HUNDRED AND THIRTY SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1982-83)

(SEVENTH LOK SABHA)

KANDLA PORT TRUST

MINISTRY OF SHIPPING AND TRANSPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 97th Report (7th Lok Sabha)]

Presented in Lok Sabha on ....

Laid in Rajya Sabha on ....

LOK SABHA SECRETARIAT
NEW DELHI

March, 1983/Chaitra, 1905 (S)

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(1982-83)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Thirty-Seventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 97th Report (7th Lok Sabha) on Kandla Port Trust relating to the Ministry of Shipping and Transport.

2. In this Action Taken Report the Committee have expressed their serious concern at the tendency of the Ministries/Departments of Government to prepare the feasibility reports project reports on the basis of incomplete data which would only give an entirely incorrect and misleading picture of the cost benefit ratio of the project to Parliament and the people. The Committee have stressed that such haphazard planning as has been done in execution of Mathura Refinery where there was wide divergence in the Feasibility Report and Detailed Project Report should be avoided in future and it must be ensured that feasibility reports are prepared after taking into account all relevant data so as to project a realistic picture.

3. The Committee have also expressed their displeasure at the failure and lack of foresightedness on the part of Kandla Port Trust authorities by not involving the provisions of the contract entered into with a firm in October 1970 for supply of two additional barges. The Port Trust authorities, rather than cancelling the order by taking advantage of the firm's failure to deliver the barges in time kept on granting extensions upto May, 1977, and did not even insist on recovery of liquidated damages. Considering that the existing barges were not being fully utilised, the best course under the circumstances would have been for the port trust authorities to cancel the order and thus save the Government from an infructuous investment of Rs. 5.51 lakhs.

4. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 29 January, 1983.

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

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

NEW DELHI; SATISH AGARWAL
March 28, 1983. *Chairman*
Chaitra 7, 1905 (*S*). *Public Accounts Committee*.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's observations and recommendations contained in their 97th Report (7th Lok Sabha) on paragraph 34 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) relating to the Kandla Port Trust.

1.2 The Committee's 97th Report was presented to the Lok Sabha on 29 April, 1982 and contained 60 observations and recommendations.

Notes indicating the action taken by Government in pursuance of all the observations and recommendations contained in the Report were received from the Ministry of Shipping and Transport in December 1982. These have been broadly categorised as under:

(i) Recommendations and observations which have been accepted by Government:

Sl. Nos. 1—11, 13, 14, 16—19, 22, 24—28, 33—46, 49, 51—55, 59 and 60.

(ii) Recommendations and observations which the Committee do not desire to pursue in view of the replies received from Government:

Sl. Nos. 12, 20, 21, 29—32, 47, 48 and 56—58

(iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. No. 23.

(iv) Recommmendations and observations in respect of which Government have furnished interim replies:

Sl. Nos. 15 and 50

1.3 The Committee expect that final replies to those recommendations and observations in respect of which only interim replies have been furnished by the Government so far will be made available to the Committee expeditiously after getting them vetted by Audit.

1.4 The Committee will now deal with action taken by Government on some of their recommendations and observations.

Escalation in the cost of Mathura Refinery (S. *No.* 6—*Para* 2.19)

1.5 Taking serious note of heavy escalation in cost of Mathura refinery, the Committee had in paragraph 2.19 of their 97th Report recommended:—

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

1.6 In their Action Taken reply furnished in August, 1982, the Ministry of Shipping and Transport stated as follows:

> "So far as the cost escalation in respect of Mathura Refinery is concerned, the Department of Petroleum have informed that the estimated cost of Rs. 97 crores in the feasibility report of the refinery was when the project parameters, the process scheme and other infrastructure and scheme of utilities had yet to be finalised. As has been explained in paragraph 2.17, the commissioning schedule of the refinery had to be revised. The revised cost estimates approved by Government in May, 1979 on the basis of a detailed project report, were Rs. 192.32 crores at 1977 prices. Therefore, the final cost (Rs. 253.92 crores) including the cost escalation during the construction period for setting up the Mathura Refinery has in fact to be compared with the approved project of Rs. 192.32 crores (1977 price basis).

It may also be mentioned that in December, 1981 a Study Group headed by Shri Nitin Desai, Adviser, Planning Commission was constituted by the Department of Petroleum to (a) review the changes in the design of the projects and the costs of the projects since the preparation of the feasibility report and their approval in the Government right at the start, and (b) to appraise the capabilities of the enterprises concerned in the preparation of projects (for submission of feasibility reports), cost estimates and to recommend what changes in the present system are required to greatly improve the quality of these. The final report of this Study Group has been received recently and is under examination of the Department of Petroleum."

1.7 In their 97th Report, the Committee had pointed out that the poor utilisation of the large capacity built up at Vadinar was on account of inordinate delay in commissioning of the Mathura refinery. The Committee had taken serious note of the escalation of cost of Mathura refinery from Rs. 97 crores in 1973 to Rs. 253.92 crores at September, 1981 price level and had urged the Ministry of Petroleum to ensure that such costly delays were avoided. In their reply, the Department of Petroleum have stated that the original estimate was worked out on the basis of the feasibility report of the refiery when the project parametres, the process scheme, other infrastructure and scheme of utilities had yet to be finalised... The cost estimates worked out on the basis of detailed project report were Rs. 192.32 crores at 1977 price level. **The Committee wish to express their serious concern at the tendency of the Ministries/Departments of Government to prepare feasibility Reports/Projects Reports on the basis of incomplete data which would only give an entirely incorrect and misleading picture of the cost benefit ratio of the project to Parliament and the people... The Committee stress that such haphazard planning should be avoided in future and it must be ensured that feasibility reports are prepared after taking into account all relevant data so as to project a realistic picture.**

PROVIDING SPARE CAPACITY FOR CLEARANCE OF ADDITIONAL TRAFFIC FROM KANDLA

(Sl. Nos. 8 and 9—Paragraphs No. 2.26 and 2.27).... ..

1.8 Expressing their concern over the huge wastage of national resources involved in the movement of cement to distant destinations by road and the high cost which the consumer has utimately to pay for this essential commodity, the Committee had, in paragraph 2.26 and 2.27 of their Report recommended:

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

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

1.9. In their Action Taken Note dated 7/13 December, 1982 the Ministry of Shipping and Transport have stated:

"The Ministry of Railways have informed that Railways' resources stand committed to clear the traffic of fertilizers and POL and other miscellaneous imports like wheat and newsprint imported through Kandla. As there is hardly any generation of covered wagons, empty wagons are being moved from over 500 Kms to meet the demands of this area. Railways do not have spare capacity for clearing additional traffic from Kandla.

It has also been suggested by the Railway Ministry that the imported cement should be allotted for movement to nearby areas, where it could go by road.

Fertilizers are already being moved by rail."

1.10 From the reply furnished by the Ministry of Shipping and Transport, the Committee note that whereas the Ministry of Railways stand committed to clear the traffic of fertilizers, POL and other miscellaneous imports like wheat and news-prints imported through Kandla Port, they have expressed their inability.. to provide wagons for movement of cement from Kandla on the ground that Railways did not have spare capacity for clearing additional traffic from Kandla. The Railways have suggested that 'imported cement should be allotted for movement to nearly areas where it could go by road. In paragraph 207 of their 103rd Report, (7th Lok Sabha) on "Availability of wagons on Indian Railways" the Committee had pointed out that the total quantity of cement moved by rail declined from 127.73 lakh tonnes in 1966 to 99.45 lakhs tonnes in 1979 and further to 68.46 lakh tonnes in 1981 (January-September against the steep increase in movement of cement by road from 45.49 lakh tonnes in 1976 to 76.39 lakh tonnes in 1979 and 74.71 lakh tonnes upto September, 1981. As the movement of cement by road not only puts additional burden on the consumer and project authorities but also results in avoidable consumption of scarce and precious petroleum products which the country can ill afford in this period of foreign exchange difficulties, the Committee desire that the question of providing adequate wagons for movement of cement from Kandla by Rail and allocation to nearby areas should be settled by negotiations between the Railway authorities and the Cement Controller without delay.

Non-availability of Railway Wagons at Kandla Port (*Sl. No.* 15—*Paragraph* 2.48)

1.11. Referring to the need for granting freight rebate for exports through Kandla Port with a view to augmenting the export traffic from Kandla and thus making available larger number of empties for the import traffic, the Committee had in paragraph 2.48 of their Report stated:

"The Committee note with concern that the main handicap at Kandla is the non-availability of wagons. According to the data furnished by the Ministry of Shipping & Transport, the supply of wagons against the average daily indents was only

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

1.12 The Ministry of Shipping and Transport have replied in their Action Taken note dated 31 December, 1982 as follows:

"Ministry of Railways, with whom the matter was taken up again reiterated their stand that the Railways are not in a position to revive the freight concession for export traffic. They have, however, no objection, to operate the scheme of freight rebate for export for selected commodities provided the Ministry of Commerce reimbursed to the Railways all the revenue lost by the Railways on this account together with 5 percent surcharge. Alternatively, the Ministry directly concerned with the export of the commodity should reimburse the amount to the Ministry of Railways.

The views of the Railway Board have been communicated to the Ministry of Commerce with the request that they may consider the suggestion of the reimbursement of loss suffered to Railway Ministry. Commerce Ministry has replied that they are examining the question whether such a concession can be made available through Market Development Assistance (MDA). For this purpose, a Paper is being placed by the Commerce Ministry before the MDA Main Committee consisting of Secretaries of Commerce, Expenditure and Economic Affairs."

1.13 The Committee are constrained to note that instead of placing the matter regarding grant of freight rebate for exports through Kandla Port before the Committee of Secretaries, the Ministry of Shipping and Transport had taken up the question with the Ministry of Railways who only reiterated their earlier stand that they were not in a position to revive the freight concession for export traffic and that they would have no objection to operate the scheme of freight rebate for export for selected commodities provided the Ministry of Commerce reimburse to them all the revenue lost on this account together with 5 per cent surcharge. The Ministry of Commerce to whom the view of the Ministry of Railways were communicated for necessary action, have stated that they are examining the question and for this pudpose a paper is being placed by them before the Market Development Assistance Main Committee. The Committee would like an early decision to be taken in the matter, failing which it should be remitted to the Committee of Secretaries for a final decision.

Better utilisation of the capacity of Kandla Port Trust
(Sl. No. 16, Para 2.49)

1.14 In order to ensure better utilization of the capacity at Kandla Port, the Committee had in para 2.49 of the 97th Report recommended:

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

1.15 In their Action Taken note dated 7/13 December, 1982 the Ministry fo Shipping & Transport have stated:

"The suggestion of the Committee that a detailed survey should be carried out to identify export cargo from the hinterland of the Kandla Port which is being routed through other ports, has been accepted. A Survey Team consisting of the Deputy Traffic Manager, Accounts Officer and the Statistical and Research Officer from Kandla Port and one representative each from the Gujarat Chamber of Commerce and Industry and Western Indian Shippers Association has been constituted. The report of the Survey Team is awaited."

1.16 In pursuance of the recommendations made by the Committee, Government have decided to carry out a detailed survey to identify the export cargo from the hinterland of the Kandla Port which is being at present routed through other ports. The Committee trust that expeditious measures would be taken by Government to ensure that all export traffic which can be diverted to Kandla Port is so diverted in order to ensure that the capacity of the Port is fully utilized.

Recovery of liquidated damages from a firm (*Sl. No.* 23, *Para* 3.5)

1.17 Commenting on the leniency shown by the Port Trust authorities to a manufacturing company by waving the recovery of liquidated damages amounting to Rs. 7.08 lakh on account of their failure to adhere to the time schedule for supply of steel barges, the Committee had stated in paragraph 3.5 of their Report:

> The Committee further observe that the Kandla Port Trust Authorities did not take action for recovery of liquidated damages amounting to Rs. 7.08 lakhs for the failure of the manufacturing company to adhere to the time schedule for supply of steel barges on the ground that no loss was suffered since there was no demand for barges and that even the existing four barges could not be fully utilised. The argument is self-contradictory for the apparent reason that if the existing barges were not being fully utilised, there was no justification to go in for new barges. In any case, there is no reason why such leniency should have been shown to the firm. The Committee, therefore, consider it to be a lapse on the part of the Port Trust Authorities and would like the matter to be investigated further with a view to fixing responsibility."

1.18 In reply to the above recommendation the Ministry of Shipping and Transport in their Action Taken Note dated 31 December, 1982 have stated:

> "Out of the six barges ordered on M|s. West Coast Lighterage, Jamnagar, four barges were delivered within the period of extensson allowed by the Board i.e. 31.8.1976. The other two barges were delivered on 10-5-1977. Therefore, the question of levy of liquidated damages as per contract clause arose in respect of the two, barges only. The contract value of these barges worked out to Rs. 5,51,000 and liquidated damages for a period of 9 months @ 2 per cent per month came to Rs. 99,200 (18 per cent of Rs. 5,51,102) and not Rs. 7,08 lakhs as stated.

The matter regarding grant of extension for late delivery of the last two barges without levy of liquidated damages was placed before the Board of Trustees in the meeting held in May, 1977. The reasons for grant of extension of delivery period in respect of the last two barges from 1st September, 1976 to 10th May, 1977, as mentioned in the note submitted to the Board in the above meeting are given below:

(i) Non-availability of Lloyds tested steel plates;

(ii) Frequent troubles in transporting materials due to strike of transport workers;

(iii) Non-availability of gas; and

(iv) Power cut.

The above reasons which contributed to the delay in the delivery of two barges were considered justified by the Board and, accordingly, extension was granted after keeping in view also the fact that the Port Trust had not suffered any distinct financial loss on account of delayed delivery. It should be mentioned here that though there was a clause in the contract for payment of escalation on steel, on the basis of which, the firm had claimed the escalation on steel, but it was not allowed by the Port Trust. It is also relevant to mention here that the repeat order was placed on the firm in October, 1973, while the barges were delivered in May, 1977 and during this period, there had been high fluctuations in the price of steel, which was the main raw material for the barges. It may further be mentioned that the security deposit for 4 barges amounting to Rs. 95,609/- and also the last stage payment of the fourth barge amounting to Rs. 27,555/- were withheld for non-delivery of the last two barges within the stipulated period. These amounts were, however, released finally when the period of delivery was extended by the Board. This indicates that the Port Trust had not been lenient. It is also pointed out that judicial pronouncement in regard to cases of liquidated damages were clearly against levy of liquidated damages where no actual loss had been sustained by the party ordering the goods....The Committee have observed that the reasons given for non-recovery of liquidated damages viz. that there was no loss suffered by the Port since there was no demand for the barges and that even the existing four barges could not be fully utilised are self-contradictory. It is pertinent to mention that the reasons were given at a time when the last two barges were actually delivered. However, this does not take away the rationale behind the procurement of barges, which was considered at a much earlier period on the basis of the then existing trend in traffic. The fact remains that the demand for the barges dwindled considerably when the barges were actually received mainly due to decline in the import of foodgrains and export of salt from the Port for which the barges were expected to be utilised. The subsequent decline in traffic was beyond the control of the Port authorities as the same was related to the stoppage of the imports of foodgrains and exports of salt according to the policy of the Central Government.

