

## CHAPTER IX : MINISTRY OF SURFACE TRANSPORT PORTS WING

### Calcutta Port Trust

#### 9.1 Unfruitful expenditure on dredging

**Required width of the channel to accommodate Suezmax tankers could not be achieved and expenditure of Rs 29.90 crore incurred for the purpose became unfruitful.**

The Chairman, CPT decided to upgrade the Haldia oil jetty to accommodate Suezmax tankers from October 1997 which would maximise the benefits to the oil industry. This required widening the approach channel at Haldia anchorage to 670 metre.

CPT deployed DCI for widening the channel between May 1997 and December 1997 as part of its regular maintenance dredging programme at Haldia. Against the projected requirement of dredging 1.03 MCM DCI could dredge 0.228 MCM since its dredgers were simultaneously deployed for dredging at other locations. The channel width initially increased from 470 metre to 549 metre but deteriorated to 488 metre in December 1997.

The CHE<sup>1</sup>, CPT thereafter formulated an intensive five months dredging programme with the stated objective of achieving a channel width of 670 metre by dredging an estimated quantity of 1.8 MCM.

The work started in June 1998. CHE confirmed in July 1998 that the targeted width would be achieved as scheduled despite high reshaling. DCI completed dredging 1.99 MCM in November 1998 having achieved a width of 533 metre only after an expenditure of Rs 29.90 crore.

At the instance of Chairman, CPT a study was conducted in March 2000 by experts on the basis of the survey data of CPT. The reasons for unsatisfactory result as opined by the experts were as follows:

- (i) Time period for which the siltation factor remained valid was not considered at the time of estimation of dredging quantity.
- (ii) The siltation which occurred during the dredging period was of the order of 200 *per cent* against estimated 80 *per cent*.

---

<sup>1</sup> Chief Hydraulic Engineer

- (iii) Estimation of low value of side slope led to flow of soils which ultimately caused high siltation.
- (iv) The rate of dredging as estimated was much less than the rate of siltation that prevailed during the dredging period.

It is thus evident that the CHE had set unrealistic parameters for the work without a proper analysis of the extant conditions.

Hence a project that would have benefited the oil industry could not be implemented due to the CHE's planning failure resulting in an unfruitful investment of Rs 29.90 crore.

The Ministry stated in December 2000 that the dredging had obviously helped to contain the advancement of sand besides increment of width to some extent in the area. But the fact remains that the intensive dredging programme undertaken with a distinct objective of widening the channel could not be fulfilled.

## 9.2 Delay in condemnation of vessel

**Due to inordinate delay in condemnation of an outlived vessel, Calcutta Port Trust had to incur an avoidable expenditure of Rs 1.29 crore and idle expenditure of Rs 2.54 crore.**

Despatch Vessel Seva built in 1963, had outlived its normal economic life in 1983. After the last survey repair in 1991-92 the vessel could only be utilised for 387 days between April 1993 and September 1995. For carrying out uninterrupted conservancy work in the shipping channel CPT decided in October 1995 to undertake further survey repair of the vessel without considering its economic viability. Although the vessel was laid up for survey repair in October 1995 no time frame was fixed nor was cost estimation prepared for the work. CPT could not take up the repairs departmentally due to non-availability of spares and pending commitments neither did it get the survey repairs done outside apprehending high cost involvement and poor workmanship. Thus though the vessel was laid up since October 1995 no arrangements for its repair and recommissioning were made till March 1998. However, CPT had incurred an expenditure of Rs 1.29 crore on bunker oil and maintenance and Rs 2.54 crore on salaries and wages of the members of crew, stores, fringe benefits and general expenses during October 1995 to May 1998.

In March 1998, the Board<sup>1</sup> decided that the vessel, having outlived its economic life, should be condemned. In pursuance of the decision of the Board the committee constituted for the purpose, declared the vessel condemned in August 1998 due to involvement of high cost and indefinite time in repairing, high running cost and remote chances of its gainful

---

<sup>1</sup> Board of Trustees of Calcutta Port Trust

utilisation. Had the vessel been considered for condemnation before laying it up for survey repair the expenditure of Rs 3.83 crore on salaries and wages of crew members, fuel and maintenance could have been avoided and the crew would have been gainfully redeployed.

Thus inordinate delay in condemnation led to avoidable expenditure of Rs 1.29 crore and idle expenditure of Rs 2.54 crore for the period from October 1995 to May 1998. During the period night navigation and salvage assistance were hampered due to non-operation of the vessel.

The matter was referred to the Ministry in July 2000; their reply was awaited as of February 2001.

### 9.3 Delay in commissioning computerised cargo

**Computerised cargo system of the Calcutta Port Trust has not been commissioned even after an expenditure of Rs 42.82 lakh.**

To provide expeditious cargo accountal and documentation system for the benefit of port users CPT decided in November 1992 to implement computerised cargo accountal system. The system was meant for online cargo handling operation, billing operation, vessel planning etc. To implement the system, CPT procured in January 1995 a Super Mini-RISC based computer system from Tata Elxsi (India) Limited at a total cost of Rs 42.82 lakh. The system was installed in January 1995 at a temporary site at the Bhutghat Computer Centre of CPT. The permanent site at container freight station building was made ready in August 1996 and the system was installed there in September 1996. Hydraulic study department, CPT was to develop the application software as the same was not readily available in the market. Expected time frame for developing the software was about six months from the date of installation.

The development of software was delayed due to (i) frequent changes in the user department's specifications (ii) failure of the system personnel to take into account the scale of rates of CPT on which the entire commercial procedure and allied charge realisation was based. Due to delay in development of software, the computer system could not be commissioned even in October 2000. Meanwhile the warranty period of the installed system expired in January 1996.

Inadequate planning and lack of co-ordination between two department of CPT thus resulted in non-commissioning of the computer system five years after procurement despite an expenditure of Rs 42.82 lakh. The objective of computerising cargo accountal has also not been fulfilled.

The matter was referred to the Ministry in September 2000; their reply was awaited as of February 2001.

**Calcutta Dock Labour Board**

**9.4 Overpayment of minimum guaranteed wages**

**Incorrect application of rules resulted in overpayment of minimum guaranteed wages of Rs 94.85 lakh in Calcutta Dock Labour Board.**

In accordance with the provision of Calcutta Dock Workers (Regulation of Employment) Scheme, 1956 CDLB<sup>1</sup> pays minimum guaranteed wages on daily rate basis to the worker, who cannot be provided with jobs for 30 days in a month due to fall in traffic in Calcutta Dock System. The minimum number of days for which wages are guaranteed to any worker is fixed for each year on the basis of monthly average employment obtained by the worker during the preceding year. The number so fixed should not in any case be more than 21 and not less than 12.

Test check of wage bills in September 1999 revealed that during 1998-99, CDLB paid minimum guaranteed wages to the workers for 14 to 21 days without considering actual monthly average employment of the workers which obtained during 1997-98. This resulted in payment of minimum guaranteed wages higher than the actual wages admissible and led to overpayment of Rs 94.85 lakh during 1998-99.

Thus incorrect application of relevant rules by CDLB during payment of minimum guaranteed wages to workers resulted in overpayment of Rs 94.85 lakh in 1998-99.

