

CHAPTER VI: MINISTRY OF SHIPPING

Kolkata Port Trust

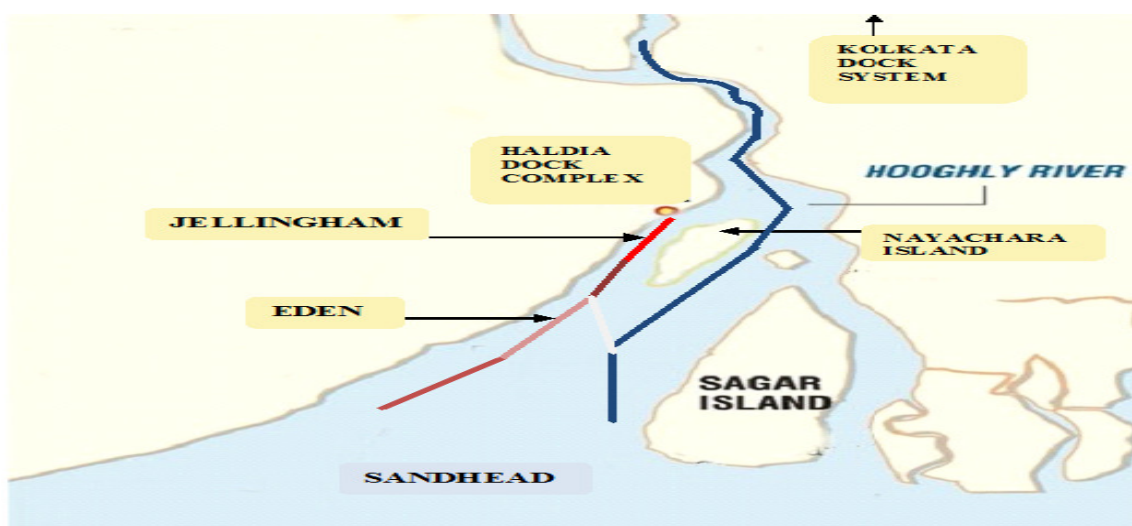
6.1 Dredging Activities in Kolkata Port Trust

6.1.1 Introduction

6.1.1.1 Profile of Kolkata Port Trust

Kolkata Port, the only riverine port of the country, comprising two docks, viz. Kolkata Dock System (KDS)¹ and Haldia Dock Complex (HDC)², is under the administrative control of the Kolkata Port Trust (KoPT) and reports to Ministry of Shipping (MoS). KoPT serves a vast hinterland comprising entire Eastern India including other states³, North Eastern States and two landlocked neighbouring countries viz. Nepal and Bhutan. There were two separate shipping channels originating from Sandheads i.e. Haldia Channel (via Lower Auckland-Upper Auckland- Jellingham-Haldia) leading to HDC and Kolkata Channel (via Maragolia crossing-Silver Tree-Diamond Harbour-Kolkata) leading to KDS. However, after opening of Eden Channel (March 2016), the shipping channel led to HDC via Eden-Upper Auckland-Jellingham-Haldia. Diagrammatic representation of the above channels is depicted below in Diagram 6.1:

Diagram 6.1: Shipping Channel of KoPT



¹ KDS, established during 1870 to 1929, situated at the left bank of the river Hooghly and at a distance of 232 Kms from Sandheads.

² HDC, came into operation in 1977, situated at the right bank of the river Hooghly and at a distance of 125 Kms from Sandheads.

³ West Bengal, Bihar and Jharkhand, Uttar Pradesh, Uttarakhand, Madhya Pradesh, Chhattisgarh, Punjab, Haryana and Rajasthan.

6.1.1.2 Dredging Activities

Kolkata Port suffers from heavy siltation which results in clogging of the navigation channel. Therefore, KoPT has been carrying out maintenance dredging activities of both the channels leading to KDS and HDC. A major portion of the dredging expenditure incurred by KoPT has been reimbursed by the Government of India (GoI). The details of dredging expenditure incurred by KoPT and reimbursed/ reimbursable by GoI for the last six years ending 2018-19 are given in the Table 6.1:

Table 6.1: Trend of dredging expenditure and reimbursement by GoI

Period	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total operating cost of KoPT (₹ in crore)	1,297.85	1,388.89	1,398.59	1,396.74	1,532.32	1,651.11
Total Expenditure on Dredging Activities (₹ in crore)	431.39	483.79	427.27	330.20	354.22	388.82
Amount reimbursed/ reimbursable by GoI (as per annual accounts) (₹ in crore)	380.99	360.18	340.17	264.00	244.90	241.68
Percentage of dredging expenditure to total operating expenditure	33.24	34.83	30.55	23.64	23.12	23.55

6.1.1.3 Previous Audit Report

A review on 'Dredging operations of Kolkata Port Trust' was included in Audit Report No. 4 of 2002 (Civil) of Comptroller and Auditor General of India. The important issues highlighted in the above report were as follows:

- KoPT did not follow the instructions of MoS regarding engagement of dredging contractor through competitive bidding.
- The daily hire rate contracts with Dredging Corporation of India Limited (DCIL) did not have the quantum of dredged material to be lifted and number of daily dredging loads to be taken. There were functional irregularities of the dredgers engaged by DCIL and the performance of DCIL was not satisfactory and cost of engaging them was very high.
- Dumping of dredged material in the river had resulted in re-circulation of the same and depth of Jellingham had shown a deteriorating trend.
- In spite of recommendations from various experts, KoPT did not implement the shore disposal system at Nayachara Island to avoid the re-circulation of dredged material.

6.1.2 Audit Scope and Objective

The Compliance audit covered the performance of dredging activities of KoPT during the period from 2013-14 to 2018-19. However, matters relating to earlier periods, which continued subsequent to 2013-14 have also been included wherever pertinent. The objectives of the audit were to assess whether:

- there was any strategic plan for conducting dredging activities;
- dredging activities were carried out economically, efficiently and effectively;
- dredged materials were disposed off efficiently and effectively;
- there was efficient movement of marine vessels; and
- the monitoring mechanism to oversee dredging activities was robust.

6.1.2.1 Audit Criteria

The audit criteria were derived from the following sources:

- Notifications, orders, guidelines issued by Ministry of Shipping (MoS) from time to time.
- Parliamentary Standing Committee report and Inter-Ministerial Group report.
- Various survey documents prepared by KoPT.
- Agenda and Minutes of the meeting of the Board of Trustees of KoPT.
- Standard Operating Procedure for dredging activity.
- Guidelines for awarding of contracts.
- Tender documents for work relating to dredging activities.
- Daily Dredging Reports.
- Study reports of experts/ consultants.

6.1.3 Audit findings

6.1.3.1 Strategic Plan for Dredging

The navigation channel of KoPT experiences a high rate of siltation. This causes clogging of the navigation channel which requires periodic maintenance dredging. Therefore, a long term strategic plan for dredging activity by KoPT was essential to combat deterioration in the navigable depth of the channel. However, KoPT had not prepared any long term strategic dredging plan, detailing guidelines such as interval of conducting survey of spur and river, timeline for actions to be taken on the basis of above survey, alignment and re-alignment of shipping channel, steps to combat unwarranted situations like sudden fall in depth at a specific bar etc. and accordingly strategies to be adopted from time to time for the same. Neither was a long term plan flowing from the strategic

plan, for dredging, prepared by KoPT. In this connection, it is pertinent to note that dredging was commenced at HDC with a target depth of 6.4 meter. However, KoPT has been fixing the target depth based on the depth achievable by DCIL. Audit observed that there was no long term vision of KoPT to endeavour to increase the target depth equivalent to 6.4 meter.

KoPT, however, prepared annual plans on ad-hoc basis for dredging containing bar wise target depth and quantity to be dredged. Audit, however, observed that the above ad-hoc target was more than the target depth incorporated in the dredging contract with DCIL. Further, it was seen that monthly performance of port operations viz. cargo handling, turnaround time, no. of ships arrived etc. was placed before the Board of Trustee (BoT) but the BoT was not appraised on the performance of dredging.

