

**PUBLIC ACCOUNTS COMMITTEE  
(1978-79)**

**(SIXTH LOK SABHA)**

**HUNDRED AND FIFTEENTH REPORT**

**HALDIA DOCK PROJECT**

**[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 33rd Report (Sixth Lok Sabha) on Haldia Dock Project—Ministry of Shipping and Transport]**

*Presented in Lok Sabha on*

*Laid in Rajya Sabha on*



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**PUBLIC ACCOUNTS COMMITTEE**  
(1978-79)

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1. Shri H. G. Paranjpe—*Joint Secretary*
2. Shri T. R. Ghai—*Senior Financial Committee Officer*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Fifteenth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Thirty-third Report (Sixth Lok Sabha) on Haldia Dock Project relating to the Ministry of Shipping & Transport.

2. On 31st May 1978, an 'Action Taken Sub-Committee', consisting of the following Members was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Report:

- |  |                   |
|--|-------------------|
| 1. Shri P. V. Narasimha Rao— <i>Chairman</i> |                   |
| 2. Shri Asoke Krishna Dutt— <i>Convener</i>  |                   |
| 3. Shri Vasant Sathe                         | } <i>Members.</i> |
| 4. Shri M. Satyanarayan Rao                  |                   |
| 5. Shri Gauri Shankar Rai                    |                   |
| 6. Shri Kanwar Lal Gupta                     |                   |

3. The Action Taken Sub-Committee of the Public Accounts Committee (1978-79) considered and adopted the Report at their sitting held on 27th January 1979. The Report was finally adopted by the Public Accounts Committee (1978-79) on 27th February 1979.

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

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

NEW DELHI:  
February 27, 1979  
Phālguna 8, 1900 (Saka)

P. V. NARASIMHA RAO,  
*Chairman.*  
Public Accounts Committee

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 33rd Report (Sixth Lok Sabha) on paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Civil) relating to Haldia Dock Project.

1.2. Action Taken Notes in respect of all the 56 recommendations/observations contained in the Report have been received from Government and these have been categorised as follows:—

(i) *Recommendations|observations that have been accepted by Government:*

Sl. Nos. 1, 2, 5, 7, 8, 9, 12, 15, 16, 17, 18, 19, 21, 23; 25, 26; 27, 30, 31, 33, 35, 37, 38, 42, 45, 46, 51, 53, 54, 55 & 56.

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

Sl. Nos. 6, 10, 11, 13, 14, 20, 28, 29, 36, 44, 49, 50 & 52.

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiterations*

Sl. Nos. 3, 4, 22, 24, 39, 40, 41, 43, 47 & 48.

(iv) *Recommendations|observations in respect of which Government have furnished interim replies—*

Sl. No. 32.

1.3. The Committee expect that final replies to those recommendations/observations in respect of which only interim replies have so far been furnished will be submitted to them, duly vetted by Audit without delay.

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

*Under-utilisation of the facilities for handling iron ore and coal provided at Haldia (Sl. Nos. 3, 4, 47 and 48—Para 1.12, 1.13, 6.83 & 6.84).*

1.5. Commencing on the under-utilization of the facilities for bulk handling of iron ore and coal provided at Haldia at heavy capital expense, and calling for speedy remedial action at a higher level, so as to ensure sufficient traffic load for an economic utilization of the capacity provided, the Committee had, in paragraphs 1.12, 1.13, 6.83 and 6.84 of their Report observed:—

“1.12. The Committee have elsewhere in the Report dealt at length with the facilities for handling of iron ore (4.0 million tonnes) and coal (3.5 million tonnes) which have been developed at the port at heavy capital expense. The Committee are greatly concerned to note that these facilities for bulk handling of cargo would be utilised even less than half of their capacity in the coming months. This underlines the need for initiative being taken at a higher level to coordinate and integrate the effort of the undertakings concerned in the public sector, viz. MMTC, Coal India, Port Trust Authorities, etc. so as to ensure that the handling facilities at Haldia Port are pressed into service and put to effective use with the twin objectives of providing the requisite traffic load to Haldia to sustain its economic viability and to accelerate the development of mining and allied industries in the hinterland.

1.13. The Committee would like to be informed of the concerned measures taken by Government and the other authorities concerned in pursuance of the above recommendations and results achieved to generate large traffic at Haldia on a sustained basis.”

“6.83. Another matter of concern to the Committee is the flow of sufficient traffic in iron ore and in coal to ensure full and complete utilisation of the capacity created at Haldia for handling these commodities. As it is, the berth being provided at Haldia can handle 4 million tonnes per year of iron ore. As against this handling capacity, the port's expectation of movement during 1977-78 are 1.5 million tonnes which is only half of the figure of 3 million tonnes planned by the MMTC for movement through Haldia in that Year. Unless concerted efforts are made, the target of exporting 4 million tonnes of iron ore through Haldia during 1978-79 may not materialise.



Similarly, in regard to the traffic in coal, while the berth at Haldia has been initially designed to handle 3.5 million tonnes per year, the estimated traffic during 1977-78 is now expected to be only 1.5 million tonnes which again is only 50 per cent of the estimate for this year as originally prepared by the Port Authorities. For 1978-79, the original estimate of the Calcutta Port Trust is 3.5 million tonnes of coal traffic but it is a moot point whether this traffic would actually materialise during that year because the actual contracts about movement of coal are yet to be finalised.

As a matter of fact, Government themselves are not sure about the firm forecasts of coal traffic and the Department of Coal are stated to have set up a Working Group to arrive at a firm indication in regard to the actual quantum of annual coal traffic expected to materialise during the next ten years. Such a position is indicative of the fact that there has been complete lack of coordination between the Ministries/Departments concerned. The Committee apprehend that the mechanical coal handling capacity has been provided at Haldia without any firm indication about materialisation of traffic in the years to come.

6.84. The Committee cannot but express their grave concern over the fact that the facilities for bulk handling of iron ore and coal, provided at Haldia at heavy capital expense, would be utilised even less than half of their capacity in the coming months. In regard to coal, even the firm indications of expected traffic during the next ten years are yet to be worked out. As already stated in paragraph 1.12 of this Report, this situation calls for speedy remedial action at a higher level so as to ensure sufficient traffic load for an economic utilisation of the capacity being provided for handling of iron ore and coal at Haldia."

1.6. In their Action Taken Note dated 12 July, 1978 on the above recommendations, the Ministry of Shipping & Transport have stated:—

"Coal berth at Haldia was initially planned and built for coastal movement of coal. But the coastal movement did not materialise as expected earlier because of the delay in commissioning of the Thermal Power Station at Tuticorin.

It is expected that with the Commissioning of all the three units of the Power Station at Tuticorin, the Coastal Coal despatch from Haldia for Tuticorin alone would be more than 2.5 million tonnes. Vigorous efforts are also being made to export coal to West European countries from Haldia. During 1978-79, MMTC expect to export about 1 million tonnes of coal from Haldia. An inter-Ministerial Working Group was also set up by the Department of Coal to examine the long term prospects for export of coal. The Working Group has *inter alia* estimated that India would be in a position to export upto 2.5 million tonnes of Grade I slack coal by 1983-84. This would be in addition to the export of approximately 0.5 million tonnes of steam coal to neighbouring countries. If all these materialise, not only will the Haldia coal handling plant be fully utilised but its capacity would need to be augmented.

As regards iron ore traffic, it may be stated that due to recession in world steel industry, there has been a consequent substantial decline in the demand for iron ore by steel producing countries. Steel production in Japan declined from 108 million tonnes in 1976-77 to less than 100 million tonnes in 1977-78. This resulted in Japan, who is our principal iron buyer, taking reduced quantities of iron ore even from highly developed iron ore exporting countries. In the case of Haldia, because of the limitations in draught availability, Japanese steel mills were reluctant to nominate ore carriers to Haldia to lift iron ore. However, with very vigorous efforts, Japanese steel mills were persuaded to take whatever possible quantities of ore from Haldia by adopting two port loading, i.e. up topping at Paradip. The demand at Haldia can, however, pick up significantly only with improvements in international market and draught in Haldia Channel.

Several meetings have been held by officials of Calcutta Port Trust with the officials of MMTC, Coal India and other organisations at different levels with a view to augmenting the volume of traffic to Haldia. Constant liaison is kept with these organisations at local level. The Ministry of Shipping and Transport have also taken up with the other Ministries for rational distribution of cargo through different ports, so that the installed capacities at Haldia are fully utilised.

The utilisation capacities of the berths from the point of view of generating new cargo and trade potential, such as export of pig iron, import of coal for steel industry, import of cement in bulk meant for eastern region, is also being reviewed. Exporting and importing authorities are being persuaded to build up infrastructural facilities at Haldia to achieve this object."