CDLB, while accepting the views of Audit in May 2000, stated that due to some administrative problems the wages could not be reduced.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

---

<sup>1</sup> Calcutta Dock Labour Board

**Chennai Port Trust**

**9.5 Excess payment due to incorrect computation of escalation charges**

**Incorrect inclusion of the wagon charges in the total value of the bill of contractor while calculating the escalation resulted in excess payment of Rs 10.09 crore.**

MoST<sup>1</sup> accorded in April 1993 sanction for the construction of a new satellite port at Ennore near Chennai at an estimated cost of Rs 593.90 crore. The project comprised, inter alia, the construction of breakwater as a single package. During October 1994, ChPT<sup>2</sup> decided to split the work of construction of breakwater into two packages viz. (i) rock quarrying and transportation to the site at Ennore and (ii) construction of breakwater. The work of rock quarrying and transportation was entrusted to a Mumbai based company and an agreement was executed with them for the purpose in June 1996. As per bid conditions, Railway freight charges were to be borne initially by ChPT and the Port Trust would recover from the contractor charges at the rate of Rs 5500 per Railway wagon handled on each round trip. Accordingly Port Trust recovered the wagon charges at this fixed rate from the contractor throughout the period of operation, though Port Trust had to pay wagon charges at higher rates fixed by Railway subsequently.

The agreement provided, among other things, adjustment in cost for price variation to accommodate periodical change in the basic cost of materials, labour and other inputs to the work. A price variation factor was to be arrived at using a specific formula. This factor was applied to the total value of work to allow the price variation.

A scrutiny of the Running Account Bills (upto the month of July 1999) paid for by ChPT revealed that the total value of work on which cost escalation was allowed was reckoned without deducting wagon charges paid by Port Trust direct to Railways and recovered from the contractor at a fixed rate. It was observed that even when the wagon charges were enhanced by Railways subsequently from Rs 5500 to Rs 7055 from April 1998 and to Rs 8185 from April 1999, the increase/escalation was borne by ChPT from time to time and the recovery was effected from the contractor only at the fixed rate of Rs 5500 per wagon initially agreed to. Therefore the contractor was not to be allowed any price variation on this item and the cost of wagon charges ought to have been excluded from the total value of work done before applying the price variation factor, on par with similar procedure to be followed in the case of departmental supply of cement etc., to contractor for works.

---

<sup>1</sup> Ministry of Surface Transport

<sup>2</sup> Chennai Port Trust

Incorrect computation of cost escalation thus resulted in excess payment of Rs 10.09 crore to the contractor for the work executed during May 1996 to July 1999.

The Ministry in their reply in January 2001 merely forwarded a copy of the Chairman, ChPT who did not dispute the necessity of excluding the wagon charges while arriving at the escalation charges but stated that payments to the contractor were made as certified by the Engineer appointed for the purpose; that the agreement conditions also did not provide for deducting wagon charges before working out the escalation charges and hence there was no excess payment.

The reply of the Chairman is not tenable because the chairman, as the authority for payment, could pay only what was due for payment. Action should be taken against the engineer and chairman for wrong payment.

### **Chennai Dock Labour Board**

#### **9.6 Loss due to non-collection of arrears of wages paid to workers from employers**

**Arrears of wages of Rs 6.18 crore to workers under two schemes were incorrectly met out Board's funds instead of collecting the same from the employers.**

The four schemes viz. (i) Madras Dock Workers (Regulation of Employment) Scheme 1956 (Registered Scheme), (ii) Madras Unregistered Dock Workers (Regulation of Employment) Scheme 1957 (Listed Scheme), (iii) Madras Unregistered Dock General Pool Workers (Regulation of Employment) 1988 (General Pool Scheme) and (iv) Madras Unregistered Dock Clearing and Forwarding Workers (Regulation of Employment) Scheme 1988 (Clearing and Forwarding Scheme) made for Chennai Dock Workers under the Dock Workers (Regulation of Employment) Act envisaged that the cost of operating the schemes shall be defrayed by payments made by the registered employers of the Board<sup>1</sup>. As per the provisions of the schemes, the Board has to collect the gross wages due to the workers along with levy towards administrative expenses of the Board from the registered employers and pay the wages to the workers. Specific provisions contemplating the payment of arrears of wages due to any revision of wages or other allowances with retrospective effect in pursuance of any award or order of the Central Government out of Board's own funds were made only in respect of Registered Scheme (Clause 52 A) and Listed Scheme (Clause 13 E).

---

<sup>1</sup> Chennai Dock Labour Board

The Ministry ordered in February 1999, payment of IR<sup>2</sup> at 10 *per cent* of basic pay to all Class III and IV employees of Dock Labour Boards with effect from January 1998, pending finalisation of the recommendations of Bipartite Wage Negotiation Committee. The Board paid the arrears of IR up to February 1999 to the workers under all the schemes out of its own funds and started collecting the IR payable to workers from the employers only from March 1999. In the case of General Pool Scheme and Clearing and Forwarding Scheme, as there was no provision to meet the arrears of wages from the Board's funds, the arrears of IR for the workers under these schemes ought to have been recovered from the employers. However, the Board failed to recover the arrears amounting to Rs 35.85 lakh. The Board replied (February 2000) that the arrears of IR could not be taken as arrears of wages. The reply was found to be not tenable as IR is a part of the wage payable to the worker and as the Board had also included the amount of IR for arriving at the wage rates to be recovered from the employers from March 1999.

The Ministry, accepting that there were no enabling provisions under the two schemes for meeting the arrears of wages out of Board's funds further stated (May 2000) that as the employers apprehended 'rise in service costs which was not in the larger interest of trade', the Board had to meet the IR from the surplus funds of the Board as in the case of other schemes.

Subsequently also, following the wage settlement reached by Bipartite Wage Negotiation Committee in August 2000, arrears of wages to the tune of Rs 5.82 crore, after adjusting the IR already paid, were paid to the workers under above two schemes from the Boards funds for the period ending July 2000. The Board started to recover the wages from the employers based on the revised wages only from 11<sup>th</sup> August 2000, the date of communication of agreement by Indian Port Association.

Thus the Board irregularly met the arrears of wages from its funds and failed to recover the same from the employers. This resulted in a loss of Rs 6.18 crore (IR arrears Rs 0.36 crore and differential wages Rs 5.82 crore) besides interest loss to the Board.

Ministry replied in January 2001 that the arrears of IR as well as wages were to be paid from the surplus funds of Dock Labour Board with or without any provision in this regard under the relevant schemes. With the merger of Board and ChPT, expected to take place any time, all the schemes would stand abolished. Therefore Ministry stated any amendment to the schemes to provide for payment of arrears out of Board's funds was not called for. However, the fact remained that Board suffered a loss of Rs 6.18 crore as the arrears could not be recovered from the employers.

---

<sup>2</sup> Interim Relief

<b>Cochin Port Trust</b>
--------------------------

### **9.7 Undue financial aid by way of remission of demurrage in contravention of Government guidelines**

<p><b>Contrary to Government of India guidelines, Cochin Port Trust allowed remission of demurrage charges of Rs 60.43 lakh levied on goods detained due to failure of consignee to effect payment to the owners of the vessels.</b></p>
--

Under section 60(2) of the Major Port Trusts Act, 1963 owners of the vessels exercised lien over the cargo in cases of non-payment of charges due from the importer. A quantity of 10,729 ton of wheat discharged during October-December 1998 could not be cleared from the transit sheds/godowns of CoPT<sup>1</sup> due to the lien exercised by the ships' owners on 24<sup>th</sup> December 1998. The vessel owners also secured an injunction order (4<sup>th</sup> January 1999) from the Principal Sub Court, Kochi, restraining CoPT from delivering the cargo to the consignee. Subsequently, an out of court settlement was reached and the Court injunction was lifted on 21<sup>st</sup> January 1999. The consignee cleared the cargo in February 1999 after paying demurrage charges of Rs 1.89 crore to CoPT for the cargo retained in Port sheds.