In view of the above factors, it is felt that the Board took a conscious decision not to levy the liquidated damages in the above case. Consequently there is no need to investigate the matter further for fixing responsibility in this case.

Remarks offered by Audit

In respect of serial No. 23 of Appendix II(Para 3.5) of the 97th Report, where the Ministry has disputed the amount of liquidated damages, it may be mentioned that the amount of Rs. 7.08 lakhs mentioned in the PAC's report is correct. The amount represents the liquidated damages recoverable for 6 barges for the entire period of delay from the due date of delivery for each barge to the actual date of delivery for each barge and as such does not require any revision.

Further, the supply order also stipulated that if the contractor failed to deliver the stores or any instalments thereof within the period fixed for such delivery, the Chairman of the Port Trust might cancel the contract or a portion thereof. The Port Trust which had decided to purchase six more steel barges and obtained the Government's approval in September 1975 had not gone in for these additional barges due to the change in the trend in traffic. Had the action to cancel the contract for the two additional barges (due date of delivery—January 1975) been taken instead of granting extension from time to time upto May 1977 idle investment on at least two barges (Rs. 5.95 lakhs) could have been avoided.

Further comments of the Ministry of Shipping & Transport

The Audit has expressed the view that liquidated damages amounting to Rs. 7.08 lakhs are leviable on all the six barges for the period of delay. It is stated in this regard that separate Supply Orders were placed for four barges (*vide* No. ST:PU0649/24 dated 8 May 1973) at the rate of Rs. 2,75,551/- per barge (total basic cost Rs. 11,02,204) and a repeat order was placed (*vide* ST:PU0649/238 dated 5 October, 1973) for two barges at a cost of Rs. 5,51,102/-. The Port authorities have reported that the delivery date of the four barges ordered under Supply Order dated 8 May, 1973 was extended from time to time having regard to all relevant circumstances. The barges were delivered within the extended dates. In this connection it is relevant that the general condition 14, read with special condition 15, of the contract conditions empowers the purchaser (the port) to grant extension of time. As the delivery of barges was made within the extended period of delivery, there was no question of levy of any liquidated damages on these four barges under condition 5 of the Supply Order. The decision to grant extension had been taken after the Port had been satisfied that the circumstances mentioned in condition No. 14 of General Conditions and condition No. 15 of Special Conditions of the contract warranted such a decision. Once the extension of delivery period was granted, it would be appreciated that the question of collecting| levying liquidated damages did not arise.

As regards the other two barges for which the Supply Order was placed on 5 October, 1973, these barges were not delivered even after the 31st August 1976, the extended date of delivery and were delivered actually on 10 May 1977. Thereafter, the Port authorities had placed before the Board of Trustees the full facts of the case suggesting that the liquidated damages need not be levied for the period from 1 September 1976 to 31 May 1977. It is also relevant that the maximum liquidated damages leviable in respect of these two barges on the basic cost of Rs. 5.51 lakhs (at the rate of 2 per cent per month for nine months from September 1976 to May 1977) worked out to Rs. 99,200/-. Upon full consideration of the matter, the Board decided under Resolution No. 19 of May 1977 that the penalty of liquidated damages should not be levied on the Contractors. In the light of the above, it appears that it would not be correct to club initial purchase of four barges and subsequent purchase of two additional barges for the purpose of liquidated damages as they were purchased under separate supply orders. Besides, as stated earlier in cases where no actual loss is sustained by a purchaser, liquidated damages cannot be enforced legally. In view of the above explanation and taking into account the total circumstances of the case, and specially the fact that the decision in this case was taken by the Board of Trustees, it is felt that the matter may not be pursued further."

1.19 In para 3.5 of the 97th Report the Committee had referred to the leniency shown by the Port Trust authorities to a manufacturing company for delaying the supply of four steel barges in August 1976 against orders placed as early as May 1973. No liquidated damages were levied on the ground that the Board of Directors had extended the delivery period for supply of these barges under the general condition 14 read with Special condition 15 of the contract which empowers the purchaser to grant extension of time for delivery of goods.

1.20 The Committee note that orders for two more barges were placed with the firm on 5 October, 1973 and the supply order stipulated that if the contractor failed to deliver the stores or any instalments thereof within

the period fixed for such delivery, the Chairman of the Port Trust might cancel the contract or a part thereof. These barges were again not delivered by the due date i.e. January 1975 and were delivered only in May, 1977. By that time it had become quite evident to the Port Trust authorities from the trend of traffic that it would not be possible to utilise these barges. It is most surprising that the Port Trust authorities, rather than cancelling the order by taking advantage of the firm's failure to deliver the barges in time, kept on granting extensions and did not insist even on recovery of liquidated damages. The Committee consider that under the circumstances the best course would have been for the Port Trust authorities to cancel the order for these barges and thus save Government from an infructuous investment of Rs. 5.51 lakhs. The Committee cannot but express their displeasure at this failure and lack of foresight on the part of Kandla Port Trust authorities.

Deficits in the Earning of the Port Railways
(Sl. No. 50—Paragraph No. 4.54)

1.21 In para 4.54 of the Report, the Committee had observed:

"The Audit para has pointed out that there were deficits of the order of Rs. 22.36 lakhs in 1978-79 and Rs. 27.20 lakhs in 1979-80 in the operation of Port Railways. The Committee regret to observe that the issue of payment of the terminal/haulage siding charges by the Railways has remained undecided ever since the booking of the goods traffic started at Kandla Port in 1956. The Committee find that the real point of dispute is the question of payment of the cost of staff quarters and allied buildings which were built by the Railways as deposit works at a cost of Rs. 23.73 lakhs. The Railways' contention is that the Port Trust should 'pay the capital cost of line first before they can expect us to pay railway charges'. Moreover, the staff were working for the Port Trust and as such the liability should be borne by them, as was the case with other Port Trusts such as Cochin, Tuticorin etc. The Ministry of Shipping and Transport have on the other hand, taken the stand that the cost of staff quarters should be borne by the Ministry of Railways since these were built for their staff. The Committee consider it extremely unfortunate that it has not been possible for the two Ministries to settle this dispute for the last as many as 26 years. The Railways could legitimately have insisted on pre-payment of the cost of staff quarters as required under rules prescribed for such deposit works in the Railway Manual. The Committee find that consequent upon the evidence tendered before them both by the representatives of the Ministries of Shipping and Transport and the Railways, a joint meeting was held in February, 1982 wherein an agreement has been reached on some of the outstanding issues. However, no settlement has yet been arrived at with regard to the capital cost of staff quarters, and allied buildings though the Railways have agreed to maintain the same at their cost and recover the rent from their staff. The Committee would impress upon the two Ministries the need for arriving at a decision in the matter without any further delay. They would like to be apprised of the outcome within six months."

1.22 In their Action Taken note dated 31 December, 1982 the Ministry of Shipping & Transport have stated:

"To find a solution to the dispute pending between the Western Railways and the Kandla Port Trust regarding the payment of the cost of staff quarters and allied buildings built by the Railways at Kandla, this Ministry proposed an inter-ministerial meeting with Railway Board. The meeting is likely to be held soon and the Public Accounts Committee will be informed of the decisions taken."

1.23 From the reply furnished by the Government, Committee note that the Ministry of Shipping and Transport have propsed an Inter-ministerial meeting to find a solution to the dispute pending between Western Railway and the Kandla Port Trust regarding the payment of the cost of staff quarters and allied buildings built by the Railways at Kandla. However the reply does not clarify what action, if any, has been taken by the Ministry to solve the issue of payment of terminal|haulage|siding charges by the Railways. As this matter has remained undecided ever since the booking of goods traffic started at Kandla, the Committee urge that concerted efforts should be made to settle all the pending disputes without any further loss of time.

Management Studies (Sl. No. 53—Para 4.63)

1.24 In para 4.63 of the 97th Report, the Committee had suggested the setting up of a special cell to study the new management practices and procedures with a view to streamlining the operations of the major ports. The Committee had observed:

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

1.25 In their Action Taken note dated 3rd September, 1982 Ministry of Shipping and Transport have stated:

"The need to bring about necessary changes in the managerial and and operational inputs and introduce modern management practices at major ports has been engaging the attention of the Ministry for some time past. It is the considered view of the Ministry that Indian Ports Association, which is a coordinating body between the Ministry and the Ports *inter-se* should build up a group of professional experts who could study separately as well as in a coordinated manner, the different activity areas in the ports and in course of time build efficient operational systems and procedures in order to improve managerial and operational performance. The Ministry has taken up the matter with Indian Ports Association for the creation of a Management Services Group as early as possible."

1.26 The Committee had in the 97th Report emphasized the need for introducing modern management practices at major ports with a view to streamlining the operations. Accordingly, the Ministry have taken up the matter with the Indian Ports Association which is a coordinating body between the Ministry and the Ports inter-se **with a view to building up a group of professional experts who could study separately as well as in a coordinated manner, the different activity areas in the ports and gradually introduce efficient operational systems and procedures in order to improve the mana-**

gerial and operational performance of the various ports. The Committee desire that the question of setting up of a Management Services Group, as envisaged, should be pursued vigorously. Needless to say, the Ministry of Shipping and Transport would provide the necessary impetus, technical guidance etc. as may be needed by this Group and also monitor its activities on a continuous basis.

Development of the township under the scheme for development of Small and Medium towns (Sl. Nos. 57 and 58—Paras 5.5 and 5.6)

1.27 In regard to the programme for development of the Gandhidham township the Committee had in paragraphs 5.5 and 5.6 of the 97th Report recommended:

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

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

1.28 The Ministry of Shipping and Transport have stated in their action taken note dated 7|13 December 1982 as under:

"Gandhidham township and Kandla Port are a composite complex and the development of the township is, therefore, inter-linked with the development of the Kandla Port. As the port's pace of development was slow upto mid-seventies due to several factors beyond its control, this had an adverse effect on the growth of the township which languished and could not develop faster in spite of a master plan for a modern township and allotment of plots at nominal prices both for industrial and residential purposes. As soon as the traffic started picking up at the port, the construction activity also started gaining momemtum.

Other factors which favour retaining of the land with the Kandla Port Trust are the factors of economy and essentiality. Kandla Port is situated at a distance of 13 Kms. from Gandhidham township and the development of land near Kandla is quite expensive as it involves lot of reclamation, filling, levelling and pile foundation for permanent structures. Construction of buildings and structures necessary for commercial infrastructure connected with the port traffic is consequently much cheaper in Gandhidham township area than in the areas near the port. Due to this reason, it is necessary that the Port Trust should continue to play its present role in the development of the township. It is also felt that without proper and adequate back-up of a modern township having banking and other infrastructure facilities essential for development, a port cannot function effectively. Moreover, the Port Trust has already invested approximately Rs. 3 crores for the development of the township and has entered into long term leases with several allottees of plots over the years and any transfer of the jurisdiction of the township to the State Government, at this stage, may not help in achieving the desired objectives."

1.29 The Committee had, in paras 5.5 and 5.6 of the 97th Report, observed that there was no reason why the Kandla Port Trust should continue to bear the responsibility for development of the Gandhidham Township any longer. The Committee had therefore desired that the matter should be taken up with the State Government and an early decision taken. The Committee had further pointed out that Central assistance could be made available to the State Government for development of the Township under the scheme for development of small and medium towns sponsored by the Ministry of Works & Housing. The Committee are not convinced with the argument that Gandhidham Township and Kandla Port are a composite complex and the development of the Township is interlinked with the development of the Kandla port. The Committee consider that while in the initial stages this arrangement was quite necessary, a stage has now been reached when the Kandla Port Trust need not divert its resources for further development of the Gandhidham Township which should be appropriately left to the State Government. The argument that the Port Trust has already invested approximately Rs. 3 crores for the development of the Township cannot be made a ground for indefinite control of the Township by the Port Trust. Necessary arrangements in this behalf can be worked out in consultation with the State Government. The Committee therefore reiterate the recommendation made earlier and desire that the matter should be considered by Government at the highest level in consultation with the Ministry of Works & Housing and the State Government. The Committee would like to be apprised of the final decision taken in the matter.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

The annual handling capacity of the Kandla Port was assessed by the Kaul Committee (1978) at 65 lakh tonnes—30 lakh tonnes for the cargo jetties and 35 lakh tonnes for the oil jetties. In August, 1979 the Ministry of Shipping and Transport reassessed the port's handling capacity at 50.5 to 55.5 lakh tonnes i.e. 20.5 lakh tonnes for the cargo jetties and 30—36 lakh tonnes for the oil jetties. The Committee find from the information now furnished that the capacity has been further reduced to 47.5 lakh tonnes i.e. 17.5 lakh tonnes for cargo jetties and 30 lakh tonnes for oil jetties, due to the reason that only one marine unloader has been installed against two originally contemplated. The Ministry stated that upon a 'rational assessment'' made subsequently it was found that the figure of 85 per cent berth occupancy adopted by the Kaul Committee was not only considered high but also undersirable from practical consideration. The capacity was therefore reassessed at 75 per cent berth occupancy. Chairman, Kandla Port Trust stated in evidence that 85 per cent berth occupancy for 300 working days "is a very high norm for the working of the Port. It is dangerous to work actually at that level of occupancy". The Committee were further informed that major ports all over the world assume a berth occupancy of 60 per cent to ensure that the overall average pre-berthing detention period does not go beyond two to three days. Keeping in view the constraints of resources and the recommendations of the Major Ports Commission as well as the National Transport Policy Committee, the Ministry had determined port capacity at 75 per cent berth occupancy.

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

[S. No. 1 and 2 of Appendix II (Paras 2.8 and 2.9) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

No comments are required.

[Ministry of Shipping & Transport O.M. No. PW|PGA|12|82 dated 7|13 December, 1982]

Recommendation

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

[S. No. 3 of Appendix II (Para 2.10) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The Committee's recommendation has been noted.

2. Incidentally, it may be added that major investment decisions in the current plan relate to (1) construction of additional cargo berth, (2) replacement of the second oil jetty, (3) procurement of 5 wharf cranes, and (4) construction of a deep water cargo, berth at Vadinar. The first 3 works are already in progress and are likely to be commissioned in 1982-83 and 1983-84. The investment decisions in respect of these have been taken after considering various constraints in regard to berthing and

cargo handling facilities, the future traffic patterns, rate of return expected from the capital investment, etc.

