurance Corporation (ESIC)";
- (ii) Draft Report relating to "Avoidable expenditure due to delay in taking decision—Chennai Port Trust";
- (iii) Draft Report relating to "Delay in finalisation of demands";
- (iv) Draft Report relating to "Property Management by Ministry of External Affairs";
- (v) Draft Report on Action Taken on 9th Report of PAC (14th Lok Sabha) on "National Scheme for Liberation and Rehabilitation of Scavengers"; and
- (vi) Draft Report on Action Taken on 27th Report of PAC (14th Lok Sabha) on "Non-disposal of uncleared/unclaimed Imported Cargo in ICDs/CFSs".

After some deliberations, the Committee adopted these draft Reports without any amendments/modifications and authorized the Chairman to finalise and present the same to Parliament in the light of factual verification done by Audit.

3. The Committee then desired that Audit may be asked to revive the practice (upto 12th Lok Sabha) of furnishing to the Committee a compilation titled "Epitome of the Reports of the Central Public Accounts Committee" containing action taken by the Ministries on the recommendations made by PAC in their Reports alongwith the status of their implementation.

4. Further, it was decided that the Committee would convene their next sitting on 30th and 31st July, 2007.

The Committee then adjourned.

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Deptt. concerned	Observations/Recommendations
1	2	3	4
1.	41	Shipping, Road Transport and Highways (D/o Shipping)	The Chennai Port being an artificial Port has to be dredged throughout the year to remove the siltation/material spilled alongside the berths in order to maintain the required depths in basin, berths and approach channels. The Chennai Port Trust maintains the required depth in the Port with its own dredger <i>Coleroon</i> and by engaging dredgers of the Dredging Corporation of India (DCI). The Port Dredger <i>Coleroon</i> had completed its economic life of 20 years by 1996 and therefore required replacement. The Port had decided in August 1996 to procure a dredger for replacing <i>Coleroon</i> , which was ultimately procured in 2004, after frequent shifting of stands between owning and outsourcing during the years 2001 to 2004. Audit had pointed out that failure to decide between outsourcing the Chennai Port's dredging requirements and owning a dredger contributed to the delay in delivery of the dredger ordered by the port and resulted in avoidable expenditure of Rs. 2.61 crore. The Committee's examination of the Audit Para has revealed major flaws in the decision making process in the Chennai Port Trust which are dealt with in the succeeding paragraphs.
2.	42	-do-	The Committee have noted that the Chennai Port Trust initially made a strong case for procuring a new dredger, as the most economical option and decided in May 1996 to procure the dredger to replace the old dredger "Coleroon". After four years of dithering, the work order was finally awarded to Cochin Shipyard only on 18.11.2000 to construct and deliver the dredger within

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24 months. The justification for procurement of a new dredger was that the Dredging Corporation of India (DCI) was not able to provide the dredger, whenever the Port required to carry out the maintenance dredging on need basis or during emergency situations. However, noting the high cost of dredging by the Port owned dredger, the Secretary (Shipping) suggested in September 2001 to the Port Trust to examine the possibility of selling the dredger under construction and then to in-charter it for dredging activities in the Port. The factors attributed for the higher unit cost of dredging by the Port dredger, due to which it had been decided to sell the dredger, were under-utilization of the dredger due to non-availability of a dredger master and shortage of crew and the extra expenditure incurred on account of the salaries etc. of the crew members. Subsequently, in December, 2001 the Chennai Port Trust constituted a Committee to examine the suitability and capacity of the proposed dredger for their operational requirements. In its report submitted in January, 2002, the Committee *inter alia* came to the conclusion that the proposed dredger under construction was capable of catering to the requirements of maintaining dredging to the requisite levels and to carry out all maintenance dredging including sand trap dredging, which thus only re-inforced the original decision taken by the Port Trust in 1996 that owning of a dredger was the most economic option. Instead of taking into consideration the Report of the Committee of Officers and bringing out the findings of the Committee to the notice of the Ministry, the Port Trust, based on the suggestion of the Secretary (Shipping), simply approached Dredging Corporation of India (DCI) in January, 2002 to buy the dredger under construction, which speaks volume of the casual approach of the