Board of Trustees decided (September 1999) to remise Rs 60.43 lakh being 80 *per cent* of the demurrage charges of Rs 75.53 lakh pertaining to the period of Court injunction from 4<sup>th</sup> January to 21<sup>st</sup> January 1999.

According to the guidelines issued by the GoI<sup>2</sup> for remission of demurrage charges, remission up to 80 *per cent* could be considered only if detention of goods was not attributable to the fault of the importer/consignee. Since CoPT was compelled to retain the cargo on account of lien exercised by the owners of the vessel for recovery of unpaid freight charges and detention/demurrage charges from the consignee the importer was at fault. The lien issued under section 60(2) of Major Port Trusts Act, 1963, was legally enforceable and CoPT was bound to comply with it and detain the cargo at the risk and expense of the holders of the bills of lading (i.e the consignee). Further, Court injunction was necessitated due to the fault/failure of the importer to settle the claims of the ship owners. Hence the consignee was solely responsible for the non-clearance of the goods discharged in the port premises and as such remission of demurrage charges of Rs 60.43 lakh was not in conformity with GoI directives and caused loss of Rs 60.43 lakh to CoPT.

Ministry contended (September 2000) that the consignee was unnecessarily put to difficulties due to payment of huge demurrage fees on account of delay in clearance of cargo caused by the disputes between the owners of the vessel and the charterers and that the waiver was allowed only for the period of court injunction. As the dispute mainly arose due to non-settlement of dues payable to the vessel owners by the charterer consignee and the demurrage levied by

---

<sup>1</sup> Cochin Port Trust

<sup>2</sup> Government of India



CoPT was a direct consequence of the lien exercised by the ships' owners on 24<sup>th</sup> December 1998, there was little justification for agreeing to the consignee's demand for remission of port demurrage charges collected. The facts that the consignee was arraigned as the first respondent in the suit and the ship owners (Petitioner) preferred claims for realising the entire dues from the consignee, clearly indicated that the consignee was accountable for the delays/losses. Since the port operations were adversely affected due to detention of the consignment in its transit sheds, the remission of revenue collected was not in the financial interest of the port.

## **9.8 Loss of revenue due to delay in implementation of revised electricity tariff**

**Belated revision of electricity tariff rates by Cochin Port Trust resulted in short levy of energy charges from its consumers at the pre-revised rates and consequent loss of revenue of Rs 29.10 lakh.**

Mention was made in paragraph 11.9 of Report No. 4 of 1999 about delay on the part of CoPT in implementation of revised electricity tariff rates and revenue foregone (Rs 34.98 lakh). Though CoPT admitted that delay in implementation of the revised tariff was attributable to delays in completion of procedural formalities, Ministry contended in the ATN (July 2000) that the revision was not effected immediately in view of the comfortable revenue generation achieved on sale of power to the consumers. Audit scrutiny disclosed that such delays persisted during the latest power tariff revision also vide details given below.

KSEB<sup>1</sup> notified in the Kerala Gazette dated 14 May 1999 revision of electricity tariff for High Tension (HT) and domestic consumers from 15 May 1999. CoPT is a licensee of KSEB for power supply to different consumers in port's premises and under provisions of the Electricity (Supply) Act, 1948, CoPT should give a notice of not less than 60 clear days about its intention to revise the rates. Such a mandatory notice was, however, issued on 23 August 1999 only and the revised rates implemented from first November 1999. The recurring failure of CoPT to complete all the required procedural formalities within a reasonable period, say three months, and to introduce the new tariff rates for sale of electricity to its consumers had resulted in loss of potential revenue of Rs 29.10 lakh for the period 15 August 1999 to 31 October 1999.

Ministry pointed out in August 2000 that whenever KSEB revised power tariff, CoPT followed suit only after a few months and stated that Port Trusts have been directed to give top priority to such revision of tariffs.

In view of the recurring delays in giving effect to the periodical revisions of power tariff, CoPT should streamline its internal procedures and gear up its

---

<sup>1</sup> Kerala State Electricity Board

administrative machinery so as to avoid losses of substantial revenue as pointed out in audit.

**Jawaharlal Nehru Port Trust**

### **9.9 Unfruitful expenditure on dust control system**

**Acceptance of a defective system from the contractor and failure of effective follow-up resulted in infructuous expenditure of Rs 5.25 crore.**

JNPT<sup>1</sup> procured and installed a dust control system in March 1990 at a cost of Rs 5.25 crore (inclusive of foreign exchange element) through their contractor Klochner-Roxon-Hyundai Consortium, Korea with the objective of curtailing the dust emanating from operations while handling bulk cargo. The system was also intended to keep pollution under control and to provide the work force with a pollution free environment.

Terms of the contract envisaged the contractor to (i) complete the work in all respects, carry out successful trial runs to the satisfaction of the engineers and hand over the facility in operating condition to the port and (ii) to supply spare parts free of cost for two years.

Audit scrutiny revealed that though the dust control system was installed in March 1990, it could not be put to use satisfactorily since commissioning. The main reasons for this being compressor failure, non-functioning of heaters, non-functioning of dust collection systems due to inadequacies in design and improper maintenance. Thus the port accepted a system from the contractor or engineer, which was not in good working condition. Port made efforts to get the system repaired through the contractor but it did not yield the desired results, due to poor quality of repairs carried out by the contractor. In June 1992, the port appointed technical audit consultants to look into the matter, the consultants opined that the inadequate design of the dust control system and poor maintenance had led to its non-performance. They recommended condemnation of certain parts of the system. No further action was taken till October 1998.

In November 1998 the port decided to replace the existing system with a new one. Due to lack of response, the matter had not been finalised so far. In March 1999, port dismantled a portion of the dust control system at a cost of Rs 1.09 lakh.

On this being pointed out in audit, port replied that the system had not been functioning satisfactorily due to various deficiencies and a small portion of the system had to be dismantled having been badly corroded.

---

<sup>1</sup> Jawaharlal Nehru Port Trust

The fact however remains that despite non-fulfilment of contractual obligation by the contractor to hand over the system in working condition, the port acquired a system which was abinitio defective and thereafter lack of adequate follow up action by the port resulted in wasteful expenditure to the tune of Rs 5.25 crore as the system could not be made operational.

The matter was referred to the Ministry in September 2000; their reply was awaited as of February 2001.

### **9.10 Blocking up of capital and excess expenditure on repairs and electrification**

**Construction of residential quarters in excess of requirements resulted in blocking up of capital of Rs 2.73 crore and additional expenditure of Rs 1.52 crore on repairs and electrification.**

JNPT deposited a sum of Rs 64.61 crore over a period of 10 years from 1983 to 1992 with the Railways to construct railway lines and other connected infrastructure facilities comprising civil, mechanical and electrical engineering work etc. The civil engineering work consisted of construction of residential quarters for use by operations and maintenance staff of railways working for JNPT.