The Management stated (September 2019) that dredging contract for Haldia Channel was awarded to DCIL on nomination as per the dredging policies circulated by MoS from time to time. It was also stated that yearly dredging performance was compiled in the Annual Administrative Report of KoPT and the same was placed before BoT every year.

The above contentions are not tenable as the Ministry of Shipping (MoS) did not at all formulate/ circulate any dredging plan/ policy. In fact, the MoS from time to time only issued instructions to KoPT regarding various modalities, like process to engage dredging contractor, payment methods to be adopted etc. for executing dredging contract with DCIL. Further, Annual Administrative Report of KoPT indicates the statistical data relating to the various port activities including dredging in a particular year. It did not contain any performance analysis against the target fixed and deviations thereof as well as the steps to be taken for remedial measures. Also, an Annual Administrative Report cannot be a substitute for periodically apprising BoT and taking their guidance about the dredging performance, on which hinged the success of other port operations.

While endorsing the views of the Management, the Ministry accepted (December 2019) that the individual ports should formulate dredging plan with advice from technical committee.

The lack of strategic planning is also evident from the absence of a structured response to spur maintenance. Spur maintenance is an important activity in establishing stable channels. However, this was not taken up till February 2020. Further, nourishment work of Moyapur spur was proposed in 2014 but the same was taken up only in 2018, when there was sudden fall of depth at Moyapur bar, located in the channel leading to KDS. This clearly indicated that KoPT was only reacting to situations as they worsened, instead of following a laid down strategy, which included both preventive and reactive actions. The importance and yet lack of maintenance of spurs is discussed in the subsequent paragraph.

6.1.3.2 Inappropriate maintenance of spurs

Spurs are constructed to deflect flowing water away from the river bank in order to reduce flow velocities in critical zones near the river bank and thereby prevent bank erosion and establish a stable channel of desired alignment. 13 major spurs and 154 numbers of short spurs at various places of upper and lower reaches respectively of Hooghly River were constructed in early 1970's. Of those short spurs, five spurs were washed away and many of them needed nourishment due to gradual deterioration of the Haldia-Balari channel.

Image 6.1 Construction of spur



KoPT, therefore, decided (October 2008) to execute nourishment/ rebuilding works of those spurs in phases for restoration of stability of the channel. Accordingly, nourishment of 22 short spurs was undertaken during December 2008 to June 2010 at Nischintapur and Ghoramara region. It was further decided (June 2012) for nourishment/ rebuilding of another 13 short spurs at Nischintapur area at a total cost of ₹16.58 crore. However, such nourishment/ rebuilding of spurs at Nischintapur area was not taken up (August 2019) which defeated the very purpose for which the spurs were constructed and also adversely affected the depth of the navigational channel. In the meantime, KoPT assessed (September 2016) that the cost of the said work would go up to ₹30 to ₹35 crore approximately. This indicated nourishment/ re-building schemes were envisaged in ad-hoc and piecemeal manner without adequate commitment of resources and without any clear targets for their completion.

In this connection, it is worth mentioning that nourishment work of Moyapur spur, located in upper reaches of river Hooghly was proposed in 2014 but the same was taken up only in 2018 when there was a sudden reduction of depth at Moyapur bar, located in the channel leading to KDS. This indicated that KoPT was compelled to take action as the situation had worsened.

The Management contended (September 2019) that the work relating to nourishment/ re-building of the above spurs was not carried out due to inadequate internal resources arising out of delay in release of dredging subsidy by GoI. This contention of the Management is not acceptable as KoPT had sufficient funds ranging from ₹397.08 crore to ₹733.40 crore during the period from 2013-14 to 2017-18 as statutory reserves for replacement, rehabilitation and modernisation of capital assets which could have been utilised for the above nourishment/ re- building work of spurs. Further, the plea of delay

in releasing dredging subsidy by GoI for not taking up the nourishment/ re-building work of spurs at Nischintapur area is not at all justified as the payment to DCIL, which is about 80 *per cent* of total dredging expenditure, is released by KoPT irrespective of release of dredging subsidy by GoI.

Though the Management stated (September 2019) that such activities would be carried out in two phases during 2019-20 and 2020-21, the same was not taken up till February 2020.

The Ministry contended (December 2019) that delay in repair/ nourishment of some of the spurs had not affected either the boundary condition or resulted in erosion of bank. The contention of the Ministry is not acceptable as the KoPT had earlier stated (March 2019) that the delay in taking up the nourishment/ re-building work of spurs had resulted in adverse morphological changes, which had caused considerable damage to other spurs (spur no. 137 and 138) in Nischintapur where no nourishment work was envisaged earlier and the same might have an impact on the stability of the shipping channel. In this connection, Technical Advisory Committee⁴ had earlier warned (October 2014) KoPT that the delay in execution of the pending nourishment/ re-building works of spurs at Nischintapur would neutralise the benefit achieved from the earlier spur maintenance works completed in June 2010. KoPT, however, did not pay heed to the same.

6.1.4 Execution of dredging work

Due to upland discharge and tidal effect, channel leading to HDC is prone to heavy siltation which results in clogging of the navigation channel. KoPT, therefore, has to carry out dredging on a continuous basis to maintain the navigability of the shipping channel. In other words, the business of KoPT depends on effective dredging, to make the shipping channel encumbrance free. KoPT engaged DCIL to carry out the dredging activities.

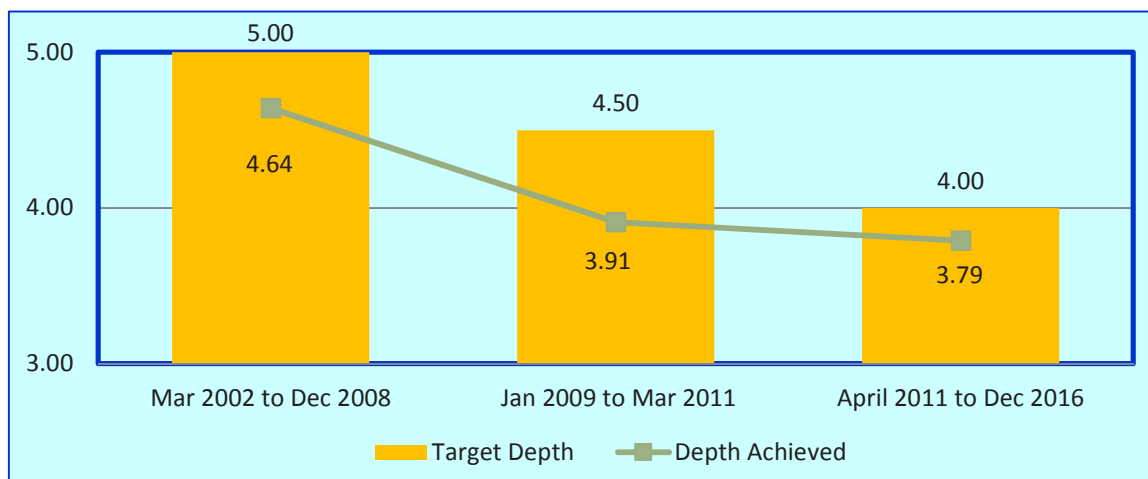
6.1.4.1 Unsatisfactory performance of DCIL

DCIL was engaged for dredging in the channel leading to Haldia with a target depth of 6.4 meter at Jellingham for its optimum utilisation since commencement of dredging in Haldia channel. The depth achieved by DCIL till March 2002 was 4.8 meter. At this depth, the utilisation of the carrying capacities of the HDC bound cargo vessels was 48.54 *per cent* of their Dead Weight Tonnage (DWT) during 2002-03. However, the Management considered depth of five meter as comfortable depth for HDC bound vessels. KoPT re-engaged DCIL on nomination basis to undertake the maintenance dredging of the Hadia channels and entered into contract with DCIL in March 2002 with an envisaged target depth of five meter at Jellingham.