3. Appropriate measures have been taken by this Ministry to improve efficiency and to ensure better outturn. This has considerably increased the productivity of Kandla Port as will be seen from the comparative figures of traffic, cargo handled per ship and average monthly waiting time of vessels for berthing in June, 1981 and June, 1982 indicated below:—

	June, 1982	June 1981	% variation
(i) Traffic	12,18,000 tonnes	5,74,000 tonnes	(+)112
(ii) Cargo handled per ship—			
Dry Bulk	1,342 tonnes	1,282 tonnes	(+)5
Break Bulk	700 tonnes	630 tonnes	(+)11
(iii) Average monthly waiting time of vessel for berthing	3.12 days	4.42 days	(−)29

[Ministry of Shipping & Transport O.M. No. PW|PGA|12|82 dated 7/13 December, 1982]

Recommendation

The Committee find that as against the installed capacity of 120 lakh tonnes per annum at the off shore oil terminal at Vadinar the traffic in crude oil actually handled amounted to as low as 13.35 lakh tonnes in 1978-79, 31.01 lakh tonnes in 1979-80 and 38.56 lakh tonnes in 1980-81. The under-utilisation is stated to be due to less import of crude oil. This in turn is stated to be due to the fact that the Mathura Refinery has not yet been fully commissioned. As per the original schedule, the refinery was to be commissioned in April, 1978. For various reasons the completion of the refinery has been delayed and it is now expected to go on stream in April, 1982. The Committee observe that due to the delay in the completion of the Mathura Refinery the Viramgam—Mathura section of the pipeline had also to be delayed. The pipeline system was commissioned in March, 1981 whereas the trial run of the Mathura Refinery was carried out only in the first week of January, 1982.

[S. No. 4, Para No. 217 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The Ministry of Petroleum have informed that as per the original schedule approved in August, 1973, the refinery was to be commissioned in 1978. But in view of the subsequent developments in the field of petroleum, particularly the steep increase in the world crude oil prices, the need to conserve the consumption of petroleum products and the difficult resources position, the execution of the project was delayed, the revision of the commissioning schedule of the refinery was considered by the Government in August/September, 1975 and the schedule was revised for mechanical completion to take place by the end of 1979 and commissioned by April, 1980. But this schedule could not be adhered to due to certain reasons *viz.* the major once being (i) delay in respect of working drawings from the Soviet Union and consequent delay in taking procurement action in respect of indigenous equipment and materials; (ii) delay in the supply of equipment and materials by indigenous and foreign vendors; (iii) the need for considerable amount or re-engineering required on the drawings received from the Soviet Union to take into account the purchase of indigenous equipment and materials; (iv) unprecedented rains and floods that took place during the year 1978; (v) continuous labour trouble experienced by the various contractors at site from October, 1978 to mid 1979, and (vi) power cut imposed by the State Government from September, 1979 to mid April, 1980.

The Salaya-Mathura Pipeline is envisaged to cater to the needs of expansion units of the Gujarat refinery and the Mathura refinery. In the first phase, the Salaya-Viramgam-Koyali Section of the pipelines and the facilities at Vadinar were to be commissioned to cater to the needs of the Gujarat refinery expansion units. These facilities and the Gujarat refinery expansion units were commissioned at the same time in September, 1978.

In the second phase, the Viramgam-Mathura Section of the pipelines was envisaged to be commissioned by March, 1980 to synchoronise with the completion of the Mathura refinery in April, 1980.

From the above, it will be seen that the facilities at Vadinar were not envisaged to be utilised in full in the initial stage itself. The scheduled completion of the Mathura Refinery could not be adhered to due to the reasons explained above.

[Ministry of Shipping and Transport (Ports Wing)
O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 5 (Para No. 2.18) of 97th Report of PAC (7th Lok Sabha)].

Action Taken

It is expected that with the commissioning of the Mathura Refinery, the SBM will be able to meet the full loading requirements of both Mathura and Koyali by using large sized tankers for imported crude oil. Trial runs of the Refinery have since started from 6th January, 1982 and the entire refinery is expected to be fully commissioned in October/November, 1982.

The question of night navigation was discussed in a meeting with the Department of Petroleum on 12-7-1982 and the Kandla Port Trust was asked to provide the night navigation facilities at Vadinar at an early date. This involves the positioning of 3 "Logistics vessels" by the Kandla Port Trust to assist in the berthing of tankers at night. They already have one available and are making arrangements for the additional vessel required. Further more a DOPPLER arrangement is being installed by the Kandla Port Trust.

Other arrangements required to be made such as light-up of the buoys have all been completed.

[Ministry of Shipping and Transport (Ports Wing)]
O.M. No. PW/PGA/12/82 dated 7/13 December, 1982]

Recommendation

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

[S. No. 6 (Para No. 219) of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The reasons for the delay in the commissioning of the Mathura Refinery have been given in the Action Taken Notes in paragraph 2.17. So far as the cost escalation in respect of Mathura Refinery is concerned, the Department of Petroleum have informed that the estimated cost of Rs. 97 crores in the feasibility report of the refinery was when the project para-meters, the process scheme and other infrastructure and scheme of utilities had yet to be finalised. As has been explained in paragraph 2.17, the commissioning schedule of the refinery had to be revised. The revised cost estimates approved by Government in May, 1979 on the basis of a detailed project report, were Rs. 192.32 crores at 1977 prices. Therefore, the final cost (Rs.253.92 crores) including the cost escalations during the construction period for setting up the Mathura Refinery has in fact to be compared with the approved project cost of Rs. 192.32 crores (1977 price basis).

It may also be mentioned that in December, 1981 a Study Group headed by Shri Nitin Desai, Adviser, Planning Commission was constituted by the Department of Petroleum to (a) review the changes in the design of the projects and the costs of the projects since the preparation of the feasibility report and their approval in the Government right at the start, and (b) to apprise the capabilities of the enterprises concerned in the preparation of projects (for submission of feasibility reports), cost estimates and to recommend what changes in the present system are required to greatly improve the quality of these. The final report of this Study Group has been received recently and is under examination of the Department of Petroleum.

[Ministry of Shipping and Transport (Ports Wing)
O.M. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 7 of Appendix II (Para 2.23) of 97th Report of PAC
(7th Lok Sabha)]

Action Taken

No specific action on the recommendation is required.

[Ministry of Shipping and Transport (Port Wing)
O.M. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 8 (Para No. 2.26) 97th Report of PAC (7th Lok Sabha)]

Action Taken

The Ministry of Railways have informed that Railways' resources stand committed to clear the traffic of fertilizers and POL and other miscellaneous imports like wheat and newsprint imported through Kandla. As there is hardly any generation of covered wagons, empty wagons are being moved from over 500 Kms to meet the demands of this area. Railways do not have spare capacity for clearing additional traffic from Kandla.

It has also been suggested by the Railway Ministry that the imported cement should be allotted for movement to nearby areas, where it could go by road.

[Ministry of Shipping and Transport (Port Wing)
O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 9 (Para No. 2.27) of 97th Report of PAC (7th Lok Sabha)].

Action Taken

Fertilizers are already being moved by rail. Regarding transportation of cement by rail, the position has been explained in reply to S. No. 8.

[Ministry of Shipping and Transport (Port Wing)
O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

"The Committee note with serious concern that the marine unloader berth could not be utilised to its optimum capacity of 6 lakh tonnes per annum because of the failure of the Ministry of Agriculture to nominate suitable size of vessels for handling through the marine unloader, caked condition of fertilisers making it difficult to handle, slow rate of carting etc. The Committee find that the actual utilisation of the marine unloader was as low as 43 per cent in 1978-79, 50 per cent in 1979-80 and 54 per cent in 1980-81. The Committee have been informed that the performance of the equipment is dependent on normal operation of the entire system including the regular clearance of fertilisers from the Port and adequate storing facilities thereof. The Committee are surprised to note that during 1979-80, there was no clearance on as many as 104 days while the operations were affected for another 54 days due to 'go-slow' by F.C.I. labour. It is unfortunate that as a result of under utilisation of the unloader, 310 ship days were lost by way of pre-berthing detentions. Of these, as many as 161 days were lost due to bunching of ships."

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

[S. No. 10 and 11 of Appendix II Paras 2.38 and 2.39 of the 97th Report
of the PAC (1981-82) (7th Lok Sabha)].

Action Taken

The position in respect of the points raised by PAC in respect of under-utilisation of the marine unloader is as follows:—

(a) *Type of ships*

During 1979-80, 18 ships were handled at Marine unloader. Out of these ships 17 numbers were bulk carriers and ideally suited for marine unloader. One vessel was tween decker. After partial discharge with the help of marine unloader, this vessel was shifted to another berth for discharge of the balance quantity. Thus it will be seen that during 1979-80 the ships of the right type were nominated at Kandla for being handled with the help of marine unloader. In the subsequent years also, the suitability of ships for being handled with the marine unloader was kept in view.

(b) *Nature of the cargo*

Fertilisers are highly hygroscopic in nature. They have the tendency to cake/harden when exposed to moist atmosphere of the port. In order to reduce the hygroscopicity, the Department of Agriculture have been insisting on coating/treating fertiliser to be imported in bulk with anti-hygroscopic material like paraformaldehyde etc. In the purchase contracts the specifications clearly stipulate such coating/treatment. This reduces the hygroscopicity of fertilisers and reduces the chances of caking. Moreover, all the precautions are taken at the time of loading and during voyage to ensure that material comes in free-flowing condition. However, in some cases due to weather conditions or rough sea during the voyage the material gets a little caked. Once the material gets a little hardened or caked, the rate of unloading gets affected. This will certainly affect the rate of utilisation of the marine unloader from the macro level. This is beyond the control of Agriculture Ministry.

(c) *Rate of clearance*

During 1979-80, there was no clearance on 104 days. With better planning this was reduced to 84 days in 1980-81 and 82 days in 1981-82. The lack of clearance depends on a number of factors, including the supply of wagons by the Railways. While calculating the capacity utilisation this factor is to be taken into account, as this ultimately backfires on the unloading by the marine unloader. The quantity that could have been handle during this period in the three preceeding years are indicated below:—

(*Figures in lakh tonnes*)

1979-80	..	2.43
1980-81	..	1.75
1981-82	*	2.02

(d) *Design deficiencies*

The marine unloading at Kandla is the first of its kind in India. During its operation, the following deficiencies were observed:—

(i) The existing pay loader for collecting the bottom cargo/sweeping is not adequate for the purpose.

(ii) The bulk storage is not adequate in capacity nor is it correct in design resulting in seepage of water in the storage.

(iii) R.C.C. hoppers of the bagging plant require change.

All these deficiencies have their impact on the utilisation of the marine unloader. They have been attended to and corrective action (in this regard please see the concluding para of the reply) has been taken in respect of some items and is being taken for the remaining items.

(e) *Bunching of the ships*

In a continuous operation throughout the year bunching of the ships is unavoidable and beyond the control of any Ministry. The bunching takes place on account of a number of factors, the important being late arrival compared to the scheduled date because of rough weather during the voyage, lower speed due to engine problem or longer time in loading and slower discharge rate of the earlier vessels at the destination port. Even the weather conditions can delay the release of earlier vessels. But by better planning the pre-berthing detention has been reduced from 72 days in 1979-80 to 27 days in 1980-81, 18 in 1981-82 and 2 in 1982-83. Even the ship days lost due to bunching of vessels at Kandla were reduced from 161 days in 1979-80 to 36 days in 1980-81 and 21 days in 1982-83.

As regards the phasing of the arrivals, all efforts are made to ensure that the arrivals are even through-out the year except in Monsoon months. However, as has been explained earlier, a number of factors beyond the control of Ministry/Government are involved, like, the delay at the loading port, weather conditions, condition of the sea, the labour situation at the discharging port, mechanical failure of the marine unloader, etc. All efforts are, however, made to ensure that the import of fertiliser is phased evenly.

It may also be mentioned here that against the optimum capacity of 175 tonnes per hour for free-flowing cargo and in ideal operation, the achievements during 1979-80 to 1982-83 are as follows:—

1979-80	..	146 MT
1980-81	..	130 MT
1981-82	..	154 MT
1982-83 (Upto July)	..	186 MT

It may also be mentioned here that if we take the quantity lost due to non-clearance of cargo, capacity utilisation with reference to total optimum capacity of 6 lakh MT has been of the following order:—

1979-80	..	80.83%
1980-81	..	70.16%
1981-82	..	74.83%

In order to improve the efficiency, the Government have also taken the following steps:—

(a) Muriate of Potash is being handled now with the help of marine unloader.

(b) The sanctioned for acquiring crawler dozers and clean-up units has been issued.

(c) The Port Trust have been told to rectify the deficiences in the bulk storage as well as at the bagging plants. (Copy enclosed).

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M. No. 17-66/81-MSHP, dated 18th November, 1982, Action Taken note forwarded by the Ministry of Shipping & Transport O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

B. P. SIKDER

Director (Fert. I)

D.O. No. 12-1/82-MSHP

Government of India

MINISTRY OF AGRICULTURE

Dept. of Agri. & Cooperation

New Delhi.

Dated the 9th September, 1982

Dear Shri Verma,

Please refer to your DO letter No. MU/GN/1312-III dated 20-8-1982 regarding rectification of various deficiencies observed in the Bulk Storage and the Bagging Plant of the marine unloader complex.

It is felt that EPI may be requested by Kandla Port Trust, at whose instance EPI have been awarded the work of preparation of techno-economic feasibility report for the setting up of a second marine unloader with connected bulk storage facilities etc. at Kandla port, to suggest remedial measures and indicate the costs involved therefor, for the various deficiencies observed by Kandla Port Trust while operating and maintaining bulk fertiliser unloading and handling project on behalf of Department of Agriculture. In case, there are some problems in entrusting this work to

EPI, Kandla Port Trust may themselves suggest the remedial measures and the costs involved for implementing these remedial measures so that necessary funds may be made available by this Department to KPT for undertaking this work.

With kind regards,

Yours sincerely,
Sd./- B. P. SIKDER

SHRI S. L. VERMA,
Chairman,
Kandla Port Trust,
Post Box No. 50,
Gandhidham (Kutch)—370201

Action Taken

Agriculture Ministry have informed that all efforts are being made to ensure that the fertilizer vessels arrive in a phased manner throughout the year except in monsoon months. However, a number of factors beyond the control of the Ministry like the delay at the loading port, weather conditions, conditions at sea, lower-speed of vessels due to engine problems, labour situation at the discharging port, mechanical failure of marine unloader etc. are some times responsible for the bunched arrivals of ships. They have further informed that by better planning, the ship days lost due to bunching of vessels at Kandla were reduced from 161 days in 1979-80 to 36 days in 1980-81 and 21 days in 1982-83 (So far).