Though railways initially submitted an abstract estimate for 1512 residential quarters in 1982, they revised it to 762 during discussion in 1982 and the same was approved by JNPT. Finally a total of 514 quarters including 336 Type I, 132 Type II, 40 Type III and 6 Type IV quarters were built at a cost of Rs 4.15 crore at Panvel, Jasai and Funde for the above mentioned purpose.

Audit scrutiny revealed that though Railways had completed the work of construction of these 514 quarters by 1990, 372 residential units of various types at Funde and Jasai built at a cost of Rs 2.73 crore remained vacant. Reasons for non occupation of 72.37 per cent of these quarters were not forthcoming from JNPT. Since November 1995 JNPT made efforts to take over these quarters from railways for use by port staff or users, by taking up the matter with the Railway Ministry. In September 1998 Railways handed over the quarters at Funde to JNPT. These quarters required major civil repair works. Though as per original agreement with the Railways internal/external electrification and maintenance etc. were to be done by the Railways, the quarters were handed over after eight years without electrification and maintenance. The port had also to spend Rs 1.52 crore towards electrification and civil works.

Thus 372 residential units built in excess of actual requirements remained unoccupied on account of unrealistic assessment by JNPT and resulted in blocking of capital worth Rs 2.73 crore over a period of 10 years. The approval of the estimate for 762 residential unit by JNPT betrays lack of any comprehensive study of the actual requirements for them. Besides the port

had incurred excess expenditure to the tune of Rs 1.52 crore on electrification and repair works for its failure to take prompt action and also to get the work done by the Railways.

The matter was referred to the Ministry in September 2000; their reply was awaited as of February 2001.

### **9.11 Infertuous expenditure on two ‘in-motion weigh bridges’**

**Failure to accept the system in full operational condition resulted in infertuous expenditure of Rs 69.35 lakh.**

JNPT procured and installed two in-motion weigh bridges in March 1990 at a cost of Rs 69.35 lakh. As per the terms of the contract with the contractor the work was to be handed over to the port in complete operating condition.

The in-motion weigh bridges were to be utilised for weighing incoming and outgoing rakes loaded at JNPT. For correct weighing, it was essential for the rakes to travel at a speed between five to eight km/hr.

Audit scrutiny revealed that the system, though not received in complete working condition, was handed over to the port in 1990. It could not be put to use due to defects such as non-functioning of video monitoring system, fault on constant voltage transformer and due to non-maintenance of required speed by the Railways. From December 1990 to March 1992 JNPT made efforts to rectify the defects by corresponding with the contractors and railways respectively, which did not yield the desired result. However from April 1992 to May 1997 there was nothing on record to show that JNPT took any further action.

In June 1997 a committee was constituted by port to look into the matter. The committee recommended disposal of the weigh bridges as scrap. No action was taken by the port till June 2000. Thus acceptance of technically deficient equipment, contrary to the terms and conditions of the contract rendered the whole expenditure of Rs 69.35 lakh infertuous.

The port replied that in-motion weigh bridges remained unutilised since its commissioning on account of design deficiencies, technical constraints and failure of the Railways to maintain the requisite speed.

Port’s reply is not tenable as these deficiencies could have been got rectified before taking over and before making the payment to the contractor to ensure that the system remained in operating condition.

The matter was referred to the Ministry in September 2000; their reply was awaited as of February 2001.

**Mumbai Port Trust**

**9.12 Avoidable loss due to theft of brake blocks in Yard**

**Theft of brake blocks at Mumbai Port Trust Yard, resulted in avoidable reimbursement of Rs 1.36 crore to Railways.**

As per an agreement between Indian Railways and MbPT<sup>1</sup> there is to be a regular interchange of wagons between port and Railways. As per this, a regular examination of, and repairs to wagons interchanged with the port will be carried out by the Central Railway both when the wagons are handed over and taken over by the Railway for which the port will pay to Railways the full cost incurred on account of repairs of wagons carried out on behalf of the port. As per the agreement the 'cost of repairs' was inclusive of making good deficiencies and repairing damage including those resulting from thefts, rough shunting and accident in the MbPT Railway area.

Audit scrutiny revealed that theft of brake blocks was a known regular phenomenon in the MbPT Railway yard. MbPT did not take adequate precautionary measure to prevent the pilferage of brake blocks happening over years. During the period from April 1998 to March 2000 there was theft of 66492 brake blocks at MbPT yard valued at Rs 1.36 crore. To make good the loss, the port had to pay this amount to the Railways as per the agreement.

On this being pointed out by Audit MbPT replied that missing brake blocks and the value pertains to the Central Railway and not to MbPT Railway.

Earlier port had paid an amount of Rs 3.22 crore to Central Railways towards outstanding wagon repair charges for the period from April 1988 to March 1999, inclusive of the cost of stolen brake blocks.

The matter was referred to the Ministry in September 2000; their reply was awaited as of February 2001.

---

<sup>1</sup> Mumbai Port Trust

### 9.13 Loss of revenue due to non-execution of agreement

**Mumbai Port Trust suffered a loss of revenue of Rs 6.08 crore due to non-execution of agreement resulting in non-recovery of rent and share of fees from Foreign Owners Representatives and Ship Managers Association Maritime Institute and Research Organisation.**

MbPT made an arrangement with FOSMA<sup>1</sup> in January 1992 and launched a training institute namely FMIRO<sup>2</sup> for providing seafarers training (maritime training course). The main benefits envisaged by MbPT were providing facility to impart pre-sea training to the children of the employees for the purpose of employment on foreign going vessels as well as for upgrading skills of the Port Trust employees.

The Institute was to be jointly managed by MbPT and FOSMA. As per the arrangement, infrastructure (premises-1000 sq. meter, equipment and three staff members) was provided by MbPT and the training was to be imparted by FOSMA. 50 per cent of the candidates enrolled in each pre-sea training batch were to be MbPT candidates. All the MbPT candidates trained were to be given employment by FOSMA and in fact 75 per cent of the cost of training of MbPT candidates was to be borne by the employing company and 25 per cent by the candidate by means of loans extended by MbPT. Apart from pre-sea training FMIRO could conduct post sea and other training courses and 50 per cent of the fee collected in such cases was to be given to MbPT.

On the above basis first batch of pre-sea training commenced in March 1992 and so far in all 673 candidates have completed the training of which 198 candidates belonged to MbPT. Out of 198 trained candidates, only 104 could be employed.

Audit scrutiny in November 1999 revealed that MbPT had provided 1000 sq. meter at New Ferry Wharf. Since there was no agreement, no valid document and also no MOU signed between them, no rent was paid by FMIRO from March 1992 till March 1999. On the basis of economic rent @ Rs 600 per sq. mt. p.m. the loss of revenue upto March 1999 worked out to Rs 5.10 crore. In addition to this, movable equipment worth Rs 5.75 lakh was provided by MbPT. The expenditure on account of equipment installed at the Institute like air conditioner, TV, video tool etc. was to the extent of Rs 7000 p.m. and salary for three MbPT staff members posted at the Institute was Rs 17000 p.m. This worked out to Rs 20.40 lakh upto March 1999. Thus the total loss up to March 1999 worked out to Rs 5.36 crore.

Further civil/electrical services were also met by MbPT from 1992 till date to continue as per the agreement. The expenditure on this account was not furnished by MbPT.

<sup>1</sup> Foreign Owners Representatives and Ship Managers Association

<sup>2</sup> FOSMA Maritime Institute and Research Organisation

Further 11230 candidates had been trained in post sea training courses upto July 1999 and the fees collected by the Institute amounted to Rs 2.59 crore. Though MbPT demanded 50 *per cent* of their total collection, the Institute had paid only Rs 57.96 lakh.