1.7. The Committee are disappointed to learn that the bulk handling facility for coal erected at heavy capital expense has not been fully utilized so far. The Ministry have stated that the expectation of the coal traffic at Haldia did not materialise due, among other things, to the delay in commissioning of the Thermal Power Station at Tuticorin. While it is estimated that the coastal coal despatch from Haldia to Tuticorin would be 2.5 million tonnes and India would be in a position to export upto 2.5 million tonnes of Grade I slack coal by 1983-84 as per the calculation of the Working Group set up by the Department of Coal, the Committee are afraid that all these remain a remote possibility and till such time these materialized, the capacity created at Haldia to handle 3.5 million tonnes of coal per year would more or less remain idle. The Committee have, however, been informed that the utilization capacities of the berths from the point of view of generating new cargo and trade potential is being reviewed and several other measures are also being taken so as to fully utilize the installed capacities at Haldia. They would like to know the achievements made by Government in this regard.

Apart from the set-back suffered in coal handling, the Committee note with great concern that the iron ore traffic has also declined substantially due to recession in the World Steel Industry. The Committee have been informed that the demand at Haldia can pick up significantly only with improvements in international market. It is stated that because of the limitations in draught availability, Japanese steel mills were reluctant to nominate ore carriers to Haldia to lift iron ore. The Committee hope that there would be improvement in this regard in future in view of the steps taken by Government to increase the draft at Haldia, in line with the recommendations of the Committee at Sl. Nos. 5 (Para 1.14) and 12 (Para 2.21) of 33rd Report (Sixth Lok Sabha).

The Committee further note that several meetings have been held by officials of Calcutta Port Trust with the officials of MMTC, Coal India and other organizations at different levels with a view

**to augmenting the volume of traffic to Haldia. The Committee would eagerly await the outcome of all these measures.**

*Loss sustained on account of delay in the execution of the Project  
(Sl. No. 22—Para 3.27)*

1.8. Commenting on the loss sustained on account of the delay in the execution of the Haldia Project and desiring to quantify the contribution of each agency towards it, the Committee had, in paragraph 3.27 of their Report observed:

“As to the overall effect of delay in completion of the project, the Committee have been informed that while it is a feasible proposition to make calculation of the total financial loss to the port on account of loss of revenue/earnings caused by the long delay in commissioning of the Port, it is difficult to quantify the contribution to this loss caused by the delays on the part of different contractors in executing the respective works allotted to them. The Committee are not convinced with this argument. They feel that an exercise could and should be made to identify the contribution of each agency to the delay in the execution of the project and then quantify the loss sustained as a result of the default on the part of each agency.”

1.9. In their Action Taken Note dated 16 August, 1978, the Ministry of Shipping and Transport, have stated:—

“The delays which have happened in the commissioning of the Haldia Dock System have to be seen in the context of the deliberate policy decision of Government to utilise indigenous expertise and potential to the maximum even when at that point of time the experience of Indian engineers and manufacturers in works of such complexity and sophistication was very limited. This has been brought to the notice of PAC in Ministry’s O.M. No. DBB-10/76-PDB dated 10-8-76.

Then there were also factors like chronic labour troubles in Calcutta and nearby areas, power shortage and short of steel and railway wagons over which neither the Port Trust nor their contractors had any control. In paragraphs 3.25 and 3.26 of their Report, the Committee have already taken note of the acute shortage of steel and wagons which impeded the work on the project.

However, as desired by the P. A. C., action was taken to identify the contribution of each agency to the delay in the execution of the project and to quantify these in financial terms. The conclusion was, that the factors indicated in the preceding paragraphs, either individually, or in combination, had their effect on all the major items of work connected with the project. To fix responsibility for any element of the delay on a particular contractor, it would be necessary to be sure beyond the possibility of reasonable doubt that the contractor by reasonable precautions, could have foreseen and forestalled the factors which were responsible for the delay. This has not been possible on the contracts relating to Haldia Dock Project. In view of this, it is submitted that fixing responsibility for delay on individual contractors or assessing in financial terms their part in the total loss which has resulted from delay in the commissioning of the project was not found to be feasible."

In a subsequent communication\* dated 30 November, 1978, the Ministry of Shipping & Transport have stated:—

"Regarding the loss of revenue due to delay in commissioning of the Haldia Docks on account failure on the part of the major contractors, it may be stated that the total revenue earned by Haldia Dock System from April, 1977 to December, 1977 has been Rs. 97 lakhs. This does not include the revenue earned at Oil Jetty or rail traffic for oil and land rentals which are not, in any case, affected by the delays in commissioning of Docks from original stipulated date (i.e. 1971). On this basis of Rs. 97 lakhs for nine months the total loss of revenue on account of the delay of 6 years i. e. from 1971 to 1977 would be Rs. 7.80 crores (approximately). However, if original traffic projection at the time of original project report is taken as a reference point which assumed that traffic would have progressively increased to 15 million tonnes or 12 million tonnes (excluding oil) in next 5 years, the loss due to the delay of 6 years would approximately come to Rs. 160 crores taking 7.0 million tonnes as yearly average for the purpose of computation. However, subsequent trends show that the traffic projection can not be taken as sure

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\*Not received in Audit.

indication in absence of such increase likely to take place in actual practice. Hence the 1976 Two-Man Committee's assessment for traffic would be nearer the mark. According to that Committee, the traffic excluding POL would have risen from 3.5 million tonnes to 6.8 million tonnes in next 5 years (i.e. 1971-72 to 1976-77) and the revenue (excluding Railways) would be Rs. 106.20 crores. The above details are tabulated below:—

|                              | Traffic Projection for the<br>years 1971-72 to<br>1976-77 excluding P.O.L. | Operating Income for the<br>years 1971-72 to 1976-77 |
|------------------------------|--|--|
| 1. Original Traffic Estimate | 7.0 M.T. x 6 yrs.<br>—42 M. Tonnes.  | Rs. 160.00 Crores                                    |
| 2. As per Two-Man Committee  | From 3.5 M. Tonnes<br>to 6.8 M. Tonnes                                     | Rs. 106.20 Crores                                    |
| 3. Actual Traffic in 1977-78 | 0.5 M. Tonnes  | Rs. 1.30 Crores<br>(for 1977-78)                     |

The delay in commissioning the docks was *inter alia* due to following contractors including their sub-contractors:

(i) **Civil Construction Works of Lock Entrance and 6 Nos. Berths by Hindustan Construction Co. Ltd.**

Original time quoted was in May 1971 whereas Lock Entrance was completed in 1976 February and was flooded in March 1976.

Messrs. Hindustan Construction Co. Ltd. have stated as reasons for delay, non-availability of materials like steel and cement and other labour trouble etc. Messrs. Hindustan Construction Co. Ltd. have also stated that delay in supply of castings by M/s. Bird & Co., who were their sub-contractors and of fixtures by Messrs. Triveni Structural Limited had direct impact on completion of civil work.

(ii) **Supply, delivery and installation of 3 sets Sliding Caisson Gates for Lock Entrance by M/s. Jessops & Co. Ltd.**

Original date was January 1971 whereas these were installed in February 1977, thus causing a delay of 6 years.

Jessops & Co. have stated that the main reason for delay was non-availability of required matching steel. Since flooding of locks by Hindustan Construction Co. was primary stage of commissioning, Jessops could not have flooded the Caisson Gates even if they were ready.

All work pertaining to the Caisson Gates including temporary fittings and fixtures required for floatation were completed by 28th April 1976 with the exception of valves accessories, 'C' dock building berth was flooded on 30th April, 1976 after which the Caisson Gates were floated, towed inside the Lock Entrance after completion of the dredging work at the Dock Turning Basin and bundh of the Building Berth.

**(iii) Dock dredging by M/s. Ivan Milutinovic-PIM.**

Dock dredging by M/s. Ivan Milutinovic-PIM was completed in December 1975 as against their original completion time in November 1969 as per first contract. The work was dependent on completion of the under-structures of the berths which was delayed by H.C.C. by the time H.C.C. was fully ready with under-structure in 1972, PIM had undertaken another contract and could again undertake the dredging work only in 1973 and complete in 1975 December on the basis of revised rates.

**(iv) Supply, delivery & erection of Iron Ore and Coal Handling Plants by M/s. M.A.M.C. Ltd.**

The ore circuits were ready for trial run in March 1977 while those for coal were ready in February 1977 as against their quoted time for completion of both Ore and Coal Plants by December 1970. The reasons given by M.A.M.C. are lack of expertise, know-how and lack of appreciation of site conditions as also MAMC decision to off load part of equipment to private agencies.

It can be seen from above that completion of all major works was actually delayed beyond the original quoted dates due to various factors beyond the control of the executing agencies including lack of previous experience and inter-dependance of each other which arose from the decision taken at the highest level to build the Haldia Dock System with indigenous expertise and material and with the minimum content of foreign exchange expenditure.

In this context an equitable apportionment of the loss of revenue/earnings due to delay on the part of major contractors in commissioning the Dock is difficult to make."