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3.	43	Shipping, Road Transport and Highways (D/o Shipping).	<p>Port authorities in the matter. The Ministry have however contended that Chennai Port Trust had compared the cost of outsourcing only with respect to the rate of unit cost quoted by Dredging Corporation of India (DCI) at that time which was very low during that period, which led to their conclusion that outsourcing of dredging operation was more economical than owning the dredger.</p> <p>However, the judgement of the Ministry and the Port Trust were belied when the DCI refused to buy the dredger under construction unless the Port Trust entered into a long term dredging contract (10 to 20 years). As the dredging policy was due for review in 2004, the Government did not consider prudent for the Port Trust to enter into a long term agreement with DCI. The Committee find it strange that having decided to go in for outsourcing of dredging operation by Dredging Corporation of India on grounds of cost efficiency, economy and trends in other major ports, the Ministry did not allow Chennai Port Trust to enter into a long term agreement with the Dredging Corporation for their dredging work. If the Ministry, in the first place, had wanted only a short-term outsourcing arrangement, it is a matter of contradiction that they directed the Port Trust to sell the dredger under construction and eventually in-charter it for dredging operations at the port. Although the Ministry have tried to justify their shifting positions as "decisions based on circumstances", it cannot escape logical conclusion that the Ministry made an undesirable interference in the affairs of the Port Trust outside the purview of policy. The Committee would like to be apprised about the precise circumstances and the objective conditions behind the Ministry's directive to Chennai Port Trust in the case in question and also about similar instances in the last three years or so when the Ministry's directive ran contrary to the decisions/recommendations of the Port Trust.</p>

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4.	44	Shipping, Road Transport and Highways (D/o Shipping).	<p>The Committee further note that as per the own admission of the Ministry, since the dredging operations are essential and are required to be undertaken on a continuous basis in order to maintain adequate depths, the Chennai Port Trust had decided to procure a dredger of its own to meet the operational requirements under all circumstances. The Committee are surprised that instead of taking into consideration all these factors and bring to the notice of the Ministry the operation requirements in the long run, the Chennai Port Trust simply obeyed the Ministry's diktat to sell the dredger ignoring the cost effectiveness of owning a dredger at that given point of time. Even though the Ministry and Chennai Port Trust have pleaded that the dithering and delay in decision making did not lead to additional costs for the Port Trust, it is obvious the dredger which should have been in place by the year 2002, actually came to be installed at the Port Trust only in 2004, resulting in avoidable additional expenditure incurred on dredging operations done through out-sourcing. In this context, the Committee desire that the Ministry should do a detailed study/analysis of the pros and cons involved in the owning vs. out-sourcing issue, keeping in view the emerging operational requirements in the ports and apprise the Committee about the policies formulated as a result thereof.</p>
5.	45	-do-	<p>The Committee are astonished to note that Chennai Port Trust decided in August, 1996 to procure a replacement dredger, but floated a global tender only in 1998 for the same. This tender was however, cancelled on technical grounds and the tender was re-invited in 1999. Subsequently, the work order was placed for the replacement dredger on M/s. Cochin Shipyard Limited in 2000 with the scheduled delivery date in December 2002. However, the new dredger could be</p>

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			<p>delivered only in May, 2004. It is thus clearly evident that there was inexplicable delay at every stage of decision making. In this regard, the Secretary (Shipping) during his deposition before the Committee also conceded that there was indeed a delay in the process of acquisition of new dredger and that the action for procurement should have been initiated by the Port Trust in 1993-94 itself. While deploring the all-round delay on the part of Chennai Port Trust in taking crucial decisions concerning their operations, the Committee would like to emphasise that the Ministry should oversee and ensure setting up of an in-built mechanism in the Port Trust to pre-empt such avoidable delays in decision-making.</p>
6.	46	Shipping, Road Transport and Highways (D/o Shipping).	<p>The Committee further observe that the unit cost calculation for dredging with own dredger and outsourcing the operation varied over the period 2002-04. While the initial calculations before the decision to sell the dredger indicated owning a dredger as cheaper, the calculation made after the decision to sell the dredger was taken concluded that outsourcing was cheaper. Then again, after taking over the dredging with newly owned dredger was more economical than outsourcing. Such varying conclusions over a period of less than three years <i>i.e.</i> from January 2002 to October, 2004 would only point to serious deficiencies in the cost evaluation method adopted by the Port Trust. Although the Ministry have contended that the evaluation is based on the circumstances prevailing during a particular period, contradictory conclusions arising out of cost evaluations based on same assumptions only brings out the serious deficiencies in the financial system obtaining in the Port Trust. The Committee cannot agree with the Ministry's contention that decisions may vary according to circumstances, as the</p>