In reply to the draft para Ministry stated in November 2000 that till April 1994 no fees were collected by FOSMA from the children of MbPT employees and therefore recovery of rent for the premises given to the Institute or sharing of fees was not envisaged. It was only from April 1994 when post sea training courses were also proposed to be conducted by FOSMA, that the demand for payment of 50 *per cent* of fees collected was made. A series of meetings were held for the payment of 50 *per cent* of fees but did not materialise. After examining the financial outgo in running the Institute a view emerged that it will not be feasible for FOSMA to share 50 *per cent* and accordingly it was decided to accept 25 *per cent* as final payment. Board had also agreed to charge rent at Rs 600 per sq. mt. from April 1999.

The above reply is not acceptable as in the absence of a formal agreement while letting out its own premises, equipments and lending its staff at the initial stages, MbPT suffered a revenue loss of Rs 6.08 crore.

#### **9.14 Loss of revenue due to non-revision of demurrage charges**

<b>Non-revision of demurrage charges from 1.10.92 resulted in avoidable payment of Rs 32.49 lakh and also loss of Rs 3.53 crore.</b>
--

According to the Tripartite agreement between MbPT, Central Railway and Western Railway, demurrage charges recovered from public on wagons hired from Central Railway and Western Railway, shall be credited to BPT Railway. Should the amount so collected in any one month exceed the amount of hire payable to the Central Railway for that month such excess shall be credited to Central Railway. In the event of demurrage charges collected in a particular month being less than the hire charges, MbPT has to pay the differential amount to the Railways, from its internal revenues.

Ministry of Railways (Railway Board) revised the hire charges from April 1991 and demurrage charges from October 1992. Copy of order of revision of demurrage charges with effect from 15.10.92 was forwarded to all Port Trust Railways vide Ministry of Railway's letter of September 1992. However, MbPT implemented the revision from January 1998 only i.e. after a period of five years and two and half months. Due to non-revision of demurrage charges from October 1992 till January 1998, collection on account of demurrage by MbPT was much lower than the hire charges for eight months. Accordingly Railways made a claim for Rs 32.49 lakh towards MbPT as being payable to Railways as differential dues.

Thus delay in revision of demurrage charges by MbPT for five years and two and a half month resulted in loss of revenue to Government to the tune of Rs 3.53 crore and avoidable claim of Rs 32.49 lakh on MbPT by Railways.

The matter was referred to the Ministry in June 2000; their reply was awaited as of February 2001.

### 9.15 Loss of revenue due to non-observance of Ministry's orders

**Non-levy of revised rate of berth hire charges issued by the Government of India in March 1995 resulted in loss of revenue of Rs 63.66 lakh.**

MoST (Port Wing) in June 1992 issued general guidelines to all Major Port Trusts to charge berth hire charges for a day or 25 *per cent* for the actual stay of the vessel whichever was higher for berthing any vessel under berth reservation scheme. This was further revised by the Ministry in March 1995, wherein the rate of fee was increased to 50 *per cent*.

Under the Advance Berth Reservations Scheme, five berths in Indira Dock were allotted to five parties for various periods between June 1995 to April 1999.

Audit scrutiny in 1999 revealed that while framing the tender conditions in the above case, the port did not incorporate the levy of revised rate of berth hire charges issued by Ministry in March 1995 and kept on charging the berth reservation fee on the pre-revised rate at 25 *per cent*. This resulted in loss of revenue of Rs 63.66 lakh for the period 26.6.1995 to 30.4.1999.

In reply (October 2000) the Ministry admitted the mistake and stated that Ministry's letter dated 8.3.95 was not received by the port and hence revised rate could not be implemented.

The fact remains that the port suffered a loss of Rs 63.66 lakh due to non-implementation of revised berth reservation charges.

### 9.16 Loss of interest due to delay in raising the bills

**Delay by the port in raising the bills in time resulted in loss of interest to the tune of Rs 23.42 lakh.**

MbPT notified that w.e.f. first February, 1988 owners/agents of the vessels and other users who apply for services to vessels in the Docks, Pir Pau and Butcher Island or moorings in stream would have to deposit vessel related charges five days in advance.



MbPT also introduced that from first January 1992 interest @ 18 per cent would be leviable on delayed Port Trust dues wherein it was specified that in respect of vessel related charges the time limit for which interest is charged would be 30 days from the date of rendering the bill.

Audit scrutiny revealed that out of 1140 vessels that arrived in the port between February 1997 and November 1999, owners/agents of 67 vessels had neither paid the entire port dues in advance nor the port rendered the bills immediately on arrival of the vessels. The delay for payment of dues ranged from one month to three years from the date of departure of the vessel. Since the owners had not paid the port dues in advance, port should have taken care to render the bills immediately on arrival of the vessels. Instead port rendered the bills only after all the port dues were paid by the owners/agents of the vessel. This resulted in escapement of charging of penal interest to the tune of Rs 23.42 lakh in respect of 67 vessels for the period from February 1997 to November 1999.

On this being pointed out in audit port stated in April 2000 that in case of oil tankers handled by Oil Coordination Committee it was difficult to follow the procedure and also stated that interest is leviable from the date of rendering the bill and not from the date of rendering services to the vessels.

The contention of the port is not acceptable as there was a failure on the part of the port in not rendering the bills either during the period of stay or immediately after the vessels sailed out of the port. When there was a provision to pay the port dues in advance by the owners, the port should have taken care to collect the dues during the period of stay of the vessels. Had the port taken sufficient care in collection of the dues in advance or raise the bills immediately after rendering the services, the loss of revenue of Rs 23.42 lakh by way of interest could have been avoided.

The matter was referred to the Ministry in September 2000; their reply was awaited as of February 2001.

**New Mangalore Port Trust**

### **9.17 Avoidable payment of escalation charges**

**New Mangalore Port Trust, Mangalore paid Rs 1.34 crore escalation charges to Dredging Corporation of India contrary to the standard norms and Ministry's guidelines.**

NMPT<sup>1</sup> entrusted (September 1997), the maintenance dredging work for the year 1997-98 to DCI on nomination basis, with a stipulation to complete the work within six months from first October 1997. The work commenced from

<sup>1</sup> New Mangalore Port Trust

25<sup>th</sup> October 1997 and was completed in March 1998 at a cost of Rs 21.84 crore. Though the stipulated period of completion was six months, the work was actually completed in five months.

The Accounts Manual of NMPT and the guidelines issued by the MoST in February 1996 stipulate escalation clause for work not to be completed within a year. But escalation clause was included in the agreement with DCI for completion period of six months. The DCI during July 1998 to May 1999 claimed escalation charges of Rs 1.34 crore towards the cost escalation of material (Rs 17.55 lakh), labour (Rs 27.17 lakh), fuel (Rs 88.84 lakh) and was paid by the port. The violation to follow the standard norms, Manual provisions and guidelines while entering into agreement had resulted in payment towards escalation charges of Rs 1.34 crore.