1.10. The Committee are unable to appreciate the plea put forward by the Ministry that "fixing responsibility for delay on individual contractors or assessing in financial terms their part in the total loss which has resulted from delay in the commissioning of the project was not found to be feasible." While making the above recommendation the Committee had taken note of the fact that the Port Trust or their Contractors did not have any control over power shortage and shortage of steel and rail wagons. And yet they had made the above recommendation because escalation of cost in many cases was substantial and could not be overlooked. They are not convinced that it has not been found possible to establish, beyond doubt, the default on the part of the contractors and other agencies particularly when they themselves have pointed out a number of irregularities and avoidable expenditure incurred by Government and are unable to understand why cases of the type mentioned in para 6.21 (Sl. No. 33) should not be enquired into and responsibility fixed for the lapses. From the latest information made available to the Committee, it is seen that on a rough estimate, the loss which could be considered to have been sustained on account of delay in completion of the work varies from Rs. 7.80 crores (based on total revenues of Rs. 97 lakhs for the period from April 1977 to December 1977 for the delay of 6 years from 1971 to 1977) to Rs. 160 crores (based on original traffic projections of original project report for delay of 6 years). The Committee cannot view such serious loss lightly. They therefore reiterate their earlier recommendation and urge that the contribution of each agency to the delay in the execution of the project should be analysed and the/loss sustained on this account quantified and necessary action taken against defaulters.

**Need for realistic estimates of cost (Sl. No. 24, Para 4.12)**

1.11. Underlining the need for a stricter financial control over the projects and desiring early finalisation of the estimates of Haldia Project, the Committee had, in paragraph 4.12 of their Report, stated:

"The Committee are greatly concerned at the disquieting picture that has emerged in regard to planning for the Haldia Project. While the estimate for the first phase of the Dock project providing for one riverside oil jetty, 5 berths for coal, ore, fertiliser, general cargo and containers and one finger jetty prepared initially in April 1962 and reframed in 1965-66 was for Rs. 36.92 crores (foreign exchange: Rs. 4.40 crores), the figure swelled up to Rs. 40 crores on account of devaluation of the rupee in November,



1966. As per later decision to provide for facilities for ships of 80,000 DWT as against 40,000 to 60,000 DWT decided earlier, the project estimate was escalated to Rs. 53.83 crores in March, 1969. It is revealing that the Port authorities had themselves admitted that the earlier estimates were not based on detailed designs and the changes in scope of works accompanied by steep rise in costs and prices necessitated an upward revision of the estimates to Rs. 90.40 crores in April, 1972. There was, however, no finality to the estimates and the Committee have been informed in October, 1975 that the estimate would be in the region of Rs. 127 crores. The latest estimate, as furnished by the representative of the Ministry during evidence, is around Rs. 135 crores.

As to the justification for preparing estimates on a year to year basis instead of drawing up a consolidated estimate for the project as a whole, the representative of the Ministry has adduced an argument, which is hardly convincing that "Normally speaking one really sanctions revised estimates. But if there are practical difficulties, the procedure is adopted by Government, and there are other cases also." No satisfactory explanation has been given by the representative of the Ministry as to why the final estimates could not be put up before the Government and their approval obtained. As matters stand, there has been a three and a half fold increase from the original estimate of Rs. 40 crores to Rs. 135 crores, notwithstanding the fact that the new items included in the project accounted for an increase of Rs. 11 crores only.

The Committee come to the inescapable conclusion that there has been an almost laconic approach in the matter of preparation of project estimates and the processing thereof. In the opinion of the Committee, such a situation is fraught with inherent danger in so far as the economy of the Port as a whole is concerned. Not only does it upset the planning of the Port but it also affects the ways and means position of the Government. The Committee would, therefore, urge that the Ministry of Finance should observe stricter financial control over the projects and should insist on definite and realistic estimates of cost. The Ministry should satisfy itself at all stages why a revision of the original estimates is necessary, and whether the

reasons adduced in support of revision are conclusive and do not give any scope for unnecessary expenditure. The Committee need hardly stress that preliminary and consequential steps in respect of a project which is decided to be taken up for execution e.g. the acquisition of lands, placing orders for the purchase of plant, machinery, etc. should be taken in time and in proper sequence so that the original estimates do not become out of date because of efflux of time and escalation in costs. Complete details of the estimated cost of a project together with its economics and financial implications should be placed before Parliament when submitting a demand for its approval, and whenever these estimates are revised four reasons therefor and the effect thereof on the economics of the Project should be given to enable Parliament to understand the full implications before voting the funds.

The Committee suggest that in the present case Government should finalise the estimates of Haldia Project without further delay and include them with supporting data and financial and economic implications in the Demands for Grants to be placed before Parliament."

1.12. In the Action Taken Note dated 19th July, 1978, furnished by the Ministry of Shipping & Transport, it has been stated:

"The Committee's observations regarding the steep increase in the cost of the Haldia Dock Project and the delay in drawing up a consolidated estimate for approval of Government have been noted for future guidance and suitable instructions to all concerned have been issued in Ministry of Finance O.M. No. 12(4)-E(Coord)/78 dated 29th May, 1978.

In April, 1978, a note was circulated to the P.I.B. seeking their approval for the revised estimate for the Haldia Dock Project. This is under consideration of P.I.B."

1.13. The Committee note that in the light of their observations, suitable instructions have been issued by the Ministry of Finance and that the approval of Public Investment Board has been sought for the revised estimate for the Haldia Dock Project. The Committee however see no reason why it should have taken so long a period for its finalisation and even now as on 30th November, 1978, this matter is stated to be "under consideration of P.I.B." This makes the Committee suspect that all is not well with the final

**estimate submitted to P.I.B. They would reiterate their earlier recommendation that Government should finalise the estimates of Haldia Project without further delay and include them with supporting data and financial and economic implications in the Demands for Grants to be placed before Parliament.**

*Non-completion of the work despite assurance (Sl. Nos. 39, 40 and 41—Paras 6.55, 6.56 and 6.57)*

1.14. Expressing unhappiness in the non-completion of the work relating to additional culvert and pump house, despite the assurances given by the contractors and their Bankers, the Committee had, in paragraphs 6.55, 6.56 and 6.57 of their Report, stated:

“6.55 The Committee note that the work relating to additional culvert and pump house was initially awarded to M/s. Chanda Engineers in 1971 but, since the firm had failed to execute the work despite an advance of Rs. 6 lakhs given to them by the Calcutta Port Trust in October, 1974, the contract with them was terminated in August, 1975. The Committee are unhappy that no enquiry as to the financial position of the firm was made before awarding the contract to them.

6.56. In order to get the residual items of work executed, the Port Trust started negotiations with M/s. Hindustan Construction Co., the working contractors to the site, and a Committee was in fact appointed to negotiate reasonable rates with M/s. Hindustan Construction Co. Ltd. The Committee are surprised that before the departmental committee could proceed with the job assigned to them, the Calcutta Port Trust authorities decided to reward the contract to M/s. Chanda Engineers on the recommendation of a nationalised bank (United Commercial Bank) who were stated to have agreed to extend financial assistance to the contractors and also to furnish additional performance guarantee to the extent of 5 per cent of the contractual value of the work. The bank had also obtained an assurance from M/s. Continental Construction Pvt. Ltd., a contracting firm of repute, to the effect that they would carry out the work on behalf of Chanda Engineers Ltd. The Committee are somewhat perplexed by this whole exercise. Without awaiting the results of the efforts of the departmental committee appointed to negotiate reasonable rates with M/s. Hindustan Construction Co., the Port Trust had extended a favour to M/s. Chanda Engineers Ltd. which, on the basis of their past experience, should not have been done.

6.57. From the latest information received by the Committee (March, 1977) in respect of actual performance of M/s. Chanda Engineers after re-award of contract to them the Committee find that the ultimate date of completion, viz. end of April, 1977, is not going to be adhered to in as much as the firm later indicated that they will make every effort to complete the work before the onset of monsoon, viz. June/July, 1977. The main reason for this slippage of about three months has been stated to be the obstruction met underground while sinking the 90 ft. diameter monolith up to the desired level, which is necessary before the adjoining culverts can be constructed and connected with the same. The Committee cannot but express their unhappiness over the fact that in spite of assurances by the firm and their bankers, the firm have not been able to adhere to the ultimate date of completion as agreed upon in the re-awarded contract. The Committee desire that the Port Authorities should keep a vigilant watch over the completion of the work. This, of course, is without prejudice to the imposition of penalty etc. for delay in execution of the project."

1.15. In their Action Taken Note dated 14th June, 1978, the Ministry of Shipping and Transport have stated:

"As desired by the Committee, the Port Trust is keeping a vigilant watch over the progress of the work and is expediting completion of the work through review meetings attended by the contractor as well as the representatives of the U.C.O. Bank. The question of levy of liquidated damages under the terms of the contract is also under consideration of the Port Trust."