It is again reiterated that the role of the Standing Committee on Rationalised Distribution of Cargo has been to achieve better utilisation of the capacities of the ports, but the intention is not to impose allocations but to seek agreed solutions. Due to the various efforts made by the Ministry and the port, the percentage utilisation of total capacity of the port which was about 64 per cent during 1980-81 increased to 73 per cent during 1981-82 which is considered satisfactory. During the period April—September, 1982, the port handled 6.54 million tonnes of cargo as against 4.38 million tonnes of cargo handled during the corresponding period of last year. This represents an increase of 49 per cent.

[Ministry of Shipping and Transport (Ports Wing) O.M. PW/PGA/12/82 dated 31 December, 1982].

Recommendation

The Committee find that another important fatcor affecting the operations at the Port is the slow clearance of imported cargo because of the inadequate availability of railway wagons both on the BG and MG railway system. The Committee have dealt with this aspect in a later section of this Report.

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

[S. No. 13 (Para No. 2.41) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The representatives of Railway Ministry is already a member of the Standing Inter-Ministerial Committee on Rationalised Distribution of Cargo, from its inception.

[Ministry of Shipping and Transport (Ports Wing) O.M. PW/PGA/12/82 dated 7|13 December, 1982].

Recommendation

The Committee observe that the share of cargo handled on private account at Kandla Port has increased from 1.50 lakh tonnes in 1979-80 to 4.00 lakh tonnes in 1980-81 as a result of package of incentives offered in 1979. Even so, it accounts for only 8 per cent of the total traffic handled during that year. The Committee have been informed that the general cargo traffic on private account has not developed to the desired level because of lack of regular and frequent liner services from the Kandla Port and absence of any hinterland generating such cargo since the entire area contiguous to the port is commercially and industrially backward. Till recently, the industries located in the Kandla Free Trade Zone could not generate sufficient volume of general cargo traffic which acted as a dis-incentive to the liner vessels calling at the port. The Committee have, however, been informed that since November, 1981 a Soviet Shipping Company is calling regularly at the port and the latest assessment is that industries in the Kandla Free Trade Zone would generate about 700 tonnes of export cargo every month. The Committee were also informed in evidence that export cargo which is a very sensitive cargo needs a very special infrastructure. The private trade therefore prefers Bombay where all the facilities are available.

[S. No. 14 (Para No. 2.47) of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The observation of the Committee has been noted. It may also be mentioned here that the traffic on private account handled at Kandla Port during 1981-82 was 7.47 lakh tonnes out of a total traffic of 55.30 lakh tonnes. The share of traffic on private account has thus increased from 8 per cent in 1980-81 to 13 per cent in 1981-82. Further with the commencement of the container traffic, the volume of exports from the industries located in the Free Trade Zone has also increased substantially. At present, 200 containers are being loaded every month for shipment to USSR Ports and according to the present indications, the container traffic will increase gradually to 700 containers with effect from April, 1983. Some of the exporters in Northern Indian have also now started routing their export through Kandla Port.

[Ministry of Shipping and Transport O.M. No. PW/PGA/12/82 dated 7/13 Decemberf, 1982].

Recommendation

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

[S. No. 16 (Para No. 2.49) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The suggestion of the Committee that a detailed survey should be carried out to identify export cargo from the hinterland of the Kandla Port which is being routed through other ports, has been accepted. A Survey Team consisting of the Deputy Traffic Manager, Accounts Officer and the Statistical and Research Officer from Kandla Port and one representative each from the Gujarat Chamber of Commerce and Industry and Western Indian Shippers Association has been constituted. The report of the Survey Team is awaited.

[Ministry of Shipping and Transport (Ports Wing) O.M. No. PW|PGA|12|82 dated 7|13 December, 1982].

Recommendation

The Committee regret to observe that the progress of setting up industries in the Kandla Free Trade Zone which was set up as far back as in

1965 is very tardy. So far only 60 units have started functioning. The activity is stated to have got accelerated since 1980-81 when the exports increased to Rs. 25.51 crores from Rs. 9.40 crores in the previous year. During 1981-82 (Upto December, 1981), the exports are stated to have been of the order of nearly Rs. 45 crores and the total exports during the year are expected to be of the order of Rs. 60 crores.

[S. No. 17 of Appendix II (Para 2.63) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

It may be noted that the Kandla Free Trade Zone has been able to achieve a remarkable progress during the year 1981-82. Export during this year touched the figure of Rs. 70.04 crores against the target of Rs. 40 crores. The export performance of the Zone from its inception is as follows

Year	Units Working	Exports (Rs. in lakhs)
1965-66 to 1975-76	23	898
1976-77	35	352
1977-78	38	471
1978-79	43	553
1979-80	45	940
1980-81	52	2551
1981-82	67	7004

It may be seen that the exports during 1981-82 were more than the total exports till 1980-81. Target for 1982-83 have been fixed at Rs. 100 crores.

[Ministry of Commerce, U.O. No. 10-4-82-FTZ dated 22-12-82, Action Taken note forwarded by the Ministry of Shipping and Transport O.M. No. PW/PGA/12/82 dated 31 December, 1982].

Recommendation

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

[S. No. 18 of Appendix II (Para 2.64) of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The average annual value addition achieved by the units in the Kandla Free Trade Zone is as follows:

Year	Percentage of value addition
1971-72	58.84
1972-73	69.95
1973-74	66.76
1974-75	52.64
1975-76	61.54
1976-77	62.59
1977-78	62.56
1978-79	54.15
1979-80	46.23
1980-81	50.00
1981-82	48.00

As it would be seen from above that except for the year 1972-73 where the value addition was about 70 per cent value addition in other years has been fluctuating from 46.28 percent to 66.76 per cent. The reason of the high value addition in earlier years was that the units in the Zone were mainly engaged in the manufacture of simple goods like stainless steel utensils, embroidered sarees, roasted salt peanuts and plastic goods etc. The raw material required for the manufacture of these goods is mainly available indigenously and hence these units were able to show a high value addition. However, in the subsequent years, the units are engaged in the manufacture of sophisticated products, such as, fur fabrics, acrylic knitwear, cosmetics, men's wear, spectacle frames and pharmaceutical. In all these cases, the raw material are usually imported to comply with the quality requirements of the finished products and to that extent result in comparatively low value addition. These units would also need to stabilise themselves in the export markets before they can increase the added value content. However, it may be mentioned that the minimum value addition prescribed for setting up a unit in the Zone is 30 percent only, whereas the average added value for the year 1981-82 has been 48 per cent. While sanctioning projects, emphasis is being laid on progressive increase in the value addition to the extent feasible.

It may be pointed out here that a number of units have been approved during 1981-82 with value addition upto 70 percent. It is expected that when these units go into production the overall value addition of the units in the Zone would improve.

[Ministry of Commerce, U.O. No. 10-4-82-FTZ, dt. 22-12-82 Action Taken note forwarded by the Ministry of Shipping & Transport O. M. No. PW/PGA|12|82 dated 31 December, 1982].

Recommendation

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

[S. No. 19 of Appendix II (Para 2.65) of 97th Report of PAC (7th Lok Sabha).]

Action Taken

The Ministry of Commerce and Kandla Free Trade Zone Board are fully aware of the need to diversify the market for our exports. Zone units have been advised and encouraged to diversify the markets for their products to avoid over dependence on any single market. The Government at present is considering a proposal for sending a Sales-*cum*-Survey Team to Middle East, Africa and Western Europe for locating new markets.

[Ministry of Commerce, U.O. No. 10/4/82-FTZ, dated 22-12-82 Action Taken note forwarded by the Ministry of Shipping & Transport O.M. No. PW/PGA/12/82 dated 31 December, 1982.]

Recommendation

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

[S. No. 22 of Appendix II (Para 3.4) of 97th Report of the PAC (7th Lok Sabha).]

Action Taken

The Chairman, Kandla Port Trust, has reported that it was found from the quotations received in December, 1972 (which were approved by the Board in March, 1973) that the price quoted by M/s. West Coast Lighterage Co. Pvt. Ltd. was more favourable as compared to the other quotations, and it was also considered reasonable. The Port Trust authorities felt that they were not likely to get any better offers than that of M/s. West Coast Lighterage, even on reinvitation in the context of escalation in prices of construction of barges, tugs, launches, etc. In view of this consideration, the proposal to place repeat order for the two barges on the same firm was approved by the Board in June, 1973 and by the Government in September, 1973. Thus, the repeat order was placed on the firm on 5th October, 1973 to get the advantage of favourable price.

[Ministry of Shipping & Transport (Ports Wing) No. PW|PGA|12|82 dated 31 December, 1982.]

Recommendation

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

[S. No. 24 of Appendix II (Para 3.6) of 97th Report of the PAC (7th Lok Sabha).]

Action Taken

The Committee's observations have been noted. However, it may also be pointed out that the small number of barges planned by the port was to meet its commitment to the trade. However, looking to the trend in traffic and at the request of the users, the Board had taken a decision to procure six more steel barges of 150 tonnes capacity each in December, 1974 at an estimated cost of Rs. 24 lakhs. Including the six steel barges ordered earlier, it was expected that the port could carry on lighterage activity with 12 barges. The Government had also accorded their approval to the above scheme of acquiring six more steel barges at an estimated cost of Rs. 24 lakhs in September, 1975. However, after the approval of the Government, the trend in traffic had undergone considerable change and therefore decision was taken not to procure additional six barges as stated above and thus an additional investment of Rs. 24 lakhs was not made.

[Ministry of Shipping & Transport O.M. No. PW/PGA/12/82 dated 7/13 December, 1982.]

Recommendation

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

[S. No. 25 of Appendix II (Para 3.12) of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The Ministry accepts the above recommendation. In fact, above view of the Committee conform to the practice being followed by the Major Ports and the Ministry with regard to fixation and periodical revision of rates.

[Ministry of Shipping and Transport O.M. No. PW/PGA/12/82, dated 7/13 December, 1982]

Recommendation

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

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

The Committee regret to note that the question of revision the rates for the services rendered has apparently been considered only after the huge losses have been brought to notice by Audit. As stated earlier, this underscores the need for periodic review of the cost of various services rendered by the Port authorities, as well as ensuring optimum utilisation of available assets. The committee expect that the Ministry will be more vigilant in this regard in future.

[S. No. 26—28 of Appendix II (Para No. 3.16—3.18) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The Ministry note the observation of the Committee regarding the need for periodic review of the costs of various services as well as ensuring optimum utilisation of available assets. The point was also made by the Major Ports Commission in 1970 and the same was accepted and implemented by the Ministry w.e.f. the year 1975. It is not correct to say that the question of revising the rates for services rendered has been considered only after huge losses were brought to notice by the Audit. It is clarified that the Ministry had requested all Major Ports in 1978 to review their rates and tariffs in the light of additional financial burden cast on them on account of wage revisions and, the matter of revision of rates for crane services and other services was under consideration of the port since middle of 1978. The port had to compile cost statements for various services/ commodities for 1977-78, 1978-79, etc. Besides, the Kaul Committee in its report submitted in 1978-79 had recommended certain incentives to be granted to Port users and these had to be kept in mind while finalising proposals for rate revisions. Due to above reasons, the Port could revise the rates for cranes services and other services after taking Govt. approval w.e.f. 11-5-1979 only.

As advised by the Committee, the Ministry will be more vigilant in future.

[Ministry of Shipping and Transport O.M. No. PW/PGA/12/82 dated 7/13 December, 1982]

Recommendation

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

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

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

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

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

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

It is a matter of deep regret that even after a lapse of as many as 18 years since the enactment of Major Port Trusts Act which casts a statutory duty on the Central Government to determine the amount of capital provided as to the ports and the interest to be paid thereon, Government have not been able to make up their mind so far. Since the statute does not provide for any grants and the ports are expected to function as commercial undertakings as a part of the transport sector, the Committee see no reason why it should not be possible for Government to come to a speedy decision in the matter. The Committee consider it highly regrettable that the matter has been allowed to remain in a state of suspense for too long. The Study Group appointed by the Government about four years back to formulate principles for fixation of initial debt at the time of formation of a Port Trust Board and for subsequent major port projects has not met even once so far. The Committee strongly deprecate this apathy and desire that the matter should be finalised without further loss of time.

[S. No. 33—38 of Appendix II (Paras No. 4.16—4.21) of the 97th Report of P.A.C. (7th Lok Sabha]

Action Taken

The observations of the Committee have been noted by the Ministry. The matter is receiving active attention of the Government and is expected to be finalised soon.

[Ministry of Shipping & Transport O.M. No. PW/PGA/12/82 dated 7/13 December, 1982]

Recommendations

The Commission on Major Ports had recommended in June 1970 that a rate of return of not less than 12 per cent on the capital employed should be attain by all the major ports. The Committee are gratified to observe that the rate of return from Kandla Port has risen from 8.87 per cent in 1977-78 to 26.85 per cent in 1980-81. It has been stated that from 1977-78 onwards, the income has risen more sharply than the expenditure due to increase in traffic from 68.15 lakhs tonnes in 1977-78 to 88.16 lakh tonnes in 1980-81.

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

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

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

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

[S. No. 39 to 43 of Appendix II (Para No. 4.29 to 4.33) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The observations of the Committee in paras 4.29 to 4.32 have been noted. As regards the recommendation of the Committee contained in para 4.33, it is stated that there are two types of dredging work being carried out by the port—(a) dredging inside the docks or at the berth (b) dredging in the shipping channel. For dredging at the berth or inside the docks, there is already a district sub-head., viz. "Dredging and Marine Survey". For pilotage there is another sub-head viz. "Pilotage". The entire expenditure on dredging and survey (excluding the expenditure on dredging in the shipping channel) is booked under the distinct sub-head "Dredging and Marine Survey". However, the expenditure on dredging carried out in the navigational channel is booked under the sub-head "Pilotage" to arrive at the total cost of the Pilotage activity. The direct expenditure on 'Pilotage' activity is also accounted for under this head.

Due to the appointment of the major part of dredging expenditure under pilotage activity, deficits have occurred under this activity. Steps are, however, being taken to reduce this deficit. The Committee's recommendation to have a distinct sub-head for booking the expenditure on dredging is being examined in consultation with major Port Trusts and the C&AG of India.

[Ministry of Shipping and Transport O.M. No. PW|PGA|12|82
Dated 31 December, 1982]

Recommendation

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

[S. No. 44 of Appendix II (Para No. 4.38) of 97th Report of PAC
(7th Lok Sabha)]

Action Taken

At Kandla Port the wharfage rates in respect of certain commodities are deliberately kept low so as to attract more traffic in these commodities and to correct the imbalance between the import and export. It is expected that as the volume of traffic in these commodities increases the deficits will get reduced with the accrual of more revenue to the port.

[Ministry of Shipping and Transport O.M. No. PW|PGA|12|82, dated
7/13 December, 1982].