NMPT stated (April 1999) that escalation clause was included at the insistence of DCI, for the reason that it had quoted the rates fixed as on first April 1997 and escalation element beyond that date had not been included in the basic rate. The general conditions under CPWD and the Ministry's guidelines on escalation clause were not applicable to this work. The Ministry endorsed the reply of NMPT in February 2000. The reply is not tenable since DCI fixed their hire charges once a year, it was implied that the price escalation during the whole year is taken into account and thus the rate fixed on first April 1997 was applicable for the financial year 1997-98. Further the criteria for inclusion of escalation clause was the stipulated time for completion of work as per standard norms, Manual provisions and Ministry's guidelines irrespective of the work whether it was awarded on the basis of competitive bidding or on mutual negotiations.

Similar para was also included in the Audit Report for the year 1997-98. The Ministry in the ATN has stated that the DCI had clarified that they worked out the hire charges for the dredgers normally as on first April every year considering the prices of fuel, materials and labour etc. Any payment subsequent to that date may have to be compensated for the price escalation and DCI insisted on the incorporation of escalation clause in the contract. Therefore, actual escalation paid by the port was definitely advantageous to the port and cannot be treated as additional payment.

It was further stated that guidelines stipulated by the MoST were applicable for works which were awarded after competitive bidding and normally the base date as on the date of tender was considered for regulation of escalation. The Ministry while accepting to note the audit observation for future guidelines have also stated that if escalation clause is excluded from agreement, DCI would quote higher rates to cover the risk of escalation which may not be advantageous to the port. However, the port has excluded the labour and material from the escalation clause in the agreement with DCI for maintenance dredging for the year 1998-99.

**Tuticorin Port Trust**

**9.18 Non-collection of penal charges for belated payment of wharfage dues**

**Penal charges for belated payment of wharfage charges were not levied properly and collected by the Port Trust; partial remission of dues in respect of one firm was unjustified; non-collection amounted to Rs 1.89 crore.**

As per Section 58 of Major Port Trusts Act, 1963, the rates in respect of goods to be landed shall be payable immediately on the landing of goods and the rates in respect of goods to be removed from the premises of the Board or to be shipped for export or to be transhipped, shall be payable before the goods are so removed or shipped or transhipped. As the wharfage is a basic due on all cargo, it shall be payable immediately on landing as per the above provision of the Act. However, “the port of Tuticorin Rates for the use of wharves and Landing Places Rules” provided for payment of wharf dues before the goods were removed out of the port, contravening Section 58 of the Act. At the instance of Audit (May 1992 to October 1996), the said provision of the above Rules was amended with effect from 17.10.1997. In terms of the amended Rules, the wharf dues shall be paid immediately on the landing of the goods. In case of belated payment, penalty at 15 *per cent* for the delay of each and every month or part thereof was leviable, as already provided in the Rules.

It was seen that even after the amendment of rules in October 1997, the TPT<sup>1</sup> continued to collect the wharfage dues till the removal of cargo, without collecting penal charges for the belated payment. The penal charges not levied and collected for such belated payment worked out to Rs 1.89 crore for the period up to October 1999 till the revised scale of rates came into operation. A scrutiny of the records revealed the following:

The port raised a demand towards penalty charges in February 1999 to the tune of Rs 1.11 crore relating to the period from April 1998 to December 1998 against one firm which handled coal in coal jetties I and II. Based on the representation (February 2000) of the firm, the Board of the Port Trust resolved (May 2000) to charge the penal interest at the rate of 15 *per cent per annum* in the cases of belated payment of wharfage charges in respect of coal handled by this firm during 1997-98. This resolution tantamounted to reduction of rate and hence required Government’s approval. But no such approval had been obtained by TPT, which was pointed out by Audit in June 2000.

---

<sup>1</sup> Tuticorin Port Trust

In June 2000, the Chairman of the Port Trust, taking cognisance of this fact, requested the Board to re-examine and exercise its powers of remission as per section 53 of the Act and to quantify the remission of penal charges leviable in the case under consideration. The Board approved (June 2000) the proposal and granted 80 *per cent* remission. This remission was confined to the particular agency (whose representation was considered) for the coal handled during 1997-98.

Subsequently in August 2000, TPT sought to raise the demand for penal charges from this firm for the entire period pointed out by Audit, i.e October 1997 to February 1999. In the process, TPT applied remission (80 *per cent*) granted by the Board for this firm for 1997-98 to the entire period (October 1997 to February 1999) and thus arrived at the balance of 20 *per cent* penal charges recoverable as Rs 0.37 crore, which also remained to be collected as of October 2000.

It was observed that (i) the decision of the Board on remission of the penal charges was to obviate the need for obtaining Government's concurrence for the reduction of the rates and was not justified, (ii) the action of TPT in applying the remission order applicable to 1997-98 for the entire period from October 1997 to February 1999 in respect of one firm was incorrect and unauthorised and (iii) TPT had not taken any action to levy and collect penal charges for similar delay in respect of other cargos handled during the period.

Thus penal charges not collected in the cases of belated payment of wharfage charges during October 1997 to October 1999 amounted to Rs 1.89 crore.

The matter was referred to the Ministry in July 2000; their reply was awaited as of February 2001.

### **9.19 Irregular allotment of port land for construction of tank farms and non-realisation of dues**

**Irregular allotment of land to private firm for construction of tank farms in the Port's vacant land and failure to enforce the provisions of lease agreement resulted in non-achievement of objective of optimum utilization of vacant port land, besides, non-collection of dues of Rs 89.43 lakh.**

To utilise vacant lands and for further development of port activities, TPT decided to lease out the port land and invited tenders in February 1993 for setting up tank farms to store non-hazardous cargo like edible oil, molasses etc. passing through the port. Of the four tenderers who responded (Firms A, B,C & D), the offer of Rs 10 per sq. mt. *per annum* of firm A, who agreed to the annual escalation of five *per cent* during negotiation, was accepted in September 1993 by the Board for allotment of 5000 sq. mt. of land on long term lease of 30 years. After the tenders were closed, another firm E, who had not participated in the tender, approached (September 1993) the Port Trust for

allotment of land at the same rate of Rs 10 per sq. mt. for providing tank facilities for non-hazardous cargo.

Meanwhile, the earlier firm C who tendered but did not turn up for negotiation came forward with their consent in October 1993 for the same rate offered by the firm 'A'. Port decided to allot land to the extent of 10000 sq. mt. each to the above three firms A,C,E, but the Ministry in September 1994 conveyed their approval for allotment of 10000 sq. mt. only to firm 'E'. TPT handed over the land in July 1995 after executing the carrying hazardous cargo and to lay its own pipeline for non-hazardous cargo. The following observations are made:

- (i) Allotment of land by TPT to firm 'E' which had not participated in the tender itself was irregular and against the spirit of the guidelines issued by the Ministry in March 1992. Further, when TPT had proposed for allotment of 10,000 sq. mt. for each of the three firms, the specific justified reasons for the Ministry selecting only the firm 'E' (non-tenderer) during September 1994 were not known.
- (ii) The allottee firm 'E' was allowed to handle subsequently hazardous cargo also that too at the same lease rent applicable for handling non-hazardous cargo; thus violating the Government's guidelines that the lease rent was to be decided based on competitive tender only.
- (iii) Though as per the lease agreement, the firm 'E' was to lay pipeline separately or jointly with others, the contention of the firm that they could not lay the pipelines as there were no joint allottees was simply accepted by the port without relevance to the terms of the agreement.
- (iv) TPT had not invoked the relevant provisions of the agreement for termination of the lease and for retendering the work afresh; but had sought to alter the terms of execution, simultaneously proposing for waiver of wharfage charges due on MGT<sup>1</sup> not ensured, which worked out to Rs 89.43 lakh up to March 2000.