⁴ TAC comprises Development Adviser (Ports), MoS, Director, Central Water & Power Research Station (CWPRS), Nautical Adviser to Ministry of Shipping, Dr. L. K. Ghosh, Ex-Addl. Director, CWPRS, Dr. S. Dey, Professor, IIT Kharagpur and officers of KoPT.

DCIL seldom maintained the target depth of five meter as per contract executed in March 2002. Thereafter, two contracts were executed in January 2009 and April 2011 with mutually agreed target depth of 4.50 meter and four meter at Jellingham respectively based on the performance or achievability of depth by DCIL in earlier contracts. DCIL, however, did not achieve the reduced target depth during the period from March 2002 to December 2016 as depicted in the Chart 6.1.

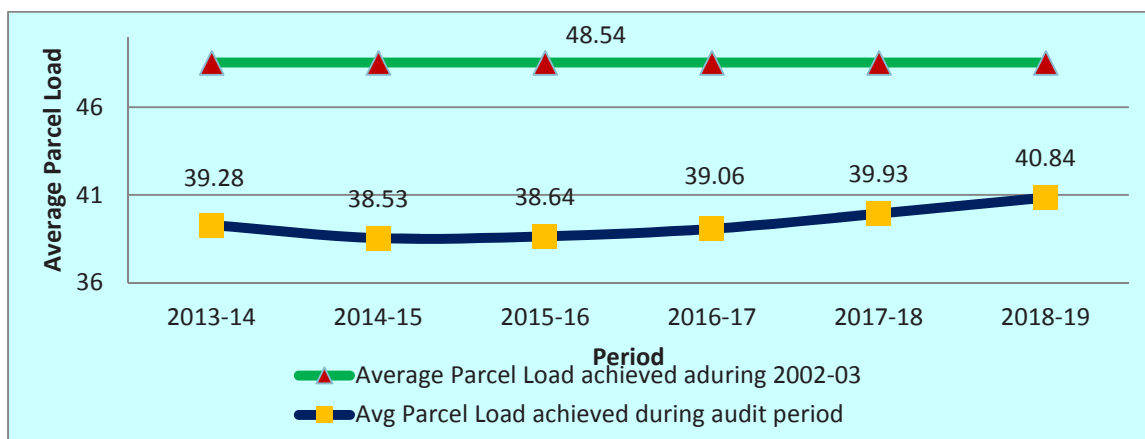
Chart 6.1: Target and achievement of depth at Jellingham



Subsequently, KoPT invited open tender three times unsuccessfully for dredging activity (Refer Para 6.1.4.3) and finally on fourth time awarded DCIL on single tender basis (January 2017) with a target depth of 4.1 meter based on the depth available at the time of handing over the site to DCIL. In the above contract, the actual depth attained gradually increased to 5.3 meter with reference to the target depth ranging from 4.1 meter to 4.3 meter. This was basically due to incorporation of new payment terms in the contract i.e. on the basis of the quantity to be dredged by the dredgers with achievement of the target depth.

However, the average target depth achieved till March 2019 was 4.80 meter which was still less than the envisaged comfortable depth of five meter and ideal target depth of 6.4 meter. As a result, the carrying capacity of vessels though marginally increased, was far less than that in 2002-03 with a target depth of five meter. The carrying capacity of the vessels during the period 2002-03 with that of the carrying capacity of the vessels during the audit period is shown in the Chart 6.2:

Chart 6.2: Comparison of carrying capacity of vessels



As shown above, the utilisation of the carrying capacities of the HDC bound cargo vessels was reduced from 48.54 *per cent* of vessels DWT during 2002-03 to 38.53 *per cent* in 2014-15 and later increased to 40.84 *per cent* in 2018-19.

Audit, therefore, estimated that KoPT lost the opportunity to increase its traffic by 45.27 million metric ton of cargo valuing ₹1,419.70 crore (**Appendix-XXVI**) during the above period due to reduction in the utilisation of the carrying capacities of cargo vessels.

The contract executed (June 2011) with DCIL on daily hire rate basis for deployment of six dredgers for the period upto March 2014 was extended upto December 2016 with the same terms and conditions.

Apart from non-achievement of target depth, scrutiny of records related to dredging activity carried out by DCIL during the period from April 2013 to December 2016 revealed the following:

- DCIL also did not engage six dredgers fleet at a time in the dredging operation as per terms of the contract.
- Further, the dredgers engaged by DCIL were having frequent breakdown.
- As per agreement (June 2011) the old dredgers with hopper capacity of 3,770 cubic meters viz., Dredge-V and VI were to be replaced with new dredgers having higher hopper capacity of 4,500 cubic meters. However, the same were replaced only in March/ April 2014 after a delay of 35 months. This had resulted in under dredging during 35 months due to continued deployment of lower hopper capacity dredgers than the required higher hopper capacity of dredgers.
- Since the payment terms of the dredging contracts upto December 2016 were not linked with the quantity dredged, the dredgers were paid irrespective of their 100 *per cent* utilisation.

The Management stated (September 2019) that compromising targeted depths set by KoPT were not based on the dredging performance of DCIL, rather it was based on the

achievability of depth considering regime depth situation around the areas with particular reference to the existing boundary and all the relevant conditions in the shipping channel. The above contention of the Management is not acceptable as the target depth was reduced mutually by KoPT and DCIL in every contract. Further, KoPT incorporated the target depth of 4.1 meter in the contract effective from January 2017 which was based on the depth achieved by DCIL in December 2016. Thus, KoPT itself negotiated with the envisaged depth of five meter as required for smooth shipping operation.

The Management further contended that in spite of best available resources, DCIL could not achieve the target depth most of the time due to other issues such as river dynamics, morphology, river training work, upland discharge etc. This contention is also not acceptable as during the period covered under audit, DCIL neither provided required number of dredgers nor the dredgers engaged performed satisfactorily. Further, after incorporation of payment terms based on quantity in contract, the same DCIL achieved target right from beginning of award of contract and achieved depth more than mutually agreed target depth by March 2019 (i.e. 4.8 m against 4.3 m). On several occasions, KoPT expressed their dissatisfaction about performance of DCIL to MoS as well as DCIL.

While endorsing the view of the Management, the Ministry contended that the low depth at Jellingham during the period between 2013 and 2015 vis-à-vis improvement afterward was attributed to a great extent to the formation of Islands above Haldia restricting ebb current, which carries more silt. This contention of the Ministry is not acceptable as the above mentioned islands above Haldia was in existence since 1997 and if formation of Islands in Haldia in 2015 was responsible for improvement of depth, the same should have been considered while fixing target depth in new contract.