Recommendation

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

[S. No. 45 of Appendix II (Para 4.39) of 97th Report of PAC (Seventh Lok Sabha)]

Action Taken

The ICP Report has been received and is under consideration of the Minsitry.

[Ministry of Shipping & Transport O.M. No. PW|PGA|12|82, dated 7/13 December, 1982]

Recommendation

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

[S. No. 46, Para No. 4.40 of 97th Report of the PAC (7th Lok Sabha)]

Action Taken

In pursuance of the decisions taken in the Port Chairman's Conference held in January, 1982 the ports have been advised to improve their performance atleast by 20 per cent by increasing capacity utilisation and productivity and minimising unproductive costs. The minimum Labour productivity norms have been determined after taking into consideration the facilities available at each port and the port's performance during the years 1979, 1980 and 1981 and after adding 20 per cent of the performance in quantitative terms. These norms are fixed in terms of output rate per gang/hook per shift for port and dock labour in respect of fertilized, fertilizer raw material and general cargo. Norms for mechanised plants have been fixed separately in terms of output per day at each port. Norms have also been fixed for the utilisation of different types of cargo handling equipment. These norms have been communicated to the ports. The ports have been asked to send monthly statements indicating levels of productivity achieved as compared to the norms fixed and the performance is being regularly monitored by the Ministry and the ports which fail to achieve the given target are advised to take necsssary improvement measures. Review for the month of July, 1982 has already been completed by the Ministry in respect of all ports.

The major ports have also been advised that review of financial performance under each service and cost centres should be done on the basis of the principles laid down by the Major Ports Commission, necessary steps taken to attain the financial objectives suggested by the Major Ports Commission, and to gradually improve internal resources mobilisation to meet Plan expenditure. They were also advised that they should monitor unit costs in every cost centre on a continuous basis, and initiate steps to effect maximum economies in all cost centres.

The Major Ports Commission had suggested that the ports should earn 12 per cent rate of return on capital employed. This return consists of 6 per cent towards interest and 3 per cent each towards reserve for replacement, rehabilitation and modernisation of assets and reserve for development, repayment of loans and contingencies. The Major Ports Commission has also laid down principles for review of financial performance under each service and cost centres according to which the ports should endeavour to make each service and cost centre cost based depending on the capacity of the trade to bear the costs. For this purpose, major ports take into account 15 per cent rate of return as against 12 per cent rate of return as recommended by Major Ports Commission in order to recover actual interest payable.

The progress in the implementation of the above decisions is watched through periodical returns, performance budgets, annual budgets, and review meetings held from time to time.

[Ministry of Shipping & Transport (Ports Wing) O.M. No. PW|PGA|12|82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 49 Para No. 4.53 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

This is only an observation and no action is called for.

[Ministry of Shipping & Transport (Ports Wing) O.M. No. PW|PGA|12|82 dated 7/13 December, 1982].

Action Taken

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

[S. No. 51, Para No. 4.55 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The two-man Committee consisting of Chairman, Visakhapatnam Port Trust and an official from the Ministry of Railways to whom the matter relating to handling over the port railways to the Ministry of Railways was remitted, have not yet finalised their report. Further action in this regard will be taken after the report of the Committee is received.

[Ministry of Shipping & Transport (Ports Wing) O.M. No. PW|PGA|12|82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 52, Appendix II, (Para 4.58 of 97th Report of P.A.C. (7th Lok Sabha)].

Action Taken

The Sole Arbitrator Shri N. C. Gupta, Joint Secretary and Legal Advisor, Ministry of Law, Justice and Company Affairs gave his Award on 22-9-1982 (copy enclosed). Against the claim of Rs. 7,27,909.90 and another claim of Rs. 6,60,112.35 by way of interest on the disputed rent claimed by Kandla Port Trust from the Ministry of Agriculture, the Arbitrator has directed the Ministry of Agriculture, to pay an amount of Rs. 1,14,267.10 towards arrears of rent to Kandla Port Trust. The Arbitrator has stated in his Award that the claimants Kandla Port Trust, are also entitled to interest @ 9 per cent per annum on the arrears of rent Rs. 1,14,267.10 from 15th January, 1979 till the date of actual payment for which purpose the Arbitrator has held the period of two months as a reasonable period for arranging payment. Both the parties to dispute are to bear their own costs of the Arbitration proceedings.

2. The payment to Kandla Port Trust, on the basis of the Award of the Arbitrator, is being arranged.

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M. No. 17-66/81-MSHP, dated 18th November, 1982. Action Taken note forwarded by the Ministry of Shipping & Transport O.M. No. PW|PGA|12|82 dated 7|13 December, 1982].

N. C. Gupta
Jt. Secy. & Legal Adviser
Sole Arbitrator

No. 36/NCG/82

Government of India
MINISTRY OF LAW, JUSTICE & C.A.
Department of Legal Affairs
Room No. 417-A, 'A' Wing,
Shastri Bhavan, New Delhi-1.

Dated the 23rd September, 1982.

In the matter of arbitration between:

Kandla Port Trust, Gandhidham (Kutch)—*Claimant*.

and

Union of India through the Secretary, Department of Agriculture, Krishi Bhavan, New Delhi—*Respondent.*

I have the honour to forward herewith a copy of the Award dated 22nd September, 1982, in the above matter for information and necessary action.

Sd./- KRISHAN CHANDER,
Senior P.A.
for (N. C. GUPTA)

1. Financial Adviser & Chief
   Accounts Officer,
   Kandla Port Trust,
   Gandhidham (Kutch)

2. Shri N. P. Rustagi,
   Deputy Commissioner (PO&P)
   Department of Agriculture
   Krishi Bhavan, New Delhi

N. C. Gupta
Jt. Secy. & Legal Adviser
Sole Arbitrator
Ministry of Law, Justice & C.A.
Department of Legal Affairs
Room No. 417-A, 'A' Wing,
Shastri Bhavan,
New Delhi-110001.

Arb. Case No. MCG/4/80

Dated the 22nd September, 1982

In the matter of arbitration between:—

Kandla Port Trust Gandhidham (Kutch)—*Claimant.*

and

Union of India through the Secretary, Department of Agriculture, Krishi Bhavan, New Delhi—*Respondent.*

AWARD

Certain disputes arose between the parties above-named in regard to the liability of the respondent for payment of rent in respect of 3 godowns hired by them from the claimant. The same were referred to the undersigned as Sole Arbitrator vide Government of India's letter No. PGR-117/78 dated 6th February, 1980.

2. The undersigned entered upon the reference in May, 1980. However, the parties took their own time in filing regular statement of claim, written replies and copies of documents in respect of their respective contentions. The respondent filed the detailed reply in August, 1981 and the copies of the documents were filed by the parties even later. The case was considered on different dates but mainly on the 12th May, 1980, 25th May, 1982, 30th August, 1982 and 31st August, 1982.

3. After having gone through the pleadings, documents filed by the parties, having considered all the evidence produced by the parties and the arguments advanced on their behalf, I, N. C. Gupta, the Sole Arbitrator, do hereby make and publish the Award as under:

4. In short, at the request of the respondent, the claimant above-named agreed to construct 3 closed godowns for the use and occupation of the former at the rates to be agreed upon between them. The three godowns were constructed and handed over to the respondent on 3rd May, 1971, 16th June, 1971 and 13th July, 1971 respectively. No regular lease deed or formal documents were executed between the parties in regard to the rent payable by the respondent for the use and occupation of these godowns. Since the transaction was between the Government on the one hand and a Public Undertaking on the other, the urgency to construct and provide the godown space assumed importance and the question of settlement of rent receded to a secondary position, left to be settled by negotiation.

5. On the question of rent, the claimant contended that they are entitled to the rent as fixed under FR 45-B—a formula normally adopted by them for leasing out godown capacity to various other parties, while the respondent has remained adamant to pay the rent at the rate of Rs. 1.50 per sq. metre p.m. as prescribed in the scale of rates applicable in the year 1971. The claiment in accordance with the formula under FR 45-B demanded a rate of Rs. 2.70 (provision) which was subsequently raised to Rs. 3.65 per sq. metre per month for all the period of occupation.

6. A couple of meetings took place between the representatives of the parties in addition to the exchange of correspondence from 1967 till April, 1977 but they could not agree upon the rent payable for these godowns. The dispute relates to period from the date of occupancy to 31st March, 1976. The claimant has raised a claim of Rs. 12,26,947.50 for the total capacity for the aforesaid period at the rate of Rs. 3.65 per sq. metre per month. As against this, the respondent has made a payment of Rs. 4,99,037.60 only in two instalments dated 9th August, 1976 and 20th April, 1976, at the rate of Rs. 1.50 per sq. metre. After making an allowance of the said payment, the claimant has now raised a demand for Rs. 7,27,909.90 and another sum of Rs. 6,60,123.35 by way of interest thereon as per calculation sheet dated 11th June, 1980.

7. During the course of argument, the respondent contended that the formula contained under FR 35-B is apparently not applicable for fixing the rent in the instant case since it was not agreed to between the parties nor it is applicable in respect of transactions between the Government and Public Sector Undertakings as such. They further contended that in any case charging of interest at exorbitant rates on the supposed unpaid balance is wholly unjustified and totally outside the contemplation of the parties. The claimant on the other hand stated that the godowns in question were constructed as per the requirement of the respondent and in the absence of any agreed rent, they are entitled to a reasonable return on their property and the capital employed in constructing the godowns and for that the said formula is most appropriate. It was also stated that they are charging rent for the godowns let out to some other public sector undertakings on the basis of the said formula. It was also contended that they should be entitled to charge commercial rate of interest on the amount of unpaid balance of the rent to compensate them for loss of revenue.

8. The documents filed by the respective parties somewhat overlap. However, all the relevant correspondence in this behalf for facility of reference is available in the exhibit separately stitched and markded P 1/C to P 27/C. It may not be necessary to refer to all the correspondence since it represents an on-going dialogue on the question of settling reasonable amount of rent for the godowns to be constructed by the claimant for the use and occupancy of the respondent for a period of about 5 years.

9. The initial suggestion of the claimant of charging the rent in advance as per the practice in vogue *vis-a-vis* private parties was ultimately given up. The KPT Chairman's letter dated 9th August 1969 (Page 6/C) bring out the maximum accord between the approach of the parties wherein it is stated that the payments of rent on the usual terms and conditions that may be prescribed by the Kandla Port Trust (KPT) from time to time for a period of five years is guaranteed. In the said letter the Government was also asked to sanction the estimated amount of Rs. 7,66,000 under section 92(1) and 93(1) of Major Port Trusts' Act, 1963 and grant of additional funds if required. The letter dated 27th August 1975 (Page 16/C) contains a decision taken in the meeting held between the Chairman, KPT, and the Department of Agriculture held on 28th February 1969 as under:

> "The rent payable by the Ministry of Food and Agriculture for the covered storage space built by the Port Trust will be at the rate that may be prescribed from time to time for covered space.... The Ministry of Food and Agriculture would be treated at par with other parties in all respects."

10. Subsequently, letters on record show that the claimant continued to insist that they were not obliged to charge rent as per scale of rates prescribed from time to time but entitled to charge on a reasonable basis taking into account the cost of a construction and reasonable return on the capital employed in the construction of godowns as per frmula contained in FR 45-B.

11. I can appreciate this insistance keeping in view the fact that the Kandla Port Trust is after all a commercial undertaking and their attitude to dealings with others is bound to be dictated by purely commercial considerations. This point of view is also somewhat supported by the earlier correspondence between the parties which hinted spon charging a commercial rate of rent.

12. At the same time, their commercial attitude cannot be allowed to prevail in a situation where transaction proceeded on a totally different basis as is the case here. As indicated above, both in the meeting held between the representatives of the parties on 28th February 1969 and the crucial letter issued by the Chairman, KPT, dated 9th August, 1969, the understanding between the parties appears to be to pay the rent as per the rates proscribed by Kandle Port Trust from time to time. Admittedly, the claimant has prescribed such rates as applicable both for covered and uncovered godown capacities rented out by them to others. It is significant that the rates so prescribed did not remain static during the relevant period. There has been an upward trend in the rates so prescribed. The same are indicated in the sheet annexed to their letter dated November 19, 1978 addressed to the respondent. The rates mentioned therein are not disputed by the latter.

13. As per the rates so prescribed, the total amount payable comes to Rs. 6,13,304.70 for the period of occupancy and after deducting the amount already paid (Rs. 4,99,037.60), a balance of Rs. 1,14,267.10 is still payable to the claimant which should have been paid by them in time. This amount was, no doubt, without prejudice of the claimant's demand to charge rent at the aforesaid rate of Rs. 3.65 per sq. metre as per their claim statement. There is no justification whatsocver for the respondent not to make this payment.

14. In view of the for-going I held that the claimant is entitled to a sum of Rs. 1,14,267.10 towards the arrears of rent due to them on the basis that the rent was payable in accordance with the rates prescribed by the Kandla Port Trust from time to time. Since the payment of this amount has been held without any justification, the claimant is also entitled to interest at the rate of 9 per cent p.m. thereon from 15th January 1979 till the date of actual payment. (This excludes a period of about 2 months as reasonable period to arrange payment). I award accordingly. The parties are left to bear their own cost of the proceedings.

15. This arbitration award is in terms of the Cabinet Secretariat's O.M. No. 53/3/1/75-CF dated 19-12-1975 (amended up todate) and is not governed by the Indian Arbitration Act, 1940.

Sd./-
(N. C. Gupta),
Joint Secretary & Legal Adviser
Sole Arbitrator.

Dated: 22nd September, 1982.

N. C. Gupta
Jt. Secy. & Legal Adviser
Sole Arbitrator

Ministry of Law, Justice & C.A.
Department of Legal Affairs
'A' Wing, Shastri Bhavan,
New Delhi.

Arbn. Case No. NCG/4/80

13th October, 1982.

In the matter of arbitration between:
Kandla Port Trust
Gandhidham (Kutch)
and

Ministry of Agriculture.

It is brought to my notice that by clerical mistake interest has been typed as 9 per cent per month. It is clarified for record that the interest is payable at the rate of 9 per cent per annum on the amount allowed under the Award dated 22nd September 1982.

This may be treated as Corrigendum to the said Award.

Sd./-
(N. C. Gupta),
Joint Secretary & Legal Adviser
Sole Arbitrator.

Kandla Port Trust
Gandhidham (Kutch)
Ministry of Agriculture (PO&P)
Krishi Bhavan, New Delhi

Copy to Shri N. P. Rustagi, Deputy Commissioner (PO&P) Ministry of Agriculture with reference to his D.O. No. 17-66/81-MSHP dated 12th October, 1982. Inconvenience caused due to inadvertant typographical mistake in the Award is regretted.

Sd./-
(N. C. Gupta),
Joint Secretary & Legal Adviser
Sole Arbitrator.