Thus, TPT failed to follow the tender procedure which was a gross violation of guidelines of the Ministry. Its failure to enforce the provision of lease agreement resulted in non-achievement of the objective of optimum utilisation of the vacant port lands for more than four years; lease agreement with the firm 'E'. As per the terms of agreement, the firm was to complete the erection facilities within a period of one year and provide MGT throughput from second year onwards. For any shortfall in MGT, the firm was to pay wharfage to the port at the prescribed rate as penalty.

The firm 'E' requested in August 1997 for permission to handle hazardous cargo also in the land allotted, which was agreed to by TPT in February 1998. The firm 'E' did not construct the tank farms till November 1998. The wharfage due towards non-achievement of MGT was also not paid by the firm. In December 1998 the firm pleaded that as per agreement clause the

---

<sup>1</sup> Minimum Guaranteed Traffic

pipelines to carry cargo was to be laid jointly with other users and due to non-allotment of land to other firms, the construction of tank farms was delayed. The firm sought permission to handle hazardous cargo through the existing IOC<sup>2</sup> pipelines. The firm also requested for waiver of the wharfage charges leviable due to MGT not being achieved, and firm gave a fresh proposal modifying MGT structure covering the storage of hazardous and non-hazardous cargo.

TPT agreed (March 1999) to the revised proposal of the firm but did not agree for waiver of penalty wharfage charges for not ensuring MGT. However, in September 1999, at the instance of Ministry, TPT Board reconsidered the issue and recommended the revised proposal including the waiver also to the Ministry, for approval; but TPT had specifically observed that there was no enabling provision in the agreement or in the guidelines, for any revision later. The Ministry approved the proposal of TPT in March 2000. The approval was communicated to the firm for taking up the work subject to the condition that the firm should obtain concurrence of IOC to utilise their pipeline for besides, there was a financial loss due to non-realisation of dues to the tune of Rs 89.43 lakh.

The matter was referred to the Ministry in May 2000; their reply was awaited as of February 2001.

## 9.20 Excess payment of escalation charges

**Non-exclusion of the cost of cement from the total value of work done by Tuticorin Port Trust while arriving at the cost of escalation on material and labour resulted in excess payment of escalation charges to the tune of Rs 46.64 lakh.**

The TPT entrusted the work of construction of cargo berth no. seven to contractor 'A' in August 1995. As per the agreement the cement required for the work was to be supplied to the contractor by TPT at the rate of Rs 2400 per ton. The agreement also provided for adjustment of contract price on account of variation in prices of material and labour based on the formulae prescribed and agreed to. The amount of variation was to be calculated quarterly based on the value of work done during the quarter.

Scrutiny of records disclosed that while arriving at the variation on account of cost escalation on material and labour, the total value including the cost of the cement used in the work was reckoned and accordingly payments to the contractor were made by TPT. As the cement for the work was supplied by TPT at a fixed rate, the contractor was not eligible for any escalation on this item. Non-exclusion of the cost of cement supplied by the TPT from the value of the work done resulted in excess payment of Rs 46.64 lakh.

---

<sup>2</sup> Indian Oil Corporation

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

### 9.21 Incorrect adoption of lease rent

**Port lands were leased to Container Corporation of India at a reduced rate applicable to “service purpose” instead of that pertaining to “commercial” resulting in loss of revenue of Rs 36.92 lakh to the Port.**

The Committee constituted by the TPT based on the guidelines of Government of India for revising and refixing the lease rent for lease of port lands recommended (December 1996) classification of the port lands according to the purpose for which they were leased out under three heads viz. (i) for service and residential purpose (ii) for industrial purpose and (iii) for commercial purpose and refixed the rates of lease rent to be operative for the period from January 1997. Accordingly, the annual rates for leasing of the land in the port area outside the security wall were fixed Rs 14 per sq.metre for service and residential purpose; Rs 26 per sq. metre for industrial purpose and Rs 42 per sq. metre for commercial purpose, with five *per cent* annual escalation. The rates were notified by the TAMP<sup>1</sup> to take effect from the date of notification (01.07.1997).

In August 1997 CONCOR<sup>2</sup> requested TPT for the allotment of 30000 sq. metre of port land adjacent to the Railway lines in the marshalling yard to set up a depot in port area for handling and dispersal of containers. Since CONCOR was paving the complete area with heavy duty blocks, they requested for leasing the land for a minimum period of five years. Accepting the request, TPT allotted (December 1997) the required land for a period of five years fixing the annual lease rent recoverable as Rs 14 per sq. metre (with five *per cent* annual escalation) applicable to leasing for “service and residential purpose” for a period of initial three years subject to revision thereafter. The land was handed over to the company in August 1998 after collecting a non-refundable premium (Rs 4.20 lakh) and advance rent for one year (Rs 4.20 lakh). The rate was further revised to Rs 14.70 per sq. metre from August 1998 giving effect to the five *per cent* annual escalation stipulated.

It was observed that, as per Committee’s recommendations, allotment of land only to service providers (service for the port) like Thermal Power Station of TNEB, Customs, Mercantile Marine department, Coast guard etc., was to be classified under ‘service and residential purposes’ and CONCOR did not fall under this category. Land allotted to CONCOR, a commercial organisation, for setting up a depot inside port for handling containers, which related to port activity should have been classified under ‘commercial purpose’. However, Port Trust instead of fixing the lease rent (Rs 42 per sq. metre) “applicable for

<sup>1</sup> Tariff Authority for Major Ports

<sup>2</sup> Container Corporation of India Limited

commercial purpose” decided to fix the lower rate (Rs 14 per sq. metre) as applicable to ‘service and residential purpose’ only. A scrutiny of the records further disclosed the following:

- (i) Other than the request for the grant of the lease extending to a period of five years because they had to undertake a major work of paving the complete area with heavy duty blocks, scrutiny of files did not indicate that CONCOR had made any specific request for fixing any reduced lease rent.
- (ii) Though TPT knew that lease rent for CONCOR was to be fixed at the rate applicable for ‘commercial purpose’ only, TPT decided to apply the rate for ‘service purpose’ (Rs 14 per sq. metre) initially for three years considering the investment to be made by CONCOR on the site and time required for stabilisation of the new yard.
- (iii) It was stated in the agenda note for the Board that it was anticipated that the container depot when set up by CONCOR with sizeable investment would help in generating more number of rail-borne ICD containers, and it would also take care of the movement of ICD containers from Coimbatore and Bangalore regions from where the existing movement was not encouraging. The proposal of CONCOR to put up container yard in the port area was considered as a ‘service’ to generate rail ICD containers and therefore the lease rate applicable to ‘service and residential purpose’ was adopted. However, there was no condition in the allotment order or in the agreement with CONCOR that a minimum container traffic must be generated.

The decision of TPT in applying only the lower rate applicable for ‘service and industrial purpose’ instead of the higher rate applicable for ‘commercial purpose’ resulted in a loss of revenue to the port to the tune of Rs 36.92 lakh for the period upto August 2001.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

## **9.22 Non-collection of licence fee for the operation of private mobile cargo handling equipment inside the port**

<p><b>Cargo handling operation inside the security wall by private mobile equipments was not got approved by Government of India and notified. Separate licence fee was also not collected; minimum loss of revenue amounted to Rs 21.41 lakh.</b></p>
--

According to Section 42(3) of the Major Port Trusts Act, 1963, private sector participation shall be made only with previous sanction of the Central Government. This was reiterated by MoST in their letter of July 1997. Also



every scale of rate and every statement of conditions framed by the Board shall be submitted to the Government and they shall have effect only when so sanctioned and notified as per Section 52 of the Act.