6.1.4.2 Under-utilisation of Hopper Capacity of Dredgers

Material dredged is loaded in the hopper of the dredgers. Therefore, utilisation of hopper capacity indicated the performance of a dredger. Scrutiny of records related to utilisation of dredgers from April 2014 to December 2016 revealed that most of the loads were taken by DCIL dredgers with under-utilised hopper capacity. The details of under-utilisation of capacities of the dredgers deployed during the period from April 2014 to December 2016 are given in the Table 6.2:

Table 6.2: Dredger wise utilisation of hopper capacity

Name of Dredger	Hopper Capacity (in M ³)	Total no. of loads taken ⁵	Hopper Capacity to be utilised ⁶ (in M ³)	Hopper Capacity utilised (in M ³)	Hopper Capacity under-utilised (in M ³)	Average under-utilisation (percentage to the total capacity)
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (F/D)x100
Dredge-XVII	7,400	825	61,05,000	45,03,050	16,01,950	26.24
Dredge-XVI	7,400	130	9,62,000	6,33,699	3,28,301	34.13
Dredge- XXI	5,500	11,108	2,75,49,500	2,44,45,129	31,04,371	11.27
Dredge- XX	5,500	3,567	1,96,18,500	1,74,99,262	21,19,238	10.80
Dredge-XIX	5,500	3,720	2,04,60,000	1,84,88,924	19,71,076	9.63
Dredge-XIV	4,500	3,612	1,62,54,000	1,56,19,588	6,34,412	3.90
Dredge -XII	4,500	3,122	72,54,000	70,37,160	2,16,840	2.99

It may be seen from the above that the dredgers were under-utilised in most of the loads taken due to under-utilisation of hopper capacity ranging from 2.99 *per cent* to 34.13 *per cent*. The hire charges for the above dredgers were paid on daily hire rate basis irrespective of their actual capacity utilisation. Audit, therefore, estimated that an amount of ₹83.82 crore (**Appendix-XXVII**) incurred by KoPT towards hiring of the above dredgers did not yield any result due to under-utilisation of the hopper capacities of the above dredgers during the above period. This indicated deficiencies in monitoring and supervision of the dredging operations conducted by DCIL.

The Management contended (September 2019) that 100 *per cent* utilisation of hopper capacity of medium/ large size dredger was always not possible due to draught constraints with particular reference to depth in the shipping channel, tidal conditions etc.

This contention of the Management is not tenable as on scrutiny of records of the DCIL dredgers it was seen that there were instances of utilisation of 100 *per cent* of hopper capacity by dredgers even with the draught constraints in the river as referred by the Management. The required depth was not maintained due to the poor performance of DCIL and as a cascading effect of the same the hopper capacity of DCIL dredgers were not utilised optimally. Further, there were also instances where the capacity utilisation of dredgers were more in unfavorable tidal condition while the same was lower during the favorable tidal conditions in a particular location.

While accepting under-utilisation of dredgers capacity, Ministry stated (December 2019) that the underperformance in dredging operation was due to non-availability of new dredgers. It was also contended that the partial load of hopper was for the safety movement of dredgers to the dumping grounds.

⁵ Total number of loads taken during the period from April 2014 to December 2016.

⁶ Maximum quantity of dredging material can be lifted in no. of loads undertaken as mentioned in column (C).

The above contentions of the Ministry are not acceptable as three new dredgers viz. Dredge-XIX, XX and XXI were engaged (March 2014 and April 2014) by DCIL for dredging operations. Further there were several occasions when under unfavorable tidal conditions and draught constraint, the capacity utilisation of dredgers was higher with dumping of dredged materials in the designated areas.

6.1.4.3 Delay in finalisation of Tender for Dredging

The MoS (June 2002) directed KoPT to go for competitive bidding for engagement of dredging contractor as the performance of DCIL on nomination basis was not satisfactory. The same was also highlighted by Comptroller and Auditor General of India in its Audit Report No. 4 of 2002 (Civil). The issue of unsatisfactory performance of DCIL and the proposal for open tender was placed (December 2003) before BoT. However, no decision was taken in this regard. In spite of unsatisfactory performance of DCIL, KoPT did not opt for open tendering for engagement of dredging contractor and continued engaging DCIL on nomination basis.

The MoS again directed (December 2013) KoPT to engage the dredging contractor through open tender process on expiry (March 2014) of the existing contract. Accordingly, KoPT floated the tender in February 2014 for maintenance dredging at Jellingham and Auckland on daily hire rate basis. However, the same was discharged as the target depth fixed in the tender was less than that of the existing contract and the quoted rate of the bidder was on the higher side.

A fresh tender was floated in August 2015 on daily hire rate basis for the above channels. The same was cancelled subsequently on technical ground. The tender was again floated in November 2015 on daily hire rate basis for maintenance dredging at Jellingham only. The tender was discharged on the advice of MoS to incorporate all the channels leading to Haldia.

Thereafter, a fresh tender covering maintenance dredging at Haldia Anchorage, Jellingham, Eden and Auckland was floated in July 2016 on quantity to be dredged basis and finally the contract was awarded to DCIL in January 2017 for the period of five years on single tender basis.

Thus, continuation of dredging contract on nomination basis in violation of direction of MoS coupled with inordinate delay in finalisation of dredging contract by 33 months (April 2014 to December 2016) not only facilitated DCIL to monopolise its business but also impeded the desired depth of channel leading to HDC due to poor performance of DCIL. Audit, therefore, estimated that had the quantity dredged through daily hire rate basis during the extension period of 33 months, been carried out through cost per ton dredged basis, KoPT could have saved an amount of ₹119.49 crore (**Appendix-XXVIII**). KoPT, therefore, incurred an avoidable extra dredging expenditure of ₹119.49 crore due to delay in finalisation of dredging contract.

The Management contended (September 2019) that the delay in finalisation of tender was unavoidable on the following grounds:

- The tender of February 2014 was not finalised due to lower benchmark of depth set therein and higher rate quoted by the bidder.
- Further, the tender of August 2015 could not also be finalised due to advice of the consultant of the MoS to change the modalities of disposal of dredged material in the scope of work of the tender.
- Similarly, the tender of November 2015 could not be finalised due to change in scope of areas to be dredged on the advice of MoS.

The above contentions are not acceptable in view of the following:

- There was lapse on the part of the Management for not defining properly the benchmark of depth in the fresh tender of February 2014.
- The Management had the experience that during daily hire rate regime, DCIL was paid full hire charges of a dredger irrespective of the actual capacity utilisation of the same. Hence, the most economical and effective way to carry out dredging activities in Haldia channel should be quantity based dredging and payment for the same. This is also corroborated with the facts that after incorporation of such payment terms in the dredging contract of 2017 with DCIL there were instances of increase in the navigational depth of the channel leading to Haldia. The Management, however, did not consider the payment terms of quantity based dredging while floating the fresh tender in February 2014.
- The Management itself was well aware about the criticality of the areas to be covered under dredging activity and the same should have been defined comprehensively in the scope of work while floating the fresh tender.

In view of the above the delay of 33 months in finalisation of dredging contract was avoidable and competitive bidding process for dredging contract could not materialise due to procedural lapse in tender document.

While endorsing the view of the Management, the Ministry further stated that it issued (March 2001) guidelines to KoPT stipulating that payment for dredging should not be either on daily wages or on the basis of bulk density but on a guaranteed minimum depth and the same was followed strictly in all contracts formulated by KoPT thereafter.

The fact however remains that there was no restriction by the Ministry for incorporation of payment term in the dredging contract on quantity to be dredged basis alongwith guaranteed minimum depth. The above payment terms proved to be beneficial after incorporation of the same in the dredging contract effective from January 2017.

6.1.4.4 Ineffective Dredging at Jellingham

A vessel approaching to HDC was required to pass through Eden Channel then Upper Auckland and finally through Jellingham. Thus, there should be parity in depths available at these areas in the shipping channel to HDC for smooth movement of vessels. KoPT planned that the depth of Jellingham should be less than that of Eden and the difference of depth in this regard should be 0.5 meter or more. It was seen that from January 2017 to March 2019, the difference between the available depths of Jellingham and Eden Channel was less than 0.5 meter which resulted into an infructuous expenditure of ₹41.19 crore (**Appendix-XXIX**) incurred by KoPT towards dredging of higher depth at Jellingham than that required during the above period as the same did not yield any benefit.

The Management/ Ministry contended (September 2019/ December 2019) that the view of Audit was based on post dredging result which could neither be envisaged nor always practicable in a dynamic scenario in unpredictable riverine conditions.

The contention of the Management/ Ministry is not acceptable as the required depth of Jellingham was fixed to achieve the effectiveness of dredging and such depth should have, therefore, been maintained by proper monitoring and supervision of dredging activity.