Recommendation

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

[S. No. 53 para No. 4.63 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The need to bring about necessary changes in the managerial and operational inputs and introduce modern management practices at major ports has been engaging the attention of the Ministry for some time past. It is the considered view of the Ministry that Indian Ports Association, which is a coordinating body between the Ministry and the Ports inter-se should build up a group of professional experts who could study separately as well as in a coordinated manner, the different activity areas in the ports and in course of time build efficient operational systems and procedures in order to improve managerial and operational performance. The Ministry has taken up the matter with Indian Ports Association for the creation of a Management Services Group as early as possible.

[Ministry of Shipping & Transport (Ports Wing) O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 54 of Appendix II (Para No. 4.64) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The powers of the Major Port Trusts have been specified in the Major Port Trusts Act, 1963. Under certain sections of the Act, the Government specify the limits upto which the Boards of Trustees or the Chairman can exercise these powers. The question relating to the delegation of more powers to the major port trusts was examined recently and powers of major port trusts in respect of sanctioning expenditure on works, appliances and other matters were increased from Rs. 1 crore to Rs. 1.5 crore in the case of Bombay, Calcutta and Nhava Sheva, from Rs. 75 lakhs to Rs. 1 crore in the case of Madras, Cochin and Visakhapatnam and from Rs. 50 lakhs to Rs. 75 lakhs in the case of other major ports. The major port trusts have full powers to execute contracts beyond above limits in cases where investment decisions have been taken by the Government.

Major Port Trusts Act, 1963 has been amended in 1982. Consequently, power of the major port trusts to make appointments, take temporary loans or overdrafts and write off of losses have been increased as under :—

Powers	From	To
Appointments: Chairman . .	for the posts other than Heads of Departments whose pay scales dont exceed Rs. 2000/-	for the posts other than Heads o Departments whose pay scales donot exceed Rs. 2000/-in the case of Bombay and Calcutta and Rs. 2500/-in the case of other major ports.
Write off of losses	from	to
Chairman . .	Rs. 1,000 in each case	Rs. 5,000 in each case
	Rs. 20,000 per annum	Rs. 1,00,000 per annum.
Board . .	Rs. 5,000 in each case	Rs. 25,000 in each case
	Rs. 1,00,000 per annum	Rs. 5,00,000 per annum.
over drafts . . .	Rs. 10,00,000	Rs. 50,00,000 Bombay Calcutta, Nnava-Sheva.
		Rs. 30,00,000 Madras, Cochin, Vizag.
		Rs. 20,00,000 other Major Ports.

The question of further delegation to the Boards of Trustees and the Chairman and other officers of the Board is also under consideration in the Ministry.

[Ministry of Shipping & Transport (Ports Wing) O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

The Committee find that an expenditure of Rs. 199.63 lakhs had been incurred upto 31 March, 1980 by the Kandla Port Trust on development of Plots in the Gandhidham Township. By the end of December, 1981, out of 4477 plots developed, 80 plots remained unallotted. Out of 4397 plots allotted, only 905 plot-holders had completed construction and 277 plots were under construction. 390 allottees did not start construction. Although their plans were approved, plans in respect of another 59 allottees were under consideration for approval and 2766 plot-holders had not even submitted their plans.

[S. No. 55 Para No. 5.3 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The observation of the Committee has been noted.

Remarks offered by the Director of Audit, Commerce, Works of Misc., New Delhi.

The present position (September, 1982) is as under:—

No. of plots developed	4481
No. of plots allotted	4399
Construction completed	971
Under construction	442
Plan approved but construction not started	221
Plan under consideration	44
Plan not submitted at all	2721

[Ministry of Shipping & Transport (Ports Wing) O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

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

[S. No. 59 Para No. 5.7 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

The proforma accounts for the year 1980-81 have already been prepared by the port and were forwarded to the Audit in January, 1982. As regards proforma accounts for the year 1981-82, these are under preparation and will be soon sent to the Audit.

[Ministry of Shipping & Transport (Ports Wilng) O.M. No. PW/PGA/12/82 dated 7/13 December, 1982].

Recommendation

The Committee find that the question of transferring to the State Government the water supply scheme in Kandla/Gandhidham area, on which the Port Trust have been incurring loses from year to year, has been a matter of prolonged negotiations. As a sequel to the discussions held by the Stury Group of the Committee with the State authorities in November, 1981, it has now been possible for the Port Trust to finalise the matter and the transfer was to take effect from 1 April, 1982, subject to formal Government approval and certain modalities to be finalised before that date. The Committee expect that there would be no further hitch in the matter.

[S. No. 60 of Appendix II (Para No. 5.13) of 97th Report of PAC (7th Lok Sabha)]

Action Taken

Transfer of the water supply scheme which was to take effect from 1.4.82 has not been effected so far as the modalities for transfer could not be worked out by the State Government. The State Government is vigorously being pursuaded to expedite it.

[Ministry of Shipping and Transport O.M. No. PW|PGA|12|82 dt. 31 Dec. 1982]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT

Recommendation

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

[S. No. 12 Para No. 2.40 of 97th Report of PAC (7th Lok Sabha)]

Action Taken

The recommendation has been examined and it is felt that it is neither practicable nor desirable to enlarge the functions of the Inter-Ministerial Committee on Rationalised Distribution of Cargo so as to enable it to impose allocations on different user Ministries|Public Sector Undertakings.

The function of the Committee on Rationalised Distribution of Cargo ever since the time of its inception have been directed primarily to rationalise imports|exports of bulk cargoes on account of the Government| Public Sector Undertakings. The Committee's role has been to achieve better utilisation of the capacities of the ports, but the intention is not to impose allocations but to seek agreed solutions. This role assigned to the Committee has been working satisfactorily and it felt that persuasion would have greater effect than imposition.

Although it is true that better utilisation of facilities available at ports could be achieved by empowering the Committee with more powers, yet in the larger national interest, such a course would not be desirable. Imports|exports of cargo involve multiple operations and any disruption in any of the operations would affect the national economy. The allocations to various ports are to be made not only taking into account the cargo handling capacities of the port but also other factors like infrastructural facilities available at the port, rail/road transport linkage to the place of consumption, proximity of the import|export centre to the port, comparative costs of importing|exporting the material through different ports to the importers|exporters etc. If allocations are made keeping in mind only the better utilisation of ports and not the other factors, it may lead to not only escalation in the costs but also deterioration in the quality of products and delay in reaching the consumers.

[Ministry of Shipping and Transport (Ports Wing) O.M. No. PW|PGA|12|82 dated 7|13 December, 1982]

Recommendation

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

[S. No. 20 of Appendix II (Para 3.2) of 97th Report of the PAC (7th Lok Sabha)]

Action Taken

The Chairman, Kandla Port Trust, has reported that the estimate prepared by the Port Trust for the barges was not based on quotation of one particular firm. The correct position of the case is as follows:—

Budgetary quotations were invited from some of the leading manufacturers of floating craft by Kandla Port Trust on 3.2.72. In response to the above, quotations were received from different parties as under:—

Name of the Party	Price quoted	Delivery period
1. M/s. Mazagon Dock Ltd. Bombay. .	Rs. 9,50,000/-	9 months. Delivery : Kandla.
2. M/s. East Bengal River Steam Services Ltd., Calcutta.	Rs. 3,45,000/-	10 months. Delivery: Calcutta.
3. M/s. Shaparia Dock & Steel Co. Pvt., Ltd. Bombay.	Rs. 4,25,000/-	25—30 weeks for the first barge and subsequently at interval of 8—10 weeks Delivery : Bomaby.

M|s. Andrew Yule & Co. Ltd., Calcutta, M|s. Scindia Workshop, Bombay and M/s. Garden Reach Workshop Ltd., Calcutta expressed their inability to quote for the same.

Out of the above, the quotation of M/s. Shaparia Docks & Steel Co. Ltd., Bombay was considered for preparing the estimate as it was considered reasonable and comparable with the quotation of M|s. East Bengal River Steam Services Ltd., Calcutta, considering the higher delivery charges payable for transporting the craft from Calcutta to Kandla as compared with the shorted distance from Bombay to Kandla.

Therefore, it can be seen that the estimate was not prepared on the basis of the lowest or the highest quotation, but based on the second lowest quotation of M/s. Shaparia Dock & Steel Co. for Rs. 4.25 lakhs per barge (basic cost). The estimate was also not prepared on the basis of a quotation from one particular firm. It may be mentioned here that the same firm subsequently quoted Rs. 4.86 lakhs per barge in response to the press advertisement inviting tenders for supply of barges.

When the competitive quotations were invited through press advertisement, the following seven quotations were received in December, 1972:—

Name of the firm	Price quoted	Delivery at
M/s. West Coast Lighterage Co. Pvt. Ltd., Bombay.	Rs. 2,75,551	Jamnagar
M/s. Giovenola Binny, Cochin. .	Rs. 3,40,000 Rs. 4,00,000	Cochin Kandla
M/s. A.C. Roy, Calcutta .	Rs. 4,11,050	Kandla
M/s. Binny Ltd., Madras .	Rs. 4,12,000	Kandla
M/s. Shaparia Docks, Bombay. .	Rs. 4,86,000	Bombay
M/s. Trawlers Pvt. Ltd., Madras	Rs. 7,49,700	Kandla
M/s. Central Inland Water Transport, Calcutta.	Rs. 10,00,000	Not clear

The Board approved the placing of order on M/s. West Coast Lighterage Co. Pvt., Bombay in March, 1973 as their quotation was considered the best technically acceptable offer.

From the above it will be seen that almost all the quotations were within the range of Rs. 4,00,000|- to Rs. 10,00,000|- except that of M|s. West Coast Lighterage Co. Pvt. Ltd. those quotation was for Rs. 2,75,551/-. The quotation of M/s. West Coast was on the lower side presumably due to the fact that the cost of labour and general overheads was much less than in the case of other tenderers.

[Ministry of Shipping & Transport O.M. No. PW/PQA/12|82, dated 7/13 December, 1982]

Recommendation

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

[S. No. 21 of Appendix II (Para 3.3) of 97th Report of the PAC (7th Lok Sabha)]

Action Taken

As was explained earlier, it was considered necessary for the port to maintain a minimum number of barges to meet its commitments to the trade. This number was considered to be 9 barges. The port had 9 barges in April, 1972 when the Port Trust approved purchase of 4 steel barges in replacement of 4 steel barges which had outlived their life. Similarly, in June 1973 the Board approved purchase of 2 steel barges in replacement of 2 wooden barges, which were due to be written off, as they were found in a leaking condition, beyond economical repairs. Hence, it can be seen that the decision of the Port Trust in acquiring 2 more barges in June, 1973 was not with a view to utilising the saving available against the original estimate sanctioned for Rs. 20.73 lakhs by the Government, but was with a view to maintaining minimum number of barges required to meet its commitments to the trade. For the above reasons, the Government also considered the proposal to be justified and accordingly accorded their approval for purchase of 2 additional barges.

[Ministry of Shipping & Transport O.M No. PW/PGA/12/82, dated 7/13 December, 1982]

Recommendation

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

The Committee observe that in order to maintain the navigational depths in the channel, the Port Trust had to hire a dredger from the Dredging Corporation of India for a period of six months from 24 April, 1981 for which a sum of Rs. 2.50 crores had to be paid to the Corporation. The Committee understand that as many as 28 posts of marine officers have been lying vacant in the Kandla Port for the last 2-1/2 years and all efforts to recruit these officers have been unsuccessful in spite of the fact that the posts were advertised as many as 24 times. The Port Trust authorities had, therefore, proposed to grant special allowance to class I and II officers for working on extended shifts whereby the output would have been increased considerably. Since the Government did not approve the above proposal, the Port Trust decided to entrust the work of operation and maintenance of the 'Kutch Vallabh' to the Dredging Corporation of India who have taken it over with effect from 1 November, 1981. The other dredger (S.D. Kandla) would be operated in 3 shifts with the available staff.

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

The Committee regret that the Ministry|Port Trust authorities waited for as long as 2 1/2 years to fill up the posts of the marine officers required to operate the dredger. It is most unfortunate that despite lack of respone, the proposal to grant special allowance to the existing staff for extended shifts was not agreed to. The Committee trust that Government would draw proper lesson from this experience so as to obviate recurrence of such costly mistakes.

[S. No. 29 to 32 of Appendix II (Para 3.26 to 3.29) of 97th Report of the PAC (7th Lok Sabha).]

Action Taken

As regards the Committee's observations that the question of availability of the requisite technical personnel should have been gone into indepth before making a heavy investment of over Rs. 7 crores on a dredger which the port authorities could not operate to the full capacity, the following comments are offered:—

At the time of initiating the proposal for procurement of a higher capacity dredger on a permanent basis for this port, the shortage of Marine Officers was not felt. At the time of commissioning of the dredger' 'Kandla' in 1963, the following was the sanctioned strength for three shift working of the dredger and all the posts were filled up on creation and remained filled till June, 1975:

(i) Dredger Commander with Master Foreign going certificate . . .	1
(ii) Chief Officer with Master foreign going certificate . . .	1
(iii) Chief Officer with Master Home Trade certificate	3
(iv) Mate Gr. I with Mate Home Trade certificate . . .	4

Shortly before the dredger "Kutch Vallabh" was commissioned in January, 1976, the following marine officers resigned from the Port Trust:—

1. Dredger Commander with Master foreign going certificate . . .	1
2. Chief Officer with Master Home Trade certificate. . . .	2

Further soon after commissioning of the new dredger i.e. 'Kutch Vallabh', the Dredger Chief Officer holding the Foreign going Master's certificate who had, in fact, been promoted as Dredger Commander, also resigned and had to be relieved. This left only one Chief Officer with Home Trade Master's certificate and 4 Mates Grade I with Home Trade Mate Certificate to man both the dredgers. Since the port could fill up the marine officer's posts for dredger 'Kandla' in 1963 and onwards and the officers continued to stay with the port till almost commissioning of the new dredger, the port did not anticipate any difficulty in the recruitment of required marine officers for manning and operation of the new dredger.

The main reason for the resignation of the Marine Officers from the Kandla Port was the wide disparity between the emoluments offered to the Merchant Navy personnel and those serving as Marine Officers with the Port Trust. This disparity further continued to widen from time to time. The other relevant factor against attracting Marine Officers to join Kandla Port is the remote situation of Kandla where educational, recreational and other facilities and amenities are not available as compared to other port cities. As such, Marine Officers desiring to take shore jobs generally prefer port cities like Madras, Bombay, Calcutta, Cochin, etc. where such amenities and facilities required by them are available.