In a subsequent note\* furnished to the Committee on 17th October 1978, the Ministry have stated:

"The work relating to the construction of additional culvert and pump house at Haldia Dock awarded to M/s. Chanda Engineers is still in progress. The month-wise progress is given below:

|                   | Monolith | Culvert | Pumphouse |
|-------------------|----------|---------|-----------|
| Upto May, 1978    | 95%      | 85%     | Nil       |
| Upto June, 1978   | 93%      | 85%     | 2%        |
| Upto July, 1978   | 93%      | 85%     | 5%        |
| Upto August, 1978 | 93%      | 85%     | 5%        |

\*Not received in Audit.

There was some improvement in the progress in April, May and June, 1978. But subsequently, due to heavy monsoon, no progress could be anticipated. As per the reports received, there is labour unrest which is also affecting the work. It is expected that the work would be completed during the ensuing working season (normally from October to June). The work is expected to be resumed in October but there may be a delay of a few weeks this year due to heavy floods and prolonged rains in that region."

1.16. The Committee are distressed to find that the work relating to additional culverts and pump houses which was to be completed by June or July, 1977 is yet to be completed. Although, according to the Ministry, "the Port Trust is keeping a vigilant watch over the progress of the work and is expediting completion of the work through review meetings attended by the contractor as well as the representative of the UCO Bank "from the latest information made available to the Committee, it is apparent that since June, 1978 the work relating to monolith and culvert came to a standstill, which are stated to have been completed to the extent of 98 per cent and 85 per cent respectively. It is more distressing to learn that only 5 per cent of the work relating to pump house has so far been completed even after this long delay. The Committee are unable to understand why, despite the assurances given by the firm and the Bankers, the erratic progress in the work is allowed to continue. It is apparent that indulgence is being shown to this firm. The Committee desire that the matter should be pursued vigorously with a view to completing the work without further delay. The delay was attributed to labour unrest and heavy rains. The Committee hope that the work would now be completed in the near future. While the Committee would like to be apprised of the completion of the work, they further desire to know the outcome of the action taken, including the levy of liquidated damages under the terms of the contract, against the contractor.

*Dredger position in the country (Sl. No. 43—Para 6.68)*

1.17. Observing, *inter alia* the need for improvement in the dredger position so as avoid the dredger contractors dictating their own terms, the Committee had, in paragraph 6.68 of their Report stated:

"The Committee feel concerned about the inordinate delay in completion of the civil construction work of berths in

the dock basin area, which held up the resumption of dredging work. It is evident that there was no advance planning whatsoever and no attempt was made to synchronise the two operations. The consequent escalation in the contracted rate of dredging from Rs. 3 to Rs. 3.80 per cubic meters cost the exchequer an additional sum of Rs. 16 lakhs. The Committee are surprised that after delaying matters from 1969 to 1972 and further spending considerable time of negotiations with the Dredging Contractor, the project authorities put themselves in an unenviable position where they had to pay Rs. 37.50 lakhs for bringing a dredger from Mormugao to Haldia on grounds of urgency. In the opinion of the Committee, such helplessness on the part of the project authorities is a sad reflection on the dredger position in the country. This is borne out from the statement in the Audit paragraph to the effect that it was not considered practicable to use a Ministry of Transport dredger due to planning already made. Further, from the information furnished to the Committee during evidence it is noted that the estuarian dredger which was to be delivered from Garden Reach Workshops by June, 1976 had not been delivered. The Committee would urge that immediate steps should be taken by the Government to improve their dredger position in order to save themselves from situations where the dredger contractors can dictate their own terms to them".

1.18. In their Action Taken Note stated 17 May, 1978, the Ministry of Shipping and Transport have stated:

"The observations of the Committee have been noted. The estuarian dredger, built by the G.R.S.E. Ltd. (erstwhile G.R.W. Ltd.) has not yet been delivered to the C.P.T. The dredger is presently undergoing trials.

Steps have been taken to improve the dredging Capacity. Since 1973, following additions have been made to the MOT Dredger fleet.

|          |             |
|----------|-------------|
| MOT V    | Dec., 1974  |
| MOT VI   | June, 1975  |
| MOT VII  | Sept., 1976 |
| MOT VIII | July, 1977  |

From 1976 a separate Corporation in the Public Sector called Dredging Corporation of India Ltd., has been set up to provide integrated dredging service to the Ports".

1.19. The Committee note that in order to provide integrated dredging service to the Ports, from 1976 a separate Corporation called "Dredging Corporation of India Ltd.," has been set up in the Public Sector, and that additions at the rate of one dredger per year have been made between 1974 and 1977 to the Ministry of Transport Dredging fleet. They are however concerned to note that the estuarian dredger which was to be delivered by the Garden Reach Workshops Ltd. by June 1976 has not yet been delivered and at present it is undergoing trials. While the Committee hope that there would be considerable improvement in the dredger position in time to come by the direct control of the Dredging Corporation, they are not happy at the delay in the delivery of the dredger by the Garden Reach Workshop.

## **CHAPTER II**

### **RECOMMENDATIONS OR OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

Calcutta Port which was a premier port in the country for several decades came to lose its position of primacy because of two important developments since the Forties and the Fifties. The riverine channel leading to Calcutta Port started getting silted up with the result that even as early as 1943-44 the draft fell below 26 feet for as many as 285 days in a year. This naturally became a constraint for larger vessels requiring a draft of 26 feet or more to negotiate entry to the Calcutta Port. As is well known, a trend started soon after the World War of using larger vessels and tankers to carry cargo. While facilities for handling of larger vessels and tankers were developed in other major ports of the country no comparable progress was made in Calcutta. Induction of head waters in the loan months through Farakka Barrage and canals which could have averted nearly the deteriorating position of Calcutta Port took nearly two decades to be completed and commissioned in 1975. The Committee have dealt with this aspect at length in their 196th Report (5th Lok Sabha) on Farakka Barrage Project.

[Sl. No. 1 Para 1.10 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

No action is required in this Ministry.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
Dt. 14th June, 1978]

#### **Recommendation**

The cumulative effect of all these factors was that while there was progressive increase in the handling of traffic handled at Calcutta Port, in fact, kept on falling. This would be evident from the fact that the traffic handled in Calcutta Port which was of the order of 1.1 million tonnes in 1964-65 fell to 0.63 million tonnes in 1973-74. It was in this background that the concept of Haldia Port Project was conceived in the Fifties. It is, however, a great pity that the



importance and urgency of this Project were not fully realised with the result that it came to be sanctioned only in the Sixties and it has taken more than a decade to be completed and put into commission.

[S. No. 2, para 1.11 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action Taken**

The observations of the Committee have been noted.

However, it is submitted that there are typographical errors and the traffic figures 1.1 million tonnes and 0.63 million tonnes should be read as 11 million tonnes and 6.3 million tonnes respectively.

[Ministry of Shipping & Transport O.M. No. DBH/3/78-PD  
Dt. 14-6-78]

### **Recommendations**

The Committee are greatly concerned to note that at present the draft in Haldia Port is of the order of 30 feet only but might increase to 35 feet. This would permit handling of vessels of 30,000 tonnage requiring displacement of 30 feet or below. The Committee feel that as larger vessels and tankers are normally in use in World trade, it is imperative that the draft in the Haldia Port is developed to 35/40 feet at the earliest so as to provide the requisite facilities for the handling of larger cargo vessels and tankers.

The Committee have elsewhere in the Report stressed the need for deepening the draft to 40 feet and more at Haldia on a priority basis, keeping in view the economics of the project.

[Sl. Nos. 5 and 12, Paras 1.14 and 2.21 of Appendix III to 33rd Report  
of PAC (6th Lok Sabha)]

### **Action Taken**

The Ministry of Shipping and Transport fully appreciate the necessity for providing increased draughts at Haldia. Following actions are being taken by the Ministry to achieve draught of 35/40 feet:—

- (i) Intensive dredging efforts are being put in for deepening the Haldia Approach Channel. The dredging work was undertaken by contract dredgers between 1973 & 1975. Subsequently, MOT V and MOT VI have also been deployed.

- (ii) Extensive river training works have been undertaken in the estuary. Additional proposals are being tested on the model before implementation.
- (iii) A shore disposal terminal has been established and is functioning at Jellingham since December 1977. This is expected to prevent recirculation of the spoil, thus increasing the effectiveness of dredging.
- (iv) A second opinion is proposed to be sought from Indian and foreign experts to ensure that the various methods adopted in improving the depths of the channel are on the right lines.

[Ministry of Shipping & Transport O.M. No. DBH/3/78-PD  
Dt. 14-6-78]

### Recommendations

In so far as the administrative set up of the Haldia Dock is concerned, the Committee note that the General Manager at Haldia has been given powers and control and authority over the activities at Haldia and his position is stated to be broadly comparable to that of the Deputy Chairman in Calcutta Port Trust. The Committee note that the intention of the planners is that larger vessels may use Haldia Port for lightening and proceed to Calcutta to discharge the goods at the terminal port. Similarly, on the outward journey, the vessels may start with a paying load from Calcutta Port and top up at Haldia.