6.1.4.5 Increase in Turn Round Time⁷ of Vessels

Vessels destined to HDC first arrived at Sandheads and thereafter had to travel 125 km long navigational channel. The cargo vessels, capable of entering into HDC but could not enter therein due to depth constraint, were to be lighteraged⁸ at various lighterage points. Lighteraging operations required more logistical costs and time on the part of port users. It was observed that the Turn Round Time (TRT) of cargo vessels leading to HDC was more than that leading to KDS during the period from 2013-14 to 2018-19 though the length of navigational channel of HDC (125 kms) was lesser than that of KDS (232 kms). The TRT of HDC was ranging from 5.97 days to 8.48 days while the TRT of KDS was ranging from 4.34 days to 5.1 days during the above period (**Appendix-XXX**). The above TRT of HDC included time involved in lighteraging of only those cargo vessels which could otherwise enter into HDC directly without lighteraging had there been no depth constraint in the channel leading to HDC. It was further observed that the increasing trend of TRT of HDC was primarily due to increased TRT of lighterage operations of above category of cargo vessels. In this connection it is worth mentioning that during 2018-19 the TRT of HDC reduced to 6.45 days mainly due to commissioning of floating crane for lighteraging operation.

The customers of KoPT, therefore, had to absorb the demurrage charges/ extra expenditure levied by the vessel owners for the delays due to increase in TRT. The port users expressed their concern over the increasing TRT and requested KoPT for reduction of the same.

⁷ *Turn Round Time (TRT) is the total time spent by a vessel at the port from its arrival at reporting station till its departure from the reporting station.*

⁸ *It is undertaken to reduce a ship's draft in order to enter port facilities which cannot accept very large ocean-going ships.*

The Management stated (September 2019) that the dynamic and evolving Hooghly Estuary necessitated frequent shifting & re-aligning of shipping channel for maintaining bare minimum navigability. It was also stated that KoPT had been encouraging lighterage of cargo in its deeper anchorages and, therefore, there was no scope to call fully laden larger vessels to port directly.

The above contentions are not acceptable as the lighterage operations were resorted to overcome the inability of the vessels to enter directly into the docks due to depth constraints. Further, Audit considered the TRT of lighterage operations of those cargo vessels only which were capable of entering into HDC had there been no depth constraints in channel leading to HDC.

The Management's further contention that TRT of both KDS and HDC were much lower than that pointed out by Audit is also not acceptable as the Management did not consider at all the TRT arising out of lighterage operations.

While endorsing the view of the Management, the Ministry further stated (December 2019) that in spite of additional cost the operation was still cheaper and preferable by trade as compared to unloading the cargo at neighbouring ports and then transferring by road or rail.

The above contention of the Ministry is not acceptable as Audit observation was on increase in TRT in KoPT itself. TRT indicated the efficiency of the port operations and port users would ultimately have benefitted from lower TRT as it involved lower cost to them. Audit did not compare the transportation cost at KoPT with that of neighboring ports as replied by the Ministry

6.1.4.6 Additional expenditure of ₹2.71 crore in Monitoring Work of Dredging

As per direction of MoS, KoPT awarded (January 2017) a contract to DCIL for maintenance dredging in the shipping channel leading to HDC in the Hooghly Estuary for a period of five years. As per the contract the payment should be made on the basis of the quantum of dredging done by DCIL. KoPT appointed (June 2017) WAPCOS for auditing of said dredging works at a value of ₹21.76 crore for a period of 54 months. Prior to finalising the above monitoring contract, the Management realised that the scope of the same was too vast for a result oriented dredging work. However, while finalising the monitoring contract the same was not considered. Ultimately, the Management revised the scope and coverage of monitoring work in January 2019 and the contract price was reduced by 40 *per cent*.

Thus there was delay in revising the scope of monitoring work in line with that of dredging contract for which KoPT had to incur additional expenditure of ₹2.71 crore (**Appendix-XXXI**) during the period from July 2017 to December 2018.

The Management/ Ministry stated (September 2019/ December 2019) that it has gained experience over the period and implemented further trimming of some deliverables without compromising quality with further saving on cost.

The above contention is not acceptable as prior to finalising the monitoring contract it was well aware about the vastness of the scope of the same but the revision of the scope of the monitoring contract was done in January 2019 i.e. after a delay of 18 months which lacks justification.

6.1.5 Disposal of dredged material

The channel leading to HDC are prone to heavy siltation which results in clogging of the navigation channel. KoPT, therefore, has to carry out dredging on continuous basis to maintain the navigability of the shipping channel. Effective dredging depends on proper disposal of dredged material. Mainly two practices of disposal of dredged material viz. shore dumping and river disposal is followed. In the shore dumping process, dredged material is discharged to shore through pipeline or by barge. In the river dumping, dredged material is dumped in the designated area of the river itself or through side casting considering the morphology of the river. Disposal of dredged material of 10 to 20 MM³ per annum approximately becomes a major constraint for KoPT. KoPT undertook mainly river dumping of dredged material in the deep pockets of the river and very small portion of the same by side casting method. Shore disposal is preferred and most effective method which was not started by KoPT till February 2020.

6.1.5.1 River Dumping and Shore Disposal

As per Standard Operating Procedure (SOP) on dredging, the depth of dumping ground should be more than 20 meter. However, only three dumping grounds⁹ having depth ranging from 2.5 meter to 6.5 meter were in operation for dumping of material arising out of maintenance dredging. Continuous and heavy dumping of dredged material in the above dumping grounds resulted in re-circulation of considerable amount of dredged material in the shipping channel due to insufficient depth of pockets.

Various experts engaged by KoPT had also recommended to rule out dumping of dredged material in the river and implement shore disposal system as it removed the dredged materials entirely from the river system. Due to non-implementation of shore disposal facility, an average journey time of 18 hours per day to 19 hours per day of a dredger was involved in travelling to the disposal area for disposition of dredged material in the river covering an approximate distance of 22 to 50 kilometers whereas effective dredging of a dredger was limited to only five hours to six hours per day.

The Management stated that shore disposal could not be commenced due to non-availability of suitable land for which they were pursuing with the State Government.

The Management has been corresponding with Government of West Bengal (GoWB) for granting permissive possession of 1,500 acres of identified land at Nayachara Island for the purpose of disposal of dredged materials by constructing earthen dykes there. The last letter written to GoWB was in June 2019. No sincere effort has been taken by the

⁹ 1) Lower Sagar Dumping, 2) EA-II and 3) Eden Dumping

Management to get environment clearance as guided by GoWB. The above indicated that the matter was not pursued seriously.

The fact, however, remains that dumping of dredged material in the dumping grounds of lower depth was continued for which re-circulation of the same occurred in the shipping channel.

(a) Re-circulation of Dredged Material

Based on the study carried out (January 2012 to March 2012) on the movement of sediment in the Hooghly river, Bhabha Atomic Research Centre (BARC) reported that the dredged materials dumped into the river moved towards the shipping channel. BARC also concluded that the site used as dumping yard was not suitable for dumping of the dredged material. The fact was also backed by MoS indicating (May 2014) that 15 *per cent* to 20 *per cent* of dredged material was coming back to the shipping channel from dumping grounds.

It was seen that a total quantum of 81.68MM³ was dredged during the period from 2013-14 to 2018-19 involving an expenditure of ₹1,857.37 crore and the same was dumped at different dumping grounds in the river itself. Considering the rate of re-circulation of at least 15 *per cent*, a quantum of 12.25MM³ of dredged material happened to come back into the shipping channel. Thus, by adopting the shore disposal facility, there was a possibility of avoiding re-circulation of 12.25 MM³ of dredged materials into the shipping channel and thereby savings of ₹278.61 crore (**Appendix-XXXII**) by KoPT during the above period.

The Management/ Ministry contended (September 2019/ December 2019) that there was no scientific evidence that 15 *per cent* to 20 *per cent* of dredged material dumped at Sagar Dumping Buoy/ Lower Sagar Dumping Buoy had re-circulated back into the Haldia Channel.