In Tuticorin Port, private mobile cargo handling equipments were allowed to handle the cargo only outside the security wall, on payment of the licence fee fixed and notified in accordance with the provisions of the Act. The licence fee was Rs 9400 *per annum* upto 12.09.95 and Rs 11280 *per annum* from 13.09.95, as stipulated in the Scale of Rates. The licence fee had been levied in 1988 keeping in view the extensive damage caused to the roads of the port by use of the private equipments. The TPT itself handled the cargo within the security wall with its own mobile cargo handling equipments and collected hire charges.

In August 1992, the Board of Trustees decided to permit the private mobile cargo handling equipments inside the security wall also envisaging a licence fee and other conditions as applicable for equipments used outside the security wall. It was also decided not to insist on the condition of non-availability of port's equipments, before permitting the private equipments. These decisions were taken with a view to ensure the availability of adequate equipments in tune with the growing traffic, to reduce the port's investment on such equipment and to attract private investment in this area. The private cargo handling equipments were permitted within the security wall from August 1992. However, no additional licence fee was collected though the Board had decided that such licence fee must be charged.

Audit pointed out in April 1998 that an enhanced licence fee should be collected for use of mobile cargo handling equipments inside the security wall since it was for cargo handling operations, while the licence fee prescribed for use of private equipments outside the security wall was in consideration of the damage caused to the Port Trust roads by such equipments. During the general revision of Scales of Rates in December 1998, the Chairman, TPT proposed a higher licence fee of Rs 28200 *per annum* for operation of cargo handling equipments in the port area including within the security wall and an increased licence fee of Rs 14100 for operation outside the security wall. The Board of trustees, however, recommended a general increase of 50 *per cent* in the licence fee for entry of vehicles/equipments. The TAMP notified in December 1999 a single licence fee of Rs 16920 *per annum* for private cargo handling equipment for entry into the Port area including security wall.

The following observations are made:

- (i) TPT did not obtain sanction of the Central Government before allowing the private cargo handling equipment inside the security wall. It was only in December 1999 a specific rate of Rs 16920 *per annum* was got approved and notified. Therefore, the action of the TPT was in violation of the provisions of Section 42(3) of the Act.
- (ii) The port had permitted 205 private cargo handling equipments during the period 1992-93 to 1998-99, to operate within the security wall, on the basis of the same licence that had been issued

for operating the equipments outside the security wall. According to Board's decision of August 1992 licence fee should have been collected once again for entry of equipments within the security wall, but this was not done. The minimum loss of revenue due to licence fee not collected worked out to Rs 21.41 lakh during August 1992 to March 1999.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

### Visakhapatnam Port Trust

#### 9.23 Non-realisation of dues from the owners of fishing trawlers

**Failure of the Visakhapatnam Port Trust to seize fishing trawlers/boats for non-payment of dues by their owners and at least to insist on clearance of dues at the time of renewal of the licences for subsequent years resulted in accumulation of arrears of Rs 81.49 lakh over 10 years.**

As per the Visakhapatnam Fishing Harbour Regulations, 1986 effective from 8<sup>th</sup> April 1988, a fishing trawler/boat could operate within the fishing harbour area only under a licence granted, from year to year, by the TM<sup>1</sup> of the VPT<sup>2</sup>. The owner of the trawler or boat should pay at the time of issue of the licence a deposit of Rs 10000 or Rs 500 respectively, refundable on the expiry of the licence, after adjustment of dues, if any. The owner should also maintain with the VPT, a separate minimum deposit of Rs 3000/Rs 500 for the trawler/ boat to meet the unsettled dues of berth charges etc., from time to time. This deposit is refundable at the time of the trawler/boat finally leaving the port limits, after all the outstanding dues are settled. Failure of the owner to pay the dues entails seizure of the trawler/boat.

Scrutiny in audit of the trawlers'/boats' deposit accounts maintained by VPT revealed that berth charges and other dues in the case of 97 owners of fishing trawlers had accumulated to Rs 81.49 lakh between April 1990 and March 2000, far exceeding the minimum deposit in each case. This was attributable to the failure of the TM to seize the vessels and detain them in the harbour area till the dues were settled, compounded further by the failure to insist on the clearance of the dues at least at the time of renewal of the licences for subsequent year(s).

Though 22 vessels were seized and sold in auctions by VPT, the amount realised was only Rs 41.69 lakh against Rs 1.06 crore due from their owners,

---

<sup>1</sup> Traffic Manager

<sup>2</sup> Visakhapatnam Port Trust

still leaving an unrealised balance of Rs 64.72 lakh, indicating the results of delay in action for recovery of dues.

VPT stated (May 2000) that the balance would be realised by issuing notices and filing civil suits, if necessary, but the fact remained that the port failed to realise outstanding dues amounting to Rs 81.49 lakh over a period of 10 years.

The matter was referred to the Ministry in July 2000; their reply was awaited as of February 2001.

#### **9.24 Avoidable expenditure due to adoption of incorrect procedure for evaluation of bids**

**Failure of Tender Committee in assessing the performance of the contractors, coupled with the decision of the Chairman to call for fresh tenders despite an alternative second lowest tender being available, resulted in avoidable extra expenditure of Rs 10.15 lakh.**

For execution of the work of asphaltting a water bound macadam road, VPT invited (November 1995) tenders to be submitted in two parts, the technical bids (indicating the particulars of the plant and equipment etc. owned by the tenderer) and the price bids. In response, nine tenders were received. The Tender Committee of VPT opened the technical bids on fifth December 1995. The Committee did not make any specific observations on the technical bids and opened the price bids (separate cover) on 12<sup>th</sup> January 1996. During evaluation of the price bids on eighth February 1996, the Committee observed that the past record of the lowest tenderer, who had quoted Rs 18.59 lakh was not satisfactory and therefore recommended that it may be passed over and the next lowest tenderer (quoted rate: Rs 18.98 lakh) be called for negotiations. The chairman, VPT, however, rejected (March 1996) the recommendation and ordered fresh call of short term tenders, while instructing the CE<sup>1</sup> that the performance of contractors should in future be assessed before opening the price bids. Specific reasons that weighed with the Chairman in not considering the second lowest tender were not available on record. The second call of tenders in March 1996 did not prove to be fruitful as the lowest tenderer backed out at the tender processing stage. The work was finally entrusted after third call to a contractor for Rs 28.20 lakh in October 1997 and was completed in January 1999 at a cost of Rs 29.13 lakh, including some additional work necessitated to make good the wear and tear due to usage of the road in an incomplete shape.

Thus, the incorrect procedure adopted by the Tender Committee in opening the price bids before assessing the performance of the contractors, coupled with the decision of Chairman to call for fresh tenders despite an alternative second tender being available on hand, resulted in avoidable extra expenditure of Rs 10.15 lakh.

---

<sup>1</sup> Chief Engineer

Ministry stated in March 2000 that the VPT while attributing the extra expenditure to inflation also agreed with the Audit view that it was avoidable. Accordingly, the Ministry proposed to fix responsibility on the officers concerned. Further developments were awaited as of February 2001.