The latest in transportation LASH (lighter a board ship) further underlines the need for close coordination between the Haldia and Calcutta Ports. The Committee stress that this integrated link between Haldia and Calcutta Ports as conceived by the planners and as successfully maintained during the construction period, should be carried through to the operational stage in the larger interest of providing best handling facilities to the Eastern and North-eastern regions of the country and for preserving the economic viability and health of both Calcutta and Haldia Ports. The Committee are however, anxious that the powers given to the General Manager at Haldia should be adequate and effective in all respects so that he is able to take decision on the spot and thus look after the day-to-day functioning of the Docks without having to approach the authorities at Calcutta.

[Sl. Nos. 7 and 8, Paras 2.13 and 2.14 of Appendix III to 33rd Report of PAC (6th Lok Sabha)]

### **Action Taken**

The observations made in recommendation No. 7 (para 2.13) have been noted. In fact, the coastal coal vessels have already started uptopping additional cargo at Haldia after loading initially at Calcutta. One general cargo ship has also recently lightened cargo at Haldia, before proceeding to Calcutta. In order to encourage this pattern of cargo movement, special provision has also been made in the Scale of Rates for the Haldia Dock Complex.

The General Manager, Haldia has been delegated with the same powers as that of Chairman with some exceptions.

It is felt that for the present the powers delegated to the General Manager, Haldia are adequate and effective and will enable him to look after day to day functions of the Dock Complex without having to approach the authorities at Calcutta. The position may be reviewed, if necessary, at a later date after activities at Haldia Dock Complex have increased considerably.

[Ministry of Shipping & Transport O.M. No. DBH/3/78-PD  
Dt. 14-6-78]

### **Recommendation**

The Committee need hardly point out that adequate number of quarters and other supporting infrastructure facilities may be provided for the officers and staff posted in Haldia Port so that they are encouraged to settle down there in the interest of work.

[Sl. No. 9, Para 2.55 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action Taken**

As already intimated to the Public Accounts Committee in this Ministry's Office Memorandum No. DBH-10/76-PDB, dated 10-8-1976, 1090 Nos. of quarters of 'A' type, 235 Nos. of type 'B', 100 Nos. of type 'C' and 36 Nos. of type 'D' (total 1461 units) have been provided in Haldia keeping in view the fact that the local people who would be employed in the port would not require family accommodation in the township. The observation of the Committee regarding the need for adequate accommodation and other infrastructure facilities for the use of officers and staff posted at Haldia has been noted.

[Ministry of Shipping & Transport U.O. No. DBH/3/78-PD  
Dt. 14-6-78]

### **Recommendation**

Notwithstanding the bottlenecks which upset the calculations, both with regard to execution and costs, the first phase of the Haldia Project, initially scheduled to be completed by January, 1971, reached its climacteric with the formal commissioning of the Dock in February, 1977. The successful completion of the Project would no doubt be an occasion of national rejoicing, but the costs and the time and labour involved in fact the whole gamut of experiences, should not be overlooked if any meaningful lessons are to be learnt from the operations that Haldia Project signified and symbolised. For the purpose of planning and execution of the first phase of the Haldia Dock Project, a sort of tripartite machinery was thought of. While M/s. Randel Palmer and Tritton acted as Consultants, the Calcutta Port Trust and the contractors, including some public sector undertakings engaged by the Trust functioned as the body responsible for executing the plans and the designs. At the top, there was a Steering Committee presided over by the Secretary, Ministry of Shipping and Transport, and consisting of representatives of various Ministries|Departments to oversee the progress of the Project.

[Sl. No. 15, Para 3.20 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action Taken**

No action is called for in this Ministry.

[Ministry of Shipping & Transport O.M. No. DBH/3/78-PD  
dated 14-6-78]

### **Recommendation**

That there was an unfortunate delay in the commissioning of the project cannot be gain said and, as a matter of introspection, Government should consider whether for executing a project of this dimension, which called for meticulous coordination with different authorities, expedition, advance planning and forethought, a body like this Steering Committee was adequate. It is on record that the Steering Committee had held only 19 sittings during the long period of nine years between January 1967 and January 1976. It is also on record that sittings of the Steering Committee were very often crowded with as many as 40 representatives besides the members.

The Committee feel convinced that the circumstances needed the creation of a compact body clothed with adequate powers to take and enforce decisions, if need be, by making "on-the-spot" visits and

studying the problems as they arose from close quarters. Such a body should have comprised not only representatives of the Ministries of Shipping & Transport and Finance but also of Industry, Steel, Railways, etc. and Government of West Bengal who had to play an important role in arranging and transporting materials, equipment etc. required for the execution of the Project.

The Committee are also unhappy that no satisfactory arrangements exist in respect of coordination between the Ministries concerned for sorting out the difficulties coming in the way of such public undertakings in timely completion of the work allotted to them. The fact that even the delay on the part of M/s. Triveni Structural Ltd. in furnishing revised drawings of penstocks was not brought to the notice of the Department of Heavy Industry, is a pointer to the imperative need for creation of some sort of a standing arrangement where under all cases of difficulties experienced by public undertakings, particularly in dealing with essential works of core projects like Haldia, are brought to the notice of the administrative Ministries concerned for being resolved.

[Sl. Nos. 16, 17 & 35 paras 3.21, 3.32 & 6.28 of Appendix III to 33rd Report of PAC (6th Lok Sabha)]

#### **Action Taken**

In the Ministry's reply to question No. 8 arising out of the evidence tendered before the P.A.C. on 25th and 26th June, 1976, it has already been pointed out how, specific problems could be better sorted out by detailed field level discussions with the agencies concerned. In the period from April 1975 to June 1976, 9 such meetings with the agencies directly involved in the execution of the project were held by officers of the Ministry of Shipping & Transport and Secretary, Department of Heavy Industry.

2. The Government of West Bengal were nominated to the Steering Committee in 1972. Representatives of the Ministries of Railways, Steel and Industry were associated in the deliberations of the Steering Committee whenever items relating to these ministries were considered. As already indicated in the note furnished to the PAC, between 20-6-67 and 15-1-76, the Steering Committee met on 19 occasions, 16 of these meetings were attended by the representative of the Ministry of Railways and 14 were attended both by the representatives of the Ministry of Steel and representatives of the Department of Industry. The State Government was represented in the meetings held after 1972 when matters relating to the Haldia Township and setting-up of Haldia Development Board to coordinate related matters assumed increasing importance.

3. It has also been pointed out that in addition to formal meetings and follow-up action, problems which came to light in other contexts were also taken up at the level of the Ministry. For example in the note furnished to Lok Sabha Secretariat on point 9 (relating to supply of railway wagons) arising out of the evidence tendered on 25th and 26th June, 1976, the Ministry has specifically referred to 9 or 10 occasions when shortage of wagons was taken up at the level of the Secretary Transport and the Minister Transport.

4. An inter-ministerial Steering Committee is essentially a body for laying down broad policy guidelines. It can ensure speedier consideration of problems, but detailed examination of proposals from different angles and by different agencies and Rules governing expenditure of public funds cannot, however, be eliminated. Decision can only be expedited.

5. There are already standing arrangements for sorting out the problems which crop-up in the execution of projects, at the different levels in the field as well as at the level of Ministries. Specifically in relation to Haldia Dock Project, these arrangements covered meetings held by the Calcutta Port Trust with the other agencies (for example MAMC and other contractors), the Railways etc., regular monitoring of the progress of the project by the Ministry to identify the bottle-necks and suggest corrective measure in addition to inter-ministerial meetings and discussions. The recommendation of the PAC on the need for greater vigilance and expedition in detecting and dealing with problems, however, has been noted for future guidance.

6. In regard to the specific case of T.S.L., the initial constraints in delaying the execution of the work entrusted to M/s Triveni Structural Ltd. were discussed in the inter-ministerial meeting held on 15th January 1972 when it had been agreed that the drawings would be finalised by Trivenis and approved by CPT by 31-3-72. It was also agreed that fabrication of both Radial gates and Penstocks would be taken in hand immediately and all efforts should be made to complete fabrication and installation latest by December 1972. As the position stands the drawings for Radial gates were approved during 1970—73 and that for Penstocks gates during February 1971—February 1974.

7. The above unsatisfactory progress of work by Trivenis were reported in the 16th meeting of the Steering Committee held on 3rd November, 1973. Trivenis progress of work was again reviewed

during the visit of the Secretary, Ministry of Shipping and Transport. to Haldia on the 3rd and 4th January 1974 and during the visit of the Secretary, Ministry of Heavy Industry on the 26th April, 1974 and again during his visit on the 26th June, 1974.