This contention is not acceptable as Audit observation was based on the assessment of MoS regarding re-circulation of dredged material in the shipping channels due to dumping of the same in the river itself. Further, dumping operation was carried out at three dumping grounds including Lower Sagar Dumping Buoy. Dumping at Sagar Dumping Buoy was closed in 2004.

(b) Dredging at Lower Eden

Indian Institute of Technology, Madras (IITM) recommended (April 2017) to dispose of dredged material of Jellingham and Eden in the Eden dumping ground for next 12 months, within which implementation of silt trap disposal system should be completed followed by construction of Nayachara Dyke for shore disposal. As the earlier proposal for silt trap disposal system has been disposed of by IIT, Madras, KoPT has been left with the only option of shore disposal. However, KoPT continued dumping of dredged material arising out of dredging at Jellingham/ Eden at Eden Dumping ground beyond the prescribed time limit instead of setting up shore dumping facility. On the other hand, it

was seen that KoPT started dredging activity of the bars of Lower Eden Channel where dredging activity was not done earlier. Thus, continued dumping of dredged material at Eden Dumping ground resulted in additional expenditure due to dredging at Lower Eden Channel to maintain the navigability of the channel.

The Management stated (September 2019) that shore disposal facility could not be created due to non-availability of suitable land. The fact, however, remains that shore disposal is the only permanent solution for disposal of dredged materials of channel leading to HDC and the Management should actively pursue with the State Government/ concerned authorities for availability of suitable land for the same.

The Ministry contended (December 2019) that to reap full benefit of higher depths at Jellingham and Upper Eden, dredging at Lower Eden was necessary.

This contention of the Ministry is not acceptable in view of the fact that dredging at lower Eden was necessitated due to continuous dumping of dredged material of Jellingham and Eden even after prescribed period.

(c) Narrowing of Navigable width of Haldia Anchorage

BARC in its report on Radiotracer Experiment in the Hooghly river near Haldia indicated (September 1993) that the sediments were found to be deposited on the shallow face of Nayachara Island on the eastern side of the Haldia channel irrespective of whether dumping was done during tide or in ebb. KoPT also submitted (April 1996) that free dumping of dredged material at deep locations within the river had contributed to the accretion of Nayachara Island which resulted in reduction of navigable width of the channel near Haldia anchorage. Gradual development was seen since 2006 in Haldia Anchorage at the confluence with Haldi River which resulted in encroachment of sand into the channel from the western side and expansion of Nayachara Island from eastern side, creating a squeezing effect on the channel. The navigable width of the Haldia Anchorage saw a reducing trend as the same was re-aligned at 345 meter (May 2016) from nearly 900 meter as existing in 2006. It was seen that, total 4.156 MM³ was dredged during the period from 2014-15 to 2018-19 only at the Haldia Anchorage for maintaining the width of the channel which was not required earlier.

The contention of the Management/ the Ministry (September 2019/ December 2019) that the width between four meter contours as well as navigable depths of Haldia Anchorage had increased since 2016 is not acceptable as the Management considered the total width of the Haldia Anchorage without considering the navigable width of the channel. The fact, however, remains that the navigable width was 345 meter as re-aligned since May 2016 for movement of vessels and the same had not been increased.

6.1.5.2 Side Casting

There were two types of dredging activities carried out by DCIL viz. conventional dredging and side casting. In the conventional dredging, dredging material was excavated and loaded in the hopper of the dredger for discharge of the same at a designated

dumping point in the river. In side casting, dredging material was excavated and disposed of by throwing the same in slurry mode at a distant place in the river itself.

(a) Non-incorporation of the lower rate of Side Casting in the Dredging Contract

In the contract of January 2017, it was stipulated that out of total dredging quantum fixed for Haldia Anchorage and Jellingham, maximum one MM³ per annum was to be done through side casting. Despite knowing (May 2015) that rate of side casting dredging was lower than that of conventional dredging, the Management did not incorporate rate for side casting dredging in the contract. During the period from January 2017 to March 2019, a total of 1.01¹⁰ MM³ was dredged through side casting. The payment for the same was, however, made on the basis of the rate applicable for conventional dredging which resulted into avoidable payment of ₹10.19 crore (**Appendix-XXXIII**) towards cost of dredging during the above period. Further, KoPT lost the opportunity to save ₹12.74 crore (**Appendix-XXXIV**) during the remaining period of the contract (upto December 2021).

The Management *inter alia* stated (September 2019) that they were unsure about the quantum of side-casting that might become necessary at some point of time in a year and therefore separate rates could not be asked from DCIL. This contention is not acceptable as it was stipulated in the contract with DCIL that maximum quantity of side casting would be one MM³ per annum and separate rate for side casting should, therefore, have been incorporated in the dredging contract considering the lower rate of the same.

The Ministry contended that had KoPT taken separate rates for side-casting, the rate for conventional dredging could have been different.

The above apprehension of the Ministry was not acceptable as the contract with DCIL had stipulated separate quantities to be dredged for conventional dredging as well as side casting and therefore, the rates for the above should have been separately incorporated in the contract.

(b) Non-installation of Production Meter

No suitable measuring devices were fitted in the dredgers of DCIL to measure the actual quantity dredged through side casting which were required as per contract. In absence of the same KoPT did not have any instrument to measure the actual quantity of material side casted as such the payment was made on the basis of a fixed formula at the rate applicable for conventional dredging.

The Management/ Ministry did not offer any comments in this regard.

6.1.6 Conclusion

KoPT did not have any laid down strategic dredging plan for dredging approved by its BoT enumerating the broad guidelines to be followed for dredging and strategies to be

¹⁰ Based on the fixed formula prescribed by M/s WAPCOS.

adopted from time to time for the same. Although annual plans for dredging were prepared, the same were not placed before the BoT for approval. Even, the actual achievements against such plans alongwith shortfall and reasons thereof were not prepared and placed before BoT for taking remedial measures. Spurs constructed for establishing a stable channel of desired alignment were also not maintained properly. There were deficiencies in execution of dredging contract with DCIL. The target depths in the dredging contracts were reduced with reference to the desired/ required depth mainly due to under performance of the DCIL dredgers. The dredgers deployed by DCIL remained under-utilised during daily hire rate regime for which KoPT incurred unfruitful expenditure. KoPT also incurred additional dredging expenditure due to continuation of the contracts with DCIL on nomination basis and on daily hire rate. Unfruitful expenditure towards dredging was also incurred by KoPT due to maintaining higher depth at Jellingham with reference to that of Eden. Shore disposal/ dumping of the dredged materials was not resorted to by KoPT. Instead, the dredged materials were dumped in the river itself. This has ultimately resulted in recycling of at least 15 *per cent* of the dumped dredged materials in the river leading to deterioration of the depth of the navigation channel despite dredging. The TRT of the vessels approaching to HDC was higher due to reduction in the navigational depth resulting in increase of the transaction cost of the vessels and the port, therefore, became unattractive to the port users.

6.1.7 Recommendations

- i) KoPT should prepare long term strategic dredging plan, detailing guidelines of all activities relating to dredging with a vision to increase depth of the shipping channel in long term. Further, the target of achievement of depth by DCIL should be in line with the annual dredging plan prepared by KoPT.
- ii) KoPT should fix the target depth in the contract with DCIL considering the comfortable/ required depth for smooth shipping.
- iii) KoPT should efficiently oversee the dredging work of DCIL for optimum utilization of hopper capacities of dredgers deployed by DCIL.
- iv) The payment terms of the dredging contract should be framed in line with the scope of work.
- v) KoPT should focus on increase of the navigational depth of the shipping channel to reduce the Turn Round Time of the Haldia bound vessels.
- vi) KoPT should implement shore disposal facility at the earliest for dumping of dredged material.