It is notable that the siltation in the navigational channel is a perennial problem at Kandla. To stabilize and maintain a fixed channel, continuous and intensive dredging by a dredger of suitable capacity was inevitable. Further, though dredgers could be obtained on hire from outside parties, they were in fact neither made available at the required time nor for the required duration. The port has explained that on every occasion when it became possible to hire a dredger, this could be done only after protracted correspondence with the Ministry, Major Ports, the owners and that too for short periods and during the seasons when dredgers could not work effectively. In view of this, even though dredgers from outside were hired, the siltation problem could not be solved to the required extent. The possession of a dredger of suitable capacity to tackle siltation on a continuous and sustained basis was, therefore, considered absolutely necessary. The decision to procure an additional dredger 'Kutch Vallabh' was therefore, taken after considering all the relevant 'factors'. In our view, the investment of Rs. 7 crores on the dredger should not be termed as an unsound investment.

It is further added that the siltation problem at this port has become critical due to natural phenomena and it has become inevitable to secure outside dredgers in addition to the two Port Trust dredgers. Even in the years to come, it may be necessary to engage outside, dredgers for limited periods for tackling the siltation problems and to maintain a stable channel of minimum required width and depth.

[Ministry of Shipping & Transport O.M. No. PW/PGA/12/82, dated 7/13 Decembr, 1982]

Recommendation

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

"We are of the view that the Central Government should insist on Port Trusts specially in the larger ports, finding all the internal of resources thmey can for development. They should also be

> encouraged to seek loans directly from the market and to this end they should receive the necessary support from the Reserve Bank of India and the Government of India. Loans from the Government of India should not constitute in the future as large a proportion of the total Port finances as may have been necessary during the period of accelerated development under the Five Year Plans when substantial new capacities had to be established over a short period. Indeed, as a matter of policy, Port Trusts should be expected so to manage their operation as to be able to draw at least part of their capital from the market.

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

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

[S. No. 47-48 of Appendix II (Para No. 4.41 to 4.42) of 97th Report of Public Accounts Committee (7th Lok Sabha.]

Action Taken

Section 66(2) of the Major Port Trusts Act already provides that loans may be raised by a Board in the open market on Port Trust securities issued by it or may be obtained from the Central Government or a State Government. However, the financial position of most of the ports, except Bombay, Madras and Kandla, is weak and if these ports, which are not in a position to generate sufficient internal resources to finance their plan works have to resort to market borrowings at current rates which are very high, they will be further burdened with debt servicing liabilities which will further adversely affect their financial position. During the 6th Five Year Plan, out of the total outlay of Rs. 551.00 crores earmarked for all the major ports for their schemes/projects included in the plan, the major ports will be able to finance their schemes to the extent of Rs. 211.25 crores only and for the balance amount of Rs. 339.75 crores they will have to depend upon budgetary support from the Central Government. Of Rs. 211.25 crores the share of Bombay (including Nhava Sheva, Madras and Kandla ports amounts to Rs. 195.20 crores and the balance amount of Rs. 16.05 cores will be contributed by the remaining 7 ports.

2. Port and Harbour engineering has considerably advanced in the country and the projects are now being undertaken under the design, supervision and guidance of our own engineers. Equipment for construction

or mechanical handling at ports is also being indigenously manufactured and as a result of this the scope of financing port projects from foreign assistance and has been almost elimiated. Thus, the only source for market borrowings left to the Ports is the borrowing from the home market through sources, like the Banks, LIC, debentures, fixed deposits, etc. The market borrowings, however, bear a high rate of interest and this will increase the cost of development works at the Ports, which will ultimately raise the carge handling rates at our ports. If that happens, this will adversely affect our exports and make our imports more expensive.

3. As regards the position prevailing in foreign countries, it may be stated that in U.S.A., Canada and Balgium, all development expenditure on dredging is borne by the Government. In Rotterdam and different ports of France, a major portion of the expenditure on approach channel and dredging is borne by the Government. In the case of Ports in France, even 60 per cent of the cost of development work on dock yards, piers, etc. is also borne by the State. The Ports in West Germany are managed by the State Government and as such all expenditure on development is borne by the Government.

4. In view of the above, it is not considered advisable that the major ports should borrow funds from the open market at high rates of interest, which will increase the development cost of the port projects and thereby compel the ports to increase their cargo handling rates. Port is a service industry and it cannot afford to charge the rates which the trade cannot bear.

[Ministry of Shipping & Transport O.M. No. PW/PGA/12/32, dated 7/13 December, 1982.]

Recommendation

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

[S. No. 56 Para No. 5.4 of 97th Report of PAC (7th Lok Sabha.]

Action Taken

The Kandla Port Trust has reported that the position has undergone a favourable change and cement and steel are freely available in the open market. Therefore, pursing the matter of shortage of cement and steel with the State Government at a high level is no longer considered necessary.

[Ministry of Shipping and Transport (Ports Wing) O.M. No. PW/PGA/12/82, dated the 7/13 December 1982.]

Recommendation

Since Gandhidham is a developing township and a large number of industries are being set up in the private sector particularly in the Kandla Free Trade Zone, there is acute shortage of houses in the area. The representative of the Ministry of Works and Housing informed the Committee that if the State Government could draw up a programme for development of the Township under the scheme for development of small and medium towns, Central assistance for the same might be available. The Committee desire that the Ministry of Shipping and Transport should take up the matter with the State Government wihout delay.

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

[S. Nos. 57 and 58 Para Nos. 5.5 and 5.6 of 97th Report of PAC (7th Lok Sabha).]

Action Taken

Gandhidham township and Kandla Port are a composite complex and the development of the township is, therefore, inter-linked with the development of the Kandla Port. As the port's pace of development was slow upto mid-seventies due to several factors beyond its control, this had an adverse effect on the growth of the township which languished and could not develop faster in spite of a master plan for a modern township and allotment of plots at nominal prices both for industrial and residential purposes. As soon as the traffic started picking up at the port, the construction activity also started gaining momentum.

Other factors which favour retaining of the land with the Kandla Port Trust are the factors of economy and essentiality. Kandla Port is situated at a distance of 13 Kms from Gandhidham township and the development of land near Kandla is quite expensive as it involves lot of reclamation, filling, levelling and pile foundation for permanent structures. Construction of buildings and structures necessary for commercial infrastructure connected with the port traffic is consequently much cheaper in Gandhidham township area than in the areas near the port. Due to this reason, it is necessary that the Port Trust should continue to play its present role in the development of the township. It is also felt that without proper and adequate back-up of a modern township having banking and other infrastructure facilities essential for development, a port cannot function effectively. Moreover, the Port Trust has already invested approximately Rs. 3 crores for the development of the township and has entered into long term lease with several allottees of plots over the years and any transfer of the jurisdiction of the township to the State Government, at this stage, may not help in achieving the desired objectives.

[Ministry of Shipping and Transport (Ports Wing) O.M. No. PW/PGA/ 12/82, dated 7/13 December, 1982.]

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee further observe that the Kandla Port Trust Authorities did not take action for recovery of liquidated damages amounting to Rs. 7.08 lakhs for the failure of the manufacturing company to adhere to the time schedule for supply of steel barges on the ground that no loss was suffered since there was no demand for barges and that even the existing four barges could not be fully utilised. The argument is self-contradictory for the apparent reason that if the existing barges were not being fully utilised, there was no justification to go in for new barges. In any case, there is no reason why such leniency should have been shown to the firm. The Committee, therefore, consider it to be a lapse on the part of the Port Trust authorities and would like the matter to be investigated further with a view to fixing responsibility.

[S. No. 23 of Appendix II (Para 3.5) of 97th Report of the PAC (7th Lok Sabha)].

Action Taken

Liquidated damages:

Out of the six barges ordered on M/s. West Coast Lighterage, Jamnagar, four barges were delivered within the period of extension allowed by the Board i.e. 31-8-1976. The other two barges were delivered on 10-5-1977. Therefore, the question of levy of liquidated damages as per contract, clause arose in respect of the two barges only. The contract value of these barges worked out to Rs. 5,51,000 and liquidated damages for a period of 9 months @ 2 per cent per month came to Rs. 99,200 (18 per cent of Rs. 5,51,102) and not Rs. 7.08 lakhs as stated.

The matter regarding grant of extension for late delivery of the last two barges without levy of liquidated damages was placed before the Board of Trustees in the meeting held in May, 1977. The reasons for grant of extension of delivery period in respect of the last two barges from 1st

September, 1976 to 10th May, 1977, as mentioned in the note submitted to the Board in the above meeting are given below:

(i) Non-availability of Lloyds tested steel plates;

(ii) Frequent troubles in transporting materials due to strike of transport workers;

(iii) Non-availability of gas; and

(iv) Power cut.

The above reasons which contributed to the delay in the delivery of two barges were considered justified by the Board and, accordingly, extension was granted after keeping in view also the fact that the Port Trust had not suffered any distinct financial loss on account of delayed delivery.

It should be mentioned here that though there was a clause in the contract for payment of escalation on steel, on the basis of which, the firm had claimed the escalation on steel, but it was not allowed by the Port Trust. It is also relevant to mention here that the repeat order was placed on the firm in October, 1973, while the barges were delivered in May, 1977 and during this period, there had been high fluctuations in the price of steel, which was the main raw material for the barges. It may further be mentioned that the security deposit for 4 barges amounting to Rs. 95,609/- and also the last stage payment of the fourth barge amounting to Rs. 27,555/- were withheld for non-delivery of the last two barges within the stipulated period. These amounts were, however, released finally when the period of delivery was extended by the Board. This indicates that the Port Trust had not been lenient. It is also pointed out that judicial pronouncement in regard to cases of liquidated damages were clearly against levy of liquidated damages where no actual loss had been sustained by the party ordering the goods. In this connection, relevant extract from the judgement of Allahabad High Court in case of State of U.P. Appellant Vs. Chandra Gupta & Co. Respondent (AIR 1977 Allahabad 28 Jan., 1977) is attached. (Annex).

The Committee have observed that the reasons given for non-recovery of liquidated damages viz. that there was no loss suffered by the Port since there was no demand for the barges and that even the existing four barges could not be fully utilised are self-contradictory. It is pertinent to mention that the reasons were given at a time when the last two barges were actually delivered. However, this does not take away the rationale behind the procurement of barges, which was considered at a much earlier period on the basis of the then existing trend in traffic. The fact remains that the demand for the barges dwindled considerably when the barges were actually received mainly due to decline in the import of foodgrains and export of salt from the Port for which the barges were expected to be utilised. The subsequent decline in traffic was beyond the control of the Port authorities as the same was related to the stoppage of the imports of foodgrains and exports of salt according to the policy of the Central Government.

In view of the above factors, it is felt that the Board took a conscious decision not to levy the liquidated damages in the above case. Consequently there is no need to investigate the matter further for fixing responsibility in this case.

Remarks offered by Audit:

In respect of serial No. 23 of Appendix II (Para 3.5) of the 97th Report, where the Ministry has disputed the amount of liquidated damages, it may be mentioned that the amount of Rs. 7.08 lakhs mentioned in the PAC's report is correct. The amount represents the liquidated damages recoverable for 6 barges for the entire period of delay from the due date of delivery for each barge to the actual date of delivery for each barge and as such does not require any revision.

Further, the supply order also stipulated that if the contractor failed to deliver the stores or any instalments thereof within the period fixed for such delivery, the Chairman of the Port Trust might cancel the contract or a portion thereof. The Port Trust which had decided to purchase six more steel barges and obtained the Government's approval in September 1975 had not gone in for these additional barges due to the change in the trend in traffic. Had the action to cancel the contract for the two additional barges (due date of delivery-January 1975) been taken instead of granting extension from time to time upto May 1977 idle investment on at least two barges (Rs. 5.95 lakhs) could have been avoided.

Further comments of the Ministry of Shipping & Transport:

The Audit has expressed the view that liquidated damages amounting to Rs. 7.08 lakhs are leviable on all the six barges for the period of delay. It is stated in this regard that separate Supply Orders were placed for four barges (vide No. ST:PUO649/24 dated 8th May, 1973) at the rate of Rs. 2,75,551/- per barge (total basic cost Rs. 11,02,204/-) and a repeat order was placed (*vide* ST:PU:0649/238) dated 5th October, 1973) for two barges at a cost of Rs. 5,51,102/-. The Port authorities have reported that the delivery date of the four barges ordered under Supply Order dated 8th May, 1973 was extended from time to time having regard to all relevant circumstances. The barges were delivered within the extended dates. In this connection it is relevant that the general condition 14, read with special condition 15, of the contract conditions empowers the purchaser (the port) to grant extension of time. As the delivery of barges was made within the extended period of delivery, there was no question of levy of any liquidated damages on these four barges under condition 5 of the Supply Order. The decision to grant extension had been taken after the Port had been satisfied that the circumstances mentioned in condition No. 14 of General Conditions and condition No. 15 of Special Conditions of the contract warranted such a decision. Once the extension of delivery period was granted, it would be appreciated that the question of collecting/levying liquidated damages did not arise.

As regards the other two barges for which the Supply Order was placed on 5 October, 1973, these barges were not delivered even after the 31 August 1976, the extended date of delivery, and were delivered actually on 10 May, 1977. Therefore, the Port authorities had placed before the Board of Trustees the full facts of the case suggesting that the liquidated damages need not be levied for the period from 1 September 1976 to 31 May 1977. It is also relevant that the maximum liquidated damages leviable in respect of these two barges on the basic cost of Rs. 5.51 lakhs at the rate of 2 per cent per month for nine months from September 1976 to May 1977) worked out to Rs. 99,200/-. Upon full consideration of the matter, the Board decided under Resolution No. 19 of May 1977 that the penalty of liquidated damages should not be levied on the Contractors. In the light of the above, it appears that it would not be correct to club initial purchase of four barges and subsequent purchase of two additional barges for the purpose of liquidated damages as they were purchased under separate supply orders. Besides, as stated earlier, in cases where no actual loss is sustained by a purchaser, liquidated damages cannot be enforced legally.

The view of the above explanation and taking into account the total circumstances of the case, and specially the fact that the decision in this case was taken by the Board of Trustees, it is felt that the matter may not be pursued further.

[Ministry of Shipping & Transport (Ports Wing)
No. PW/PGA/12/82 dated 31 December, 1982].

Annex

AIR 1977 Allahabad 28 January 1977

State of U.P., Appellant Vs. Chandra Gupta & Co. Respondent.

Extract of Paras 18 & 19.

"18. After having heard counsel for the parties, we are inclined to accept the submission advanced on behalf of the respondent, Section 74 of the Indian Contract Act entitles a person to get reasonable compensation and does not entitle him to realise anything by way of penalty. If a contract is not duly performed but still no damage is suffered on account of non-performance, the promisee would not be entitled to get damages.