8. In the 17th meeting of the Steering Committee held on the 1st November, 1974 Trivenis General Manager assured that all underwater work on Radial Valves and Penstocks would be completed by end December 1974. The matter came up for discussion again in the 18th meeting of the Steering Committee held on 2nd April 1975 when the General Manager of Triveni assured the Chairman, CPT that all underwater work would be completed by the middle of June, 1975.

9. In the 19th meeting of the Steering Committee held on 15th January 1976, no problem was anticipated with regard to installation of Penstocks and Radial gates. All underwater installations of the Radial Valves had been completed by August 1975 and all Flushing Culvert Penstocks by March 1976 and the Lock was flooded on the 26th March 1976 on completion of civil work. The hoist machinery for Radial Valves and Penstocks were installed progressively and the lock was put in commission by end February 1977 on completion of dredging work at the Entrance Lock.

10. The representatives of the Ministry of Heavy Industry attended all these meetings of the Steering Committee. Hence it would be seen that they were kept informed of the progress of work on the part of Trivenis almost continuously throughout the period of execution of work.

11. Notwithstanding the aforesaid, the observations of the Committee regarding the need to improve coordination among the different authorities in the planning and execution of projects have been noted. Suitable instructions have also been issued to all concerned.

[Ministry of Shipping & Transport O.M. No. DBH/3/78-PD  
dated 30-6-78]

### **Recommendation**

Among the important reasons which were advanced for delay in the completion of the project are difficulties in acquisition of land, shortage of steel, shortage of wagons and unexpected sub-soil conditions which resulted in considerable delay in commencement of the difficult work of the lock entrances.

[Sl. No. 18 Para 2.23 of Appendix to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action Taken**

No action is required in this Ministry.

[Ministry of Shipping & Transport O.M. No. DBH/3/78-PD  
dated 12-6-78]

### **Recommendation**

As regards acquisition of land, the Committee have been informed during evidence that land, being a State subject, the land for Haldia Dock was acquired under the laws by the West Bengal Government. The period 1968-69 was, particularly, a difficult one and a number of injunctions were issued by the Courts of Law. The Committee note that the Calcutta Port Trust went in appeal successfully against every injunction issued by the Courts of Law and they won in almost every case and only a few are outstanding.

[Sl. No. 19 Para 3.24 of Appendix to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action Taken**

No action is required in this Ministry.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 12-6-78]

### **Recommendation**

As regards the laying of railway line and supply of wagons, the Audit para mentions that 2056 wagons were supplied by the Railways during the period April 1971 to March 1972 as against a requisition of 5122 wagons. The representative of the Ministry of Railways during evidence has conveyed the impression that there were genuine difficulties for the Railways in 1971 in the eastern sector in the matter of placement of wagons. But the Committee find from the material before them that even during the years 1972, 1973 and 1974 the position regarding supply of wagons to the Port Trust was far from satisfactory. During the period 1st April 1972 to 30 June, 1972, only 105 wagons were supplied as against indents for 775 wagons made by the different contractors. Despite high level discussions and instructions by the Railway Board to the General Managers, Eastern and South-Eastern Railways in May 1973 to meet the demand for stone and gravel for the project in full, the supply of wagons, continued to be unsatisfactory, the actual supply being only 45 per cent and 35 per cent respectively of the total monthly requirements of wagons for stone and gravel movement. The position in January 1974 was no better. During that month, only 5 rakes were received by the Calcutta Port Trust in spite of the fact that at



a meeting held on 9 January 1974 at Calcutta the Railways had promised to supply one rake per day. That such a situation should have prevailed despite inter-ministerial discussions at a high level is a matter which Government should seriously take note of so as to obviate repetitions of such lapses in future. The Committee would, therefore, urge that proper arrangements should be made for an effective coordination between the Railways and other concerned authorities while executing big national projects like Haldia.

[Sl. No. 21 Para 3.26 of 33rd Report of PAC (1977-78)]

#### Action Taken

The observations of the Committee are noted. The position of the wagons indented and wagons loaded during the calendar years 1972 to 1975 is however as under:—

| Year | No. of wagons indented | No. of wagons loaded | Outstanding in dents at the close of the Year | Remarks            |
|------|------------------------|----------------------|---|--------------------|
| 1972 | 5964                   | 5892                 | 72  | Indent for 143 wa- |
| 1973 | 4056                   | 4011                 | 45  | gons cancelled in  |
| 1974 | 1590                   | 1400                 | 47  | July.              |
| 1975 | 1284                   | 1284                 | —   |                    |

This has been seen by Audit who have stated that factual position is under verification by Chief Auditor, South Eastern Railway.

[Ministry of Railways (Railway Board) O.M. No. 77-BC-PAC/VI/33 dated 15-5-1978]

#### Recommendation

Despite the delay in the commissioning of the project and the escalation of costs, the Committee cannot be oblivious of the fact that the Haldia Project was a challenge to the ingenuities, technical skills and capabilities of Indian engineers and technicians alike. The Committee are glad that by executing the project without depending on foreign expertise, the Indian engineers and workmen have achieved and demonstrated a high degree of self-reliance in a crucial sector like construction of a new major port and shown what dedicated and determined efforts can achieve. The Committee have no doubt that the successful commissioning of the Haldia Dock Project has

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consecrated the emergence of Indian engineers and technicians on the world scene as having the expertise and know-how for construction of major ports and development of related infrastructure facilities. This indeed is a proud achievement. ,

[S. No. 23 Para 3.28 of Appendix to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

No action is required in this Ministry.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
Dated 14.6.78].

#### **Recommendation**

On the question of expenditure on river dredging and maintenance, the Committee note that subsidy to the extent of 80 per cent was approved for the Calcutta Port by the Cabinet ONLY up to 31.3.76. Keeping in view the fact that every new Port at the initial stages is bound to face difficulties likely to upset their calculations and expectations, the Committee recommend that the Central subsidy for river dredging and maintenance for Haldia Docks should be favourably considered by the Central Government and such subsidy continued for atleast a period of five years after the commissioning of the Haldia Docks.

[S. No. 25 Para 4.13 of Appendix to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

It has been decided that the contribution of the Government of India to Calcutta Port Trust towards river dredging and river maintenance at the rate of 80 per cent of the expenditure incurred thereon will be continued from 1975-76 for 5 years upto the year 1980-81.

#### **Recommendation**

The Committee commend the fruitful efforts of Government at indigenisation which are evident from the fact that in a big Project like Haldia, the foreign exchange element will be only about Rs. 9 crores, viz., 6 to 7 per cent of the total anticipated expenditure of Rs. 135 crores. The Committee have noted that the expectations of the traffic 4 to 5 years after the commissioning of the Docks, on which

the economic viability of the project has been based, are 15 million tons per year, consisting of ore, Coal iron foodgrains fertilisers, container and general cargo and salt. Out of these, the only commodity on which actual performance in the past few years is available relates to oil traffic since the berths for other items of traffic have either not yet been commissioned or commissioned only in 1977. In respect of oil, which being handled at the Oil Jetty, commissioned in 1968-69, the Committee find that starting from a traffic of 0.28 lakh tonnes in 1968-69, the same reached a level of 14.35 lakh tons in 1974-75 and 21.71 lakh tonnes in 1975-76. In the matter of revenue from the Oil Jetty, the Committee find that as against expectations of Rs. 210 lakhs per year, the actual revenue in 1974-75 was Rs. 203.49 lakhs. It was only in 1975-76 as per information given to the Committee during evidence that the revenue from the Oil Jetty rose to Rs. 427 lakhs. The Committee trust, that the opening of the Haldia Port would give a fillip to a larger in flow of cargo so that the expectations of achieving 15 million tons of cargo, on which the economic viability has been worked out, would be fulfilled.

[S. No. 26 Para 4.14 of Appenlix to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

The recommendation of the Committee has been noted.

[The Ministry of Shipping and Transport, O.M. No.  
33 dated 15-5-1978]

#### **Recommendation**

The Committee note that the contract for construction of river-side oil jetty at Haldia was awarded to the Yugoslav firm (Ivan Milutinovic-PIM) after bringing down, through negotiations, the price of their tender from Rs. 153.76 lakhs to Rs. 139.76 lakhs (foreign exchange 60 per cent), which was lower than the offers of the other two tenders made in conformity to the technical requirements of the work. The firm was also given subsidy by way of cheap electricity, the total value of which was Rs. 5 lakhs. However, an important factor, namely the foreign exchange element of the price of the contract of M/s. Ivan Milutinovic-PIM being 60 per cent as against only 15 per cent in the case of another tenderer (M/s. Hochtief-modernessen) does not seem to have been given the consideration while awarding the contract. It appears that more weightage was given to the fact that the firm belonged to a country with which our country had a trade and payments agreement.