6.2 Loss of revenue due to non-recovery of license fee

Kolkata Port Trust suffered loss of revenue of ₹5.91 crore due to non-adherence to order of Tariff Authority for Major Ports for retrospective implementation of Schedule of Rents in respect of sheds/ yards inside customs bound area in Kolkata Dock System.

Kolkata Port Trust (KoPT) allots lands and structures at Kolkata Dock System (KDS) and Haldia Dock Complex (HDC) to the port users on license/ lease rental basis at the rates specified in the SoR fixed by Tariff Authority for Major Ports (TAMP). On the expiry of the prevalent Schedule of Rents (SoR) which was effective for the period from 7 April 2011 to 6 April 2016, KoPT proposed (September 2016) to TAMP for revision of SoR for land and buildings of KoPT at KDS and HDC for the period from 7 April 2016 to 6 April 2021. TAMP approved (May 2017) the above proposal of revision of SoR valid for the above period of five years with retrospective effect from 7 April 2016. The above approved SoR comprises leases and licenses granted at KDS and HDC including license fee in respect of shed/ yard within customs bound area of KDS.

Board of Trustees (BoT) of KoPT decided (December 2017) to implement the revised SoR retrospectively with effect from 7 April 2016. However, it was decided that the revised license fee of shed/ yard within customs bound area in KDS and HDC was to be made effective from 31 May 2017 on the following grounds:

- Delay in determining the rent applicable for sheds in customs bound area in KDS due to change in the method of calculation of the same.
- It was difficult for the licensee to recover the additional rent charges from the importers/ exporters once the consignment has been delivered.
- The allotment letters for grant of license did not contain any provision for retrospective revision of license fee.
- As per the provisions of The Major Port Trusts Act, 1963 (Act), BoT was empowered to exempt either wholly or partially any goods or vessels or class of goods or vessels from the payment of any rate leviable in respect thereof to any scale in force.

The above reasons for implementation of the revised SoR prospectively from 31 May 2017 in respect of shed/ yard within customs bound area in KDS were not justified on the following grounds:

- The Management was aware of the changed methodology of calculation of rent/ license fee prescribed in Land Policy Guidelines 2014 issued (January 2014) by TAMP prior to sending of proposal for revision of SoR to TAMP.
- KoPT implemented the revised SoR for other categories of land and buildings retrospectively from 7 April 2016. Thus, relaxation towards implementing the same for sheds/ yards inside customs bound area was not in favour of the financial interest of KoPT. Further, there was ample scope to recover the additional license fee arising out of revision of SoR from the licensees as KoPT had security deposits from them for recovery of any outstanding dues.

- It was specifically mentioned in the allotment letters that any upward revision of the license fee etc. was to be payable by the licensee.
- As per section 53 of the Act, the BoT was empowered to exempt the payment of any rate/ charge leviable in respect of any goods or vessels or class thereof and not in respect of SoR for license fee/ rent of land and buildings.
- The problems in retrospective collection perceived by the Management were also applicable to HDC, but HDC implemented and collected SoR retrospectively for its customs bound area.

Thus, there was an under-recovery of license fee amounting to ₹5.91 crore in respect of sheds/ yards inside customs bound area of KDS due to non-implementation of revised SoR retrospectively from 7 April 2016.

Management contended (December 2019) that the revised SoR was implemented prospectively from 31 May 2017 in respect of customs bound areas of KDS and HDC for augmenting better trade relations and to avoid litigations.

The above contention of the Management is not acceptable as implementation of SoR in entirety as approved by TAMP was a statutory obligation on the part of the major ports and the Management implemented the revised SoR retrospectively in HDC in sheds/ yards inside customs bound area. Further, the justification of avoiding litigation was also not acceptable as the allotment letters specifically stipulated that any upward revision of the license fee etc. was to be payable by the licensee.

Thus, there was an under-recovery of license fee amounting to ₹5.91 crore in respect of sheds/ yards inside customs bound area of KDS due to non-implementation of revised SoR retrospectively from 7 April 2016. The lack of justifiable rationale for such non-implementation also led to undue benefit to the licensees of sheds/ yards within customs bound area of KDS.

The matter was referred to the Ministry in January 2020, their reply was awaited (May 2020).

Jawahar Lal Nehru Port Trust

6.3 Excess payment to employees due to inclusion of House Rent Allowance for calculation of Overtime Allowance

Jawaharlal Nehru Port Trust made excess payment of Overtime Allowance due to inclusion of House Rent Allowance in the formula for calculating Overtime Allowance and Ministry of Shipping took unduly long time in taking action in the matter.

Jawaharlal Nehru Port Trust (JNPT) has been paying overtime to its employees working beyond prescribed working hours, as per the following formula as mentioned in the Schedule of Employees (as on 1 April 1997):

with and Ministry's directive was implemented with effect from 9 September 2019. In view of this situation, the possibility of recovering previous payments is ruled out.

JNPT, however, has neither initiated action towards fixing responsibility on the erring officers/ officials nor submitted the Action Taken Report as directed by the Ministry. Audit noticed that Ministry was aware that the decision was taken by the Board of Trustees and as such the Ministry should have taken action to fix the responsibility.

Audit has been pointing out the irregular inclusion of HRA in OTA, since December 2015. However, it took nearly four years for the Ministry/ JNPT to decide on the admissibility or otherwise of inclusion of HRA in OTA. Had prompt corrective action been taken by the competent authority, expenditure of at least ₹27.96 crore incurred since December 2015 could have been avoided.

Paradip Port Trust

6.4 Loss of revenue due to lower fixation of Tippling charges

Paradip Port Trust suffered loss of ₹11.16 crore due to under-recovery of Tippling charges for handling thermal coal at Iron Ore Handling Plant during the period from June 2016 to March 2019.

Export of coal was carried out at Coal Berths through Mechanised Coal Handling System/ Plant (MCHP) in Paradip Port Trust. However, due to increase in demand of thermal coal, movements of vessels for export¹¹ of thermal coal at Paradip Port had gone up, resulting in increase in pre-berthing detention of thermal coal vessels, as both the Coal Berths were occupied continuously. Paradip Port Trust (PPT), therefore, explored the possibility of handling thermal coal at its Iron Ore Berth (IOB) with Iron Ore Handling Plant (IOHP) as the IOHP was remaining underutilised due to reduction in demand of iron ore. The power sector companies who were bringing thermal coal through Paradip Port also expressed (May 2014) their willingness to handle their vessels at IOB, to reduce the waiting time of berthing of vessels.

PPT made an estimation of the Shipment charges @ ₹54.07 per MT and Tippling charges¹² @ ₹47.05 per MT for handling of thermal coal mechanically at IOHP, as the Scale of Rates (SoR) of PPT did not include any rates for handling of thermal coal at IOHP, since no such activity was carried out by PPT earlier. The same was placed (May 2015) before the Board of Trustees (BoT) of PPT with the approval (May 2015) of the Chairman, PPT. BoT, however, decided (May 2015) to keep the Shipment charges at ₹49.50 per MT on the request of the power sector companies and approved Tippling charges as proposed.

¹¹ *Transportation of thermal coal from coal companies in India to the power stations of southern India through Paradip Port.*

¹² *Charges for mechanically tippling of dry bulk cargo from railway wagons for export of the same.*

However, PPT proposed (May 2017) a new SoR to Tariff Authority for Major Ports (TAMP) for shipment charges @ ₹49.50 per MT and Tippling charges @ ₹20.40 per MT for handling of thermal coal in IOHP. PPT also clarified to TAMP that proposed Shipment and Tippling charges were approved by BoT. This was not based on fact as BoT had never approved reduction of Tippling charges to ₹20.40 per MT for handling of thermal coal at IOHP. TAMP approved (November 2017) the SoR which inter alia included the Shipping charges and Tippling charges for handling of thermal coal at IOHP as ₹49.50 per MT and ₹20.40 per MT respectively. Thus, the SoR for Tippling charges for handling thermal coal at IOHP was fixed lower by ₹26.65¹³ per MT.