19. A similar question regarding the right of the Union of India to forfeit the security came up for consideration before the Supreme Court in Maula Bux Vs. Union of India, (AIR 1970 SC 1955). In that case Maula Bux had entered into a contract with the Government of India for the supply of certain goods and had deposited certain amount of security for the due performance of the contract. It was stipulated in the contract that the amount of security was to stand forfeited in the case the appellant neglected to perform his part of the contract. On Maula Bux committing default in the supply, the Government did not only rescind the contract but also forfeit the security deposit. Holding that a case of forfeiture of earnest money was different from the forfeiture of security deposit for due performance of the contract, the Supreme Court held that under Section 74 only reasonable amount can be forfeited if a contract is not performed. But, where under the terms of the contract the party in breach has undertaken to pay a sum of money or to forfeit a sum of money which he has already paid to the party complaining of a breach of contract the undertaking is of the nature of penalty. It further held that the amount deposited by way of security for guaranteeing the due performance of the contract could not be regarded as earnest money. Applying the law to the facts of the present case, we find that as the defendant, admittedly, did not suffer any damage it was not entitled to forfeit the security deposit, in as much as forfeiture of security would amount to imposition of penalty. This case was followed by the Supreme Court of Union of India V. Rampur Distillery and Chemicals Limited (AIR 1973 SC 1098). It was held in this case that the party to a contact taking security deposit from the other party to ensure due performance of the contract is not entitled to forfeit the security deposit on the ground of default, when no loss is caused to him in consequence of such default. We, accordingly, find that the learned Civil Judge was not right in holding that the forfeiture of security by the defendant in the instant case was justified. We, therefore, hold that the plaintiff is entitled to get a decree for the sum of Rs. 6,650/- under this head."

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE GIVEN INTERIM REPLIES

Recommendation

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

[S. No. 15 Para No. 2.48 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

Ministry of Railways, with whom the matter was taken up again reiterated their stand that the Railways are not in a position to revive the freight concession for export traffic. They have, however, no objection, to operate the scheme of freight rebate for export for selected commodities provided the Ministry of Commerce reimbursed to the Railways all the revenue lost by the Railways on this account together with 5 per cent surcharge. Alternatively, the Ministry directly concerned with the export of the commodity should reimburse the amount to the Ministry of Railways.

The views of the Railway Board have been communicated to the Ministry of Commerce with the request that they may consider the suggestion of the reimbursement of loss suffered to Railway Ministry. Commerce Ministry has replied that they are examining the question whether such a concession can be made available through Market Development Assistance (MDA). For this purpose, a paper is being placed by the Commerce Ministry before the MDA Main Committee consisting of Secretaries of Commerce, Expenditure and Economic Affairs.

[Ministry of Shipping & Transport (Ports Wing) (O.M. PW/PGA/12/82) dated 31st December, 1982].

Recommendation

The Audit para has pointed out that there were deficits of the order of Rs. 22.36 lakhs in 1978-79 and Rs. 27.20 lakhs in 1979-80 in the operation of Port Railways. The Committee regret to observe that the issue of payment of the terminal/haulage/siding charges by the Railways has remained undecided even since the booking of the goods traffic started at Kandla Port in 1956. The Committee find that the real point of dispute is the question of payment of the cost of staff quarters and allied buildings which were built by the Railways as deposit works at a cost of Rs. 23.73 lakhs. The Railways' contention is that the Port Trust/should 'pay the capital cost of the line first before they can expect us to pay railway charges.' Moreover, the staff were working for the Port Trust and as such the liability should be borne by them, as say the case with other Port Trusts such as Cochin, Tuticorin etc. The Ministry of Shipping and Transport have on the other hand, taken the stand that the cost of staff quarters should be borne by the Ministry of Railways since these were built for their staff. The Committee consider it extremely unfortunate that it has not been possible for the two Ministries to settle this dispute for the last as many as 26 years. The Railways could legitimately have insisted on pre-payment of the cost of staff quarters as required under rules prescribed for such deposit works in the Railway Manual. The Committee find that consequent upon the evidence tendered before them both by the representatives of the Ministries of Shipping and Transport and the Railways, a joint meeting was held in February, 1982 wherein an agreement has been reached on some of the outstanding issues. However, no settlement has yet been arrived at with regard to the capital cost of staff quarters and allied buildings though the Railways have agreed to maintain the same at their cost and recover the ren from their staff. The Committee would impress upon the two Ministries the need for arriving at a decision in the matter without any further delay. They would like to be apprised of the outcome within six months.

[S. No. 50 Para No. 4.54 of 97th Report of PAC (7th Lok Sabha)].

Action Taken

To find a solution to the dispute pending between the Western Railways and the Kandla Port Trust regarding the payment of the cost of staff quarters and allied buildings built by the Railways at Kandla, this Ministry proposed an inter-ministerial meeting with Railway Board. The meeting is likely to be held soon and the Public Accounts Committee will be informed of the decisions taken.

[Ministry of Shipping & Transport (Ports Wing) (O.M. PW/PGA/12/82) dated 31st December, 1982].

NEW DELHI;
March 28, 1983
Chaitra 7, 1905(*S*).

SATISH AGARWAL
Chairman
Public Accounts Committee.

(PART II)

Minutes of 68th sitting of the Public Accounts Committee held on 24 March, 1983.

The Committee sat from 1500 to 1545 hours.

PRESENT

CHAIRMAN

Shri Satish Agarwal

MEMBERS

Lok Sabha

Smt. Vidyavati Chaturvedi

Shri G. L. Dogra

Shri Bhiku Ram Jain

Shri K. Lakkappa

Shri Mahavir Prasad

Shri Dhanik Lal Mandal

Shri Harish Rawat

Rajya Sabha

Dr. Sankata Prasad

Shri Nirmal Chatterjee

SECRETARIAT

Shri K. C. Rastogi—*Chief Financial Committee Officer.*

Shri K. K. Sharma—*Senior Financial Committee Officer.*

REPRESENTATIVES OF AUDIT

Shri L. P. Khanna—*ADAI (R)*

Shri R. S. Agarwal—*Deputy Director,*
Commerce, Works and Misc.,
New Delhi.

* * * * *

2. The Committee then took up for consideration draft Report on action taken by Government on the recommendations contained in 97th Report

(7th Lok Sabha) on Kandla Port Trust and adopted the same with modifications/amendments as indicated below:

Page	Para	Line(s)	Amendment/Modification
8	1·10	23	*For* 'wasteful use' *Read* 'avoidable consumption'.
11	1·13	18	*For* 'be' *Read* 'to be'
13	1·16	8	*Delete* 'easily'
18	1·19	3	*For* 'supply' *Read* 'supply of'

The Committee also approved some minor modifications arising out of factual verification of the draft report by Audit.

The Committee then adjourned.

APPENDIX

Statement of Conclusions and Recommendations

S. No.	Para No.	Ministry/Deptt. concerned	Conclusions and Recommendations
1	2	3	4
1	1·3	Ministry of Shipping and Transport	The Committee expect that final replies to those recommendations and observations in respect of which only interim replies have been furnished by the Government so far will be made available to the Committee expeditiously after getting them vetted by Audit.
2	1.7	Ministry of Petroleum	In their 97th Report, the Committee had pointed out that the poor utilisation of the large capacity built up at Vadinar was on account of inordinate delay in commissioning of the Mathura refinery. The Committee had taken serious note of the escalation of cost of Mathura refinery from Rs. 97 crores in 1973 to Rs. 253.92 crores at September, 1981 price level and had urged the Ministry of Petroleum to ensure that such costly delays were avoided. In their reply, the Department of Petroleum have stated that the original estimate was worked out on the basis of the feasibility report of the refinery when the project parameters, the process scheme, other infrastructure and scheme of utilities had yet to be finalised. The cost estimates worked out on the basis of detailed project report were

1	2	3	4
			Rs. 192.32 crores at 1977 level. The Committee wish to express their serious concern at the tendency of the Ministries/Departments of Government to prepare feasibility Reports/Project Reports on the basis of incomplete data which would only give an entirely incorrect and misleading picture of the cost benefit ratio of the project to Parliament and the people. The Committee stress that such haphazard planning should be avoided in future and it must be ensured that feasibility reports are prepared after taking into account all relevant data so as to project a realistic picture.
3	1·10	Ministry of Shipping and Transport	From the reply furnished by the Ministry of Shipping and Transport, the Committee note that whereas the Ministry of Railways stand committed to clear the traffic of fertilizers, POL and other miscellaneous imports like wheat and news-prints imported through Kandla Port, they have expressed their inability to provide wagons for movement of cement from Kandla on the ground that Railways did not have spare capacity for clearing additional traffic from Kandla. The Railways have suggested that 'imported cement should be allotted for movement to nearby areas where it could go by road'. In paragraph 207 of their 103rd Report. (7th Lok Sabha) on "Availability of wagons on Indian Railways" the Committee had pointed out that the total quantity of cement moved by rail declined from 127.73 lakh tonnes in 1966 to 99.45 lakhs tonnes in 1979 and further to 68.46 lakh tonnes in 1981 (January—September) against the steep increase in movement of cement by road from 45.49 lakh

1	2	3	4
			tonnes in 1976 to 76.39 lakh tonnes in 1979 and 74.71 lakh tonnes upto September, 1981. As the movement of cement by road not only puts additional burden on the consumer and project authorities but also results in avoidable consumption of scarce and precious petroleum products which the country can ill afford in this period of foreign exchange difficulties, the Committee desire that the question of providing adequate wagons for movement of cement from Kandla by Rail and allocation to nearby areas should be settled by negotiations between the Railway authorities and the Cement Controller without delay.
4	1·13	Ministry of Shipping and Transport/ Commerce/Railways	The Committee are constrained to note that instead of placing the matter regarding grant of freight rebate for exports through Kandla Port before the Committee of Secretaries, the Ministry of Shipping and Transport had taken up the question with the Ministry of Railways who only reiterated their earlier stand that they were not in a position to revive the freight concession for export traffic and that they would have no objection to operate the scheme of freight rebate for export for selected commodities provided the Ministry of Commerce reimburse to them all the revenue lost on this account together with 5 per cent sur-charge. The Ministry of Commerce to whom the views of the Ministry of Railwasy were communicated for necessary action, have stated that they are examining the question and for this purpose a paper is being placed by them before the Market Development Assistance Main Committee. The Committee would like an early decision to be taken in the matter, failing which it should be remitted to the Committee of Secretaries for a final decision.

5	1·16	Ministry of Shipping and Transport	In pursuance of the recommendations made by the Committee, Government have decided to carry out a detailed survey to identify the export cargo from the hinterland of the Kandla Port which is being at present routed through other ports. The Committee trust that expeditious measures would be taken by Government to ensure that all export traffic which can be diverted to Kandla Port is so diverted in order to ensure that the capacity of the Port is fully utilized.
6	1·19	-Do-	In para 3.5 of the 97th Report of the Committee had referred to the leniency shown by the Port Trust authorities to a manufacturing company for delaying the supply of four steel barges in August 1976 against orders placed as early as May 1973. No liquidated damages were levied on the ground that the Board of Directors had extended the delivery period for supply of these barges under the general condition 14 read with Special condition 15 of the contract which empowers the purchaser to grant extension of time for delivery of goods.
7	1.20	-Do-	The Committee note that orders for two more barges were placed with the firm on 5 October, 1973 and the supply order stipulated that if the contractor failed to deliver the stores or any instalments thereof within the period fixed for such delivery, the Chairman of the Port Trust might cancel the contract or a part thereof. These barges were again not delivered by the due date i.e. January, 1975 and were delivered only in May, 1977. By that time it had become quite evident to the Port Trust

1	2	3	4
			authorities from the trend of traffic that it would not be possible to utilise these barges. It is most surprising that the Port Trust authorities, rather than cancelling the order by taking advantage of the firm's failure to deliver the barges in time, kept on granting extensions and did not insist even on recovery of liquidated damages. The Committee consider that under the circumstances the best course would have been for the Port Trust authorities to cancel the order for these barges and thus save Government from an infructuous investment of Rs. 5.51 lakhs. The Committee canot but express their displeasure at this failure and lack of foresight on the part of Kandla Port Trust authorities.
8	1.23	Ministry of Shipping and Transport/ Railways	From the reply furnished by the Government, Committee note that the Ministry of Shipping and Transport have proposed an Inter-ministerial meeting to find a solution to the dispute pending between Western Railway and the Kandla Port Trust regarding the payment of the cost of staff quarters and allied buildings built by the Railways at Kandla. However, the reply does not clarify what action, if any, has been taken by the Ministry to solve the issue of payment of terminal/haulage/siding charges by the Railways. As this matter has remained undecided even since the booking of goods traffic started at Kandla, the Committee urge that concerted efforts should be made to settle all the pending disputes without any further loss of time.
9	1.26	Ministry of Shipping and Transport	The Committee had in the 97th Report emphasized the need for introducing modern management practices at major ports with a view to streamlining the operations. Accordingly, the Ministry have taken up the matter with the Indian Ports Association which is a coordinating body

			between the Ministry and the Ports *inter-se* with a view to building up a group of professional experts who could study separately as well as in a coordinated manner, the different activity areas in the ports and gradually introduce efficient operational systems and procedures in order to improve the managerial and operational performance of the various ports. The Committee desire that the question of setting up of a Management Services Group, as envisaged, should be pursued vigorously. Needless to say, the Ministry of Shipping and Transport would provide the necessary impetus, technical guidance etc. as may be needed by this Group and also monitor its activities on a continuous basis.
10	1.29	Ministry of Shipping and Transport	The Committee had, in paras 5.5 and 5.6 of the 97th Report, observed that there was no reason why the Kandla Port Trust should continue to bear the responsibility for development of the Gandhidham Township any longer. The Committee had therefore desired that the matter should be taken up with the State Government and an early decision taken. The Committee had further pointed out that Central assistance could be made available to the State Government for development of the Township under the scheme for development of small and medium towns sponsored by the Ministry of Works & Housing. The Committee are not convinced with the argument that Gandhidham Township and Kandla Port are a composite complex and the development of the Township is inter-linked with the development of the Kandla Port. The Committee consider that while in the initial stages this arrangement was quite necessary, a stage has now

been reached when the Kandla Port Trust need not divert its resources for further development of the Gandhidham Township which should be appropriately left to the State Government. The argument that the Port Trust has already invested approximately Rs. 3 crores for the development of the Township cannot be made a ground for indefinite control of the Township by the Port Trust. Necessary arrangements in this behalf can be worked out in consultation with the State Government. The Committee therefore reiterate the recommendation made earlier and desire that the matter should be considered by Government at the highest level in consultation with the Ministry of Works & Housing and the State Government. The Committee would like to be apprised of the final decision taken in the matter.

GMGIPND—3602 LS —7-4-83—1065

ublished under Rule 382 of the Rules of Procedure and Conduct
Business in Lok Sabha (Sixth Edition) and printed by the General
Manager, Government of India Press, Minto Road, New Delhi.