The Committee suggest that standing instructions may be issued that while awarding contracts of this dimension, among other things, consideration should invariably also be given to the component of foreign exchange that would have to be expended.

[S. No. 27; para 5.8 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### Action Taken

Necessary instructions have been issued in the matter to all concerned in the Ministry *vide* circular No. BPC-15|17, dated 16-2-1978 (Annexure II).

2. General instructions have been issued to various Ministries| Departments of the Government of India by the Ministry of Finance (Department of Expenditure) *vide* their O.M. No. F. 1(2)-EII(A)|78 dated 19-7-78 (Annexure II).

[Ministry of Shipping and Transport O. M. No. DBH-3|18-PD]

Annexure I

## GOVERNMENT OF INDIA

### Ministry of Shipping and Transport

(Transport Wing)

No. BPC-15|77

New Delhi, the 16th Feb., 1978

Subject:—33rd Report of P.A.C. (1977-78) on Haldia Dock Project.

The Public Accounts Committee in para 5.8 of its 33rd Report presented to the sixth Lok Sabha on Haldia Dock Project have made the following recommendation:—

“The Committee note that the contract for construction of river-side oil jetty at Haldia was awarded to the Yugoslav firm (Ivan Milutinovic-PIM) after bringing down, through negotiations, the price of their tender down Rs. 153.76 lakhs to Rs. 139.76 lakhs (foreign exchange 60 per cent), which was lower than the offers of the other two tenderers made in conformity to the technical requirements of the work. The firm was also given subsidy by way of cheap electricity, the total value of which was Rs. 5 lakhs. However, an important factor, namely the foreign exchange element of the price of the contract of M/s. Ivan Milutinovic-PIM being 60 per cent, as against only 15 per cent in the case of another tenderer (M/s. Hochtief-modern-essen) does not seem to have been given the consideration while awarding the contract.

The Committee suggest that standing instructions may be issued that while awarding contracts of this dimension, among other things, consideration should invariably also be given to the component of foreign exchange that would have to be expended."

2. It is requested that the above recommendation made by the Public Accounts Committee may kindly be kept in view while awarding contracts of high dimensions involving component of foreign exchange in future.

Sd|-

(INDER JIT MURGAI)

*Under Secy. to the Govt. of India.*

To

1. DG(RD) & Addl. Secretary|JS(S)|JS(T)|  
JS(P)|Secretary (BRDB)|Dir(PD)|  
Dir(MM)|Dir(L)|CE&A(I.W.T.)|  
DS(PT)|DS(RT)|DS(C)|  
DS(R)|DS(E)|DS(BRDB)|C.C.C
2. All Under Secretaries|Desk Officers|Sections in Transport and Roads Wing.
3. All attached and subordinate offices of the Ministry.
4. All Port Trusts.

#### ANNEXURE II

No. F. 1(2)-E.II(A)/78.

GOVERNMENT OF INDIA

(Ministry of Finance)

(Department of Expenditure)

New Delhi, dated the 19th July, 1978.

28th Asadha, 1900 (Saka).

#### OFFICE MEMORANDUM

Subject:—Observations made by P.A.C. (1977-78) (Sixth Lok Sabha) in its 33rd Report on Haldia Dock Project—Recommendation No. 27—Orders regarding.

The undersigned is directed to refer to Rule 12 of the General Financial Rules, 1963 and Government of India's decisions there-

under which lay down the important conditions which are to be observed by various authorities while entering into contracts/agreements with firms supplying stores etc., and to say that recently in sub-para 5.8 of Chapter V of their 33rd Report, the P.A.C. observed that a contract was awarded to a foreign firm by a project authority because the price of their tender was lower than the offers of the other tenderers. The contract was awarded without due consideration being given to the fact that the foreign exchange component of the price was considerably more than in the other cases. The Committee has, therefore, suggested that instructions may be issued to all authorities to the effect that while awarding contracts of this dimension, among other things, consideration should invariably also be given to component of foreign exchange that would have to be expended.

2. It is, therefore, brought to the notice of Ministry of Home Affairs etc. that the recommendation of the Public Accounts Committee, referred to above, which has been accepted by the Government should be scrupulously observed while entering into an agreement or contract. Due consideration should also be accorded to a price preference in rupee expenditure where foreign exchange saving is found appreciable.

3. Necessary amendments to the General Financial Rules, 1963 is enclosed.

4. Hindi version of the Office Memorandum is also enclosed.

Sd/-

(S. K. DAS)

*Under Secy. to the Govt. of India.*

Phone. 373159

To

All the Ministries/Departments of the  
Government of India, etc. etc.

No. F. 1(2)-E. II(A)/78

Copy, with usual number of spare copies to:—

- (1) Comptroller & Auditor General of India, New Delhi.
- (2) Controller General of Accounts.
- (3) Controller of Accounts.
- (4) Lok Sabha Secretariat.
- (5) Rajya Sabha Secretariat.

- (6) Supreme Court of India.
- (7) Election Commission.
- (8) Union Public Service Commission, New Delhi.
- (9) Commissioner for Scheduled Castes and Scheduled Tribes, New Delhi.

Sd/-

(S. K. DAS)

*Under Secy. to the Govt. of India.*

*Amendment to the General Financial Rules (Revised and Enlarged),  
1963.*

No. \_\_\_\_\_

Page 5

Chapter 2.

Rule 12.

Insert the following paragraph below the existing paragraph (xvi) of Government of India's decision below this rule:—

“(xvii). While awarding contracts or entering into any agreements, full consideration should be given by the competent authority to the element of foreign exchange involved therein and subject to other conditions being equal, the offer involving the least expenditure on foreign exchange should be preferred. Due consideration should also be accorded to a price preference in rupee expenditure where foreign exchange saving is found appreciable.”

[Ministry of Finance (Deptt. of Expenditure) O.M. No. F. 1(2)-  
E. II(A)]78, dated 19-7-78]

#### **Recommendation**

The decision to construct a coffer dam after it was found that the earthen dam was insufficient to protect the site of the work is another instance of defective planning on the part of the Port Trust Authorities. As pointed out by Audit, the contractor himself had to point out in December, 1971 about the inadequacy of the earthen dam to protect the site area. While the Port Trust Authorities have admitted that the construction of the coffer dam was necessary “because of the fact that at the mouth of the lock-entrance the river was very close and so we wanted to excavate 70 feet below the ground level”, the argument advanced by them that the “Hindustan Construction were not ready till 1972-73 season for this work and, therefore, we did not do it before” seems to be far-fetched. The Port Trust Authorities should have envisaged all the details of the work to be executed well before the award of the

contract. Due to lack of coordination between the contractor on the one hand and the project authorities on the other, there was not only delay in the construction but increase in the overall cost of the bund. As has been pointed out by Audit, the coffer dam cost the exchequer an amount of Rs. 23 lakhs. The Committee, therefore, cannot too strongly emphasise the need for proper planning, preparation of project estimates well in time and coordination with different authorities charged with the execution of the project.

[Sl. No. 30 Para 6.13 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### Action Taken

Necessary instructions have been issued in the matter to all Ministries and Departments of Government of India *vide*, O.M. No. DBH/3/78-PD(Pt. 6) dated 1st April, 1978. (Copy enclosed).

[Ministry of Shipping and Transport, O.M. No. DBH/3/78-PD-  
dated 14-6-78]

#### GOVERNMENT OF INDIA

#### MINISTRY OF SHIPPING AND TRANSPORT

#### (TRANSPORT WING)

No. DBH-3/78-PD. (Pt. 5)

New Delhi, the 10th April, 1978.

#### OFFICE MEMORANDUM

**SUBJECT:—**Report of PAC.

The Public Accounts Committee in a Report presented to the Sixth Lok Sabha on a Project have made the following recommendation:—

“The decision to construct a coffer dam after it was found that the earthen dam was insufficient to protect the site of the work is another instance of defective planning on the part of the Authorities. As pointed out by Audit, the contractor himself had to point out in December, 1971 about the inadequacy of the earthen dam to protect the site area. While the Authorities have admitted that the construction of the coffer dam was necessary “because of the fact that the river was very close and so we wanted to excavate 70 feet below the ground level”, the argument advanced by them that the “contractors were not ready



till 1972-73 season for this work and, therefore, we did not do it before" seems to be far-fetched. The Authorities should have envisaged all the details of the work to be executed well before the award of the contract. Due to lack of coordination between the contractor on the one hand and the project authorities on the other, there was not only delay in the construction but increase in the overall cost of the bund. As has been pointed out by Audit, the coffer dam cost the exchequer an amount of Rs. 23 lakhs. The Committee therefore, cannot too strongly emphasise the need for proper planning, preparation of project estimates well in time and coordination with different authorities charged with the execution of the project."

2. It is requested that the above recommendation made by the Public Accounts Committee may kindly be kept in view while planning and executing projects in future.

(M. Y. RAO)  
Director.