Thus, PPT suffered loss of revenue of ₹11.16 crore (**Appendix-XXXV**) during the period from June 2016 to March 2019 due to lower fixation of Tippling charges.

The Management stated (July 2019) that the Tippling charges of ₹47.05 per MT for handling of thermal coal at IOHP was not placed before BoT as thermal coal was to be unloaded manually and then to be loaded to ships mechanically at IOHP. The contention of the Management was not acceptable as Tippling charges of ₹47.05 per MT in respect of handling of thermal coal mechanically at IOHP was approved by BoT in May 2015¹⁴. Further, such tippling activity was carried out mechanically from the start, for which the above rate was approved. However, the reduction of Tippling charges for handling of thermal coal at IOHP from ₹47.05 per MT to ₹20.40 per MT was not approved by BoT.

The Management further contended that cost benefit analysis was made by considering Tippling charges of ₹20.40 per MT and the port users also agreed to the same along with a labour cess of ₹120 per MT with an overall cost of ₹140.40 per MT to the port users.

The Ministry while endorsing the above views of the Management, also stated (December 2019) that imposition of Tippling charges of more than ₹20.40 per MT would not be viable from the perspective of thermal coal exporters. The above contention of the Ministry/ the Management was also not tenable as there was no communication from thermal coal exporters that imposition of Tippling charges of ₹47.05 per MT would have been unviable for them. In fact, cost of coal handling in IOHP was only ₹274 per MT (including Tippling charges @ ₹47.05 & labour cess of ₹120 per MT) compared to MCPH where it was ₹427 per MT. Therefore, even by applying rate of ₹47.05 per MT and cess of ₹120 per MT, the exporters were being benefitted by ₹153 per MT vis-à-vis charges paid at MCPH, besides savings in time. Hence argument of ₹47.05 per MT not being viable by Ministry is totally unacceptable.

Thus, Paradip Port Trust suffered loss of ₹11.16 crore due to under-recovery of Tippling charges for handling thermal coal at Iron Ore Handling Plant during the period from June 2016 to March 2019. This would be recurring loss till such time the Tippling charges are rectified in the SoR.

¹³ (₹47.05 per MT - ₹20.40 per MT) = ₹26.65 per MT.

¹⁴ Agenda Item No. 26(01)/2015-16 of the Board Meeting No. 01/2015-16 of BoT of PPT held on 29 May 2015.

6.5 Corrective action taken at the instance of Audit

Paradip Port Trust paid excess income tax of ₹1.43 crore for the assessment years from 2014-15 and 2015-16 due to inclusion of tax free interest income in its total taxable income. After Audit pointed out excess payment of income tax, Management took up the matter with CBDT for refund.

Paradip Port Trust (PPT) invested (March 2013) ₹20 crore and ₹10 crore in tax free, secured, redeemable, non-convertible bonds issued by Ennore Port Limited (EPL) and Dredging Corporation of India Limited (DCIL) respectively carrying interest rate ranging from 6.97 per cent to 7.01 per cent per annum. The interest income from such bonds was exempted from income tax as per section 10(15)(iv)(h) of Income Tax Act 1961 and should not form part of total taxable income of the assessee.

Audit, however, observed that PPT while computing its total taxable income for the previous years 2013-14 and 2014-15 (Assessment Years 2014-15 and 2015-16 respectively) considered the interest earned of ₹4.20¹⁵ crore from the above tax free bonds of EPL and DCIL as taxable income and accordingly paid income tax.

PPT, therefore, made excess payment of income tax of ₹1.43¹⁶ crore due to inclusion of tax free interest income in its total taxable income for the Assessment Years 2014-15 and 2015-16.

After pointing out the issue of excess payment of income tax by Audit (May 2019), the Management filed (July 2019) before the Central Board of Direct Taxes (CBDT) for refund of ₹1.43 crore of excess amount of income tax paid for the Assessment Years 2014-15 and 2015-16.

Thus PPT took corrective action, after the issue was pointed out by Audit.

Cochin Port Trust

6.6 Avoidable expenditure on procurement of Reach Stacker

Cochin Port Trust incurred avoidable expenditure of ₹2.34 crore on procurement of Reach Stacker without assessing the actual requirement.

Cochin Port Trust (Port) augmented its Container Freight Station (CFS) on Willingdon Island, Kochi to support the International Container Transshipment Terminal (ICTT) operation for the Export-Import (EXIM) containers. For handling cargo containers in the CFS, Port procured one Reach Stacker¹⁷ in 2011.

Government of India formulated the Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) scheme with an objective to create appropriate infrastructure for development and growth of exports. Under this scheme,

¹⁵ $[(₹20 \text{ crore} \times 7.01 \text{ per cent}) + (₹10 \text{ crore} \times 6.97 \text{ per cent})] \times 2 \text{ years} = ₹2.10 \text{ crore} \times 2 \text{ years} = ₹4.20 \text{ crore (approx.)}$

¹⁶ $₹4.20 \text{ crore} \times 33.99 \text{ per cent} = ₹1.43 \text{ crore}$

¹⁷ A reach stacker is a vehicle used for handling intermodal cargo containers in terminals or ports.

Port received a grant of ₹4.04 crore in two equal instalments for 'Modification of Container Freight Station'. Port decided (February 2016) to purchase a new Reach Stacker by using the grant amount and invited e-tender (March 2016) for which two bidders¹⁸ responded. After evaluation of the quote submitted, Port placed (April 2016) a purchase order on M/s TIL Ltd. for a Reach Stacker at a cost of ₹2.34 crore. The new Reach Stacker was delivered in July 2016.

Audit observed that during 2014-15 to 2018-19, the utilisation of old Reach Stacker ranged between 17.97 *per cent* to 5.27 *per cent* only of its rated capacity. Further, there was no major break down and the Reach Stacker was well within the prescribed economic life norms of eight years. Though there was further scope for adequate utilisation of the existing machine, the Port went for purchase of a new Reach Stacker without any justification. Further, the utilisation of the new Reach Stacker during 2016-17 to 2018-19, also ranged between 8.40 *per cent* to 6.84 *per cent* only.

The Management/ the Ministry replied (August/ December 2019) that at the time of procurement of new Reach Stacker, the old one had completed five years out of its normal life of eight years and was showing symptoms of breakdowns. They further stated that there may have been breakdown of major components which may have led to prolonged lay off of the operation of the CFS. New Reach Stacker was, therefore, necessary to handle specific cargo, to face competition of neighbouring CFSs and to ensure uninterrupted operations. In order to increase utility, Port took action to fix hire rates of equipment so that the Reach Stackers could be given on hire to the trade/ private users. The Port has obtained approval from Tariff Authority for Major Ports (TAMP) to give on hire the Reach Stacker which would improve the utilisation. Also, discontinuance of Ro-Ro facility¹⁹ between the Port and ICTT affected the utilisation of the stackers.

Replies of the Management and Ministry have to be viewed against the fact that the existing Reach Stacker broke down only on one occasion (March 2014) and was inoperative only for three days during its entire five years' service. Even during 2016-17 when Ro-Ro facility was available, the utilisation of old and new Reach Stackers was only 11.77 *per cent* and 8.4 *per cent* respectively. Hence, discontinuance of Ro-Ro facility cannot be attributed as a reason for underutilisation. The Port did not consider the above factors while deciding to purchase the Reach Stacker and procured the equipment merely to utilise the grant without assessing the actual requirement.

Thus, the Port had incurred an avoidable expenditure of ₹2.34 crore by procurement of Reach Stacker without proper justification.

¹⁸ M/s TIL, Chennai and M/s Cargotech, Mumbai.

¹⁹ Roll-on Roll-off