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			<p>decision relating to owning a dredger is a major investment decision running into crores of rupees and involving long term interests of the port and which thus cannot be left to vagaries of time. The Committee are of the view that any cost evaluation between two options <i>viz.</i> owning and outsourcing should have been based on all relevant factors including futuristic scenario so that a long term contract could be effected for dredging works in the Port. Accordingly, appropriate parameters could have been incorporated in the cost-evaluation system of the port. The Committee now desire that henceforth, while taking such crucial financial decisions, "due diligence" studies should be carried out, keeping in view all possible factors including anticipated scenarios. Once a decision is taken, it should not be changed to the detriment of the business interests of the Organisation. In the light of this experience, the Committee, would like the Port Trust to review their internal processes for better evaluation of financial decisions. The Committee would await specific action taken by the Ministry/Port Trust in this regard.</p>
7.	47	Shipping, Road Transport and Highways (D/o Shipping).	<p>The Committee note with concern that there are shortages in various categories of the dredger's crew due to various reasons like superannuation, VRS, non-availability of certified/trained crews, restrictions imposed by the Government, higher remuneration/ salary given to the crew members in the open market etc. for optimal utilization of the new dredger. When the dredger 'Cauvery' was inducted into the Chennai Port Trust, there were shortages of crew for dredge pipe operation, winch operation, steering etc., even for a single shift operation, despite the crew of the earlier dredger 'Coleroon' being also available for manning it. Presently, the new dredger is dredging about 4 lakh cu.m. per year only, which is about 1/3rd of its total</p>

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			<p>capacity, on account of shortages of certified/trained manpower in the officer as well as crew categories. The Committee trust that Port authorities would initiate early action for filling up vacant positions so as to carry out dredging operations optimally.</p>
8.	48	Shipping, Road Transport and Highways (D/o Shipping).	<p>The Committee are unable to understand as to why the Ministry/Chennai Port Trust had purchased T.S. H.D. Cauvery costing about Rs. 52.24 crore having total capacity of 12.00 lakhs cu.m. per year when they knew that were unable to utilise the full capacity. This factor assumes significance particularly in the backdrop of high costs involved in the operation of Port dredger and which prompted the Ministry to suggest to the Port Trust to opt for outsourcing. Purchasing higher capacity dredger and keeping it idle by utilizing its 1/3rd capacity, is evidently against the basic tenets of financial propriety. The Committee thus would once again like to emphasise the need for a thorough cost-benefit analysis while taking major financial decisions for better working of the Port Trust.</p>
9.	49	-do-	<p>The Committee's examination of the subject has brought into sharp focus the policy issue relating to the autonomy of the Port Trust and the larger role and responsibility of the administrative Ministry <i>vis-a-vis</i> Port Trust Management. Facts discussed in the preceding paragraphs abundantly reveal that there has been uncalled for interference from the Ministry in the internal working of the Chennai Port Trust and that too in matters relating to commercial decisions such as owning <i>vis-a-vis</i> outsourcing of dredger for meeting their operational requirements. Since the Port Trust is in a better position to assess its varied operational/functional difficulties relating thereto, the Ministry should have left the matter relating to owning and outsourcing of dredger to the wisdom of the Port Trust rather than issue instructions</p>

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			<p>peremptorily, which tantamounted to erosion of the functional and managerial autonomy of the Port Trust. On the other hand the Chennai Port Trust being in a better position to understand their dredging requirements, should have brought to the notice of the Ministry the difficulties faced by them in accepting the decision of the Ministry for outsourcing. What perturbs the Committee is the fact that though in December, 2003 the Dredging Corporation of India had offered a very competitive rate of Rs. 96.63 per cu.m., the Ministry did not accept the same for a long term agreement with them in view of the impending change in the dredging policy in 2004. As a consequence thereof, the Port Trust could not take a prudent commercial decision. Such interventions by the administrative Ministry in the internal matters of the Port Trust, particularly those relating to commercial and investment decisions, do not augur well for the healthy functioning of the Port Trust as it has to operate and survive in the market and face fierce competition from other ports, both public and private, in attracting traffic. The Committee hope that the Ministry would desist from such interference in the internal matters of Port Trusts and would allow adequate functional and operational autonomy to the managements of all the Port Trusts in the Country.</p>
10.	50	Shipping, Road Transport and Highways (D/o Shipping).	<p>Another issue which has come to fore is the role of Boards of the Trusts. The Committee are not sure whether are issue dealt with in this Report relating to acquisition of dredger was placed before the Board of Chennai Port Trust which apart from various experts, has nominees of the Central Government. The Committee would accordingly await necessary clarification from the Government in this regard.</p>