1. All Ministries and Departments of Govt. of India.
2. All attached and subordinate offices of the Ministry of Shipping and Transport.
3. All Port Trusts.
4. DG(RD) & Addl. Secretary/JS(S)/JS(T)/JS(P) Secretary (BRDB|Dir(PD)|Dir(MM)|Dir(L) CE&A (I.W.T.)|DS(PT)|DS(C)/DS(R)/DS(RT) DS(E)/DS(BRDB)/G.C.C.

### Recommendation

The Committee are unhappy that adequate sub-soil investigations for deep work had not been apparently done before beginning the work of lock entrance. As pointed out in the Audit paragraph the rate for dewatering necessary for the work was fixed at Rs. 1.50 per horse power hour of pumping at the time of considering the tenders for the construction of the lock entrance on the assumption that the soil was impervious. In the opinion of the Committee this was obviously a very rough and ready method of assessing the difficulties of the situation. No adequate attention was paid to the matter. The Committee would have expected that knowing the nature of the area and the river bed, both the Port Authorities and their Consultants should have made a perspective planning which unfortunately they did not do. The Committee are constrained to note that it was the con-

tractor who had to discover and point out the sub-soil conditions, which in fact was the responsibility of the Port Trust to do.

[S. No. 31 Para 6.17 of Appendix to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action taken**

No action is called for now in this Ministry.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 14-6-78]

#### **Recommendation**

The whole transaction relating to the award of contract for meehanite castings, its subsequent cancellation and its eventual farming out to another party presents certain disquieting features which the Committee have noted with great concern. First, the contract for the supply of castings was placed on firm 'D' (M/s. Binny Engineering Co.) without specific imposition of the condition regarding inspection by Lloyds. Secondly, the contract was cancelled when the firm declined to subject itself to Lloyds inspection. Thirdly, the same contract was given to another firm 'E' (M/s. Bird & Co.) who had no licence to produce the castings and fewer facilities to get the castings machined. In this process not only was there an additional expenditure to the tune of Rs. 1.80 lakhs but there was also, as has been admitted by the Port Trust Authorities, inordinate delay in the execution of the Project. There was thus no benefit derived by the Project authorities in cancelling the contract of M/s Binny Engineering Company and awarding the same to M/s Bird & Company. The object behind cancellation of the contract of M/s Binny Engineering Company and awarding the same to M/s Bird & Company was fully defeated which leaves no doubt that instead of straightaway cancelling the contract, the Port Trust Authorities should have persuaded the firm, namely, M/s Binny Engineering Company, to improve the quality of their product and agree to have inspection by Lloyds on payment of some additional amount. The Committee trust that in all future cases of cancellation of contracts and their awarding to new contractors, the Calcutta Port Trust shall keep in view the technical capabilities of the new contractor and satisfy themselves fully that the new contractor shall be able to execute the job satisfactorily both in regard to technical requirements and timely execution.

[Sl. No. 33 Para 6.21 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action taken**

The observations of the Committee have been noted for future guidance.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 30-6-78]

### **Recommendation**

The Committee are surprised to find that while the Ministry of Shipping and Transport have categorically stated that one of the considerations for awarding the contract for radial gates and pen stocks to M/s Triveni Structural Ltd. was that the engineers of the Calcutta Port Trust were, on inspection, satisfied with the technical personnel of the firm and their having requisite knowhow and experience of taking similar work of hydraulic structure abroad, the representative of M/s Triveni Structural, and the Department of Heavy Industry have stated that this was the first time the firm were taking up a job of this nature. According to the Ministry of Shipping and Transport the firm had during discussions undertaken to execute the entire work in conformity with the Calcutta Port Trust tender specification and drawings. But later due to the changes made in the drawings, the undertaking asked for higher prices. At the inter-ministerial meetings held on the 15th January, 1972 and 24th November, 1973 it was finally decided to pay the firm an amount of Rs. 44.96 lakhs which was about 2½ times the amount of their original quotation of Rs. 17.47 lakhs. The Committee would like Government to review the position and ensure that the Haldia project is not saddled with high capital cost as appears to have happened in this instance.

[Sl. No. 34 Para 6.27 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action taken**

As the Committee have already been informed in this Ministry's O.M. No. DBB-9/76—PD dated 25-8-76, one of the considerations which prompted CPT to give the contract to M/s Triveni Structural was that, besides being the lowest tenderers, they were also a firm set up by the Government of India in collaboration with M/s VOEST of Austria who had requisite knowhow and experience of undertaking similar works of hydraulic structures abroad. CPT have since clarified that before awarding the contract to the firm, consideration was also given to the fact that although they had not executed any work under their own name, their collaborators M/s VOEST of Austria who had considerable experience in such works had received an order from DGS&D for Emergency Gates for the Beas Project Unit 2 Beas Dam at Pong.

2. At the inter-ministerial meetings held on 15-1-72 and 24.11.73, the claims put-forth by the firm were considered in detail and the revised sanction of Rs. 44.96 lakhs was issued after the Ministry, in consultation with the Ministry of Finance, were satisfied about the reasonableness of the claim. All claims of contractors which will have the effect of enhancing the cost of the project would be carefully scrutinised from the point of view of admissibility and reasonableness before they are allowed so that, as recommended by the Committee, Haldia Project is not saddled with unnecessary capital costs; Committee's observation in this regard have been noted.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 30-6-78]

### **Recommendation**

The Committee are unhappy that the installation of stoplogs was delayed for more than two years from March, 1974 to May, 1976. The representative of M/s. Triveni Structural Ltd; to whom this work was allotted, has told the Committee in evidence that this was their first attempt of that size of gates and that they also tried to bring in a reputed company—CIBA & Co. for purposes of epoxy grouting. On the question of this delay, the representative of the Ministry of Heavy Industry has informed the Committee during evidence that when the experiment of epoxy-grouting by the private company (CIBA) failed, the alternative of machining was taken up which proved to be a time-consuming process. It is a matter of concern to the Committee that a private firm (CIBA) was allowed to demonstrate their method of epoxy-grouting and as a result of this mere experimentation, which ultimately failed, avoidable delay was caused in the installation of the stoplogs.

[Sl. No. 37 para 6.46 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action taken**

Department of Heavy Industry have noted the observations of the Public Accounts Committee for future guidance. These observations of the P.A.C. have also been circulated to all the Public Sector Undertakings under this Department and all Ministries/Departments of Government of India for their information and guidance vide Circular letter No. 20(3)/78/HM-III, dated 21-6-1978.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 30-6-78]

### Recommendation

Surprisingly enough, the Committee also do not find any mention of the difficulties experienced by M/s. Triveni Structural in selection of a proper method to make the equipment water-tight, in the minutes of the three consecutive meetings of the Steering Committee held on the 1st November, 1974, 2nd April, 1975 and 15th January, 1976.

In one of their earlier recommendations relating to radial gates and penstocks also supplied by M/s Triveni Structural, the Committee have suggested the setting up of some machinery to ensure that whatever any difficulty is experienced by any public undertaking, particularly in dealing with essential works of core projects like Haldia, the administrative Ministry concerned should immediately be brought into the picture and the difficulties sorted out without delay. The present case of delay in the installation of stoplogs is another instance which lends support to the said recommendation of the Committee. The Committee hope the Government would be more vigilant in these matters and take suitable steps to achieve better coordination between the Ministries/Departments and the Public Undertakings concerned with a view to ensure a more efficient performance of the part of Public Undertakings to whom government works are awarded.

[Sl. No. 38 Para 6.47 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### Action taken

The contract for stoplog gates placed on M/s. Triveni Structural Limited in June 1973 incorporated provision of epoxy of grouting for levelling the horizontal Sealing Plants. in February 1974. during one of the periodical visits of CPT's Consulting Engineers to TSL, the matter was discussed in detail and it was agreed that epoxy grouting was the only solution in view of the accuracy required on this job. But in May 1974, TSL intimated CPT that they had tried epoxy grouting by setting up a mack-up test but without success. They, therefore, put up an alternative proposal of machining the horizontal Sealing surfaces whereby they expected to achieve the accuracy specified for the job on a trial basis. While this was agreed to on a trial basis, TSL were advised to take parallel action for epoxy grouting. In September 1974, when the representatives of CPT Consulting Engineers visited TSL, the machining of the sealing surface of one unit which was completed according to TSL's revised proposal was shown to him. As the tolerance achieved was found

satisfactory, TSL's machining proposal in preference to epoxy grouting was accepted. During all this period, TSL had never complained that their proposal for machining as against epoxy grouting envisaged in the contract would be more time consuming. Hence there was no occasion to discuss this matter in the meetings of the Steering Committee. Both the sets of stoplogs were completed in May 1976 and were already for installation at site when required.

2. In their action-taken note under Sr. No. 16 (para 3.21), Sr. No. 17 (para 3.32) and Sr. No. 35 (para 6.23) of Appendix III to the 33rd Report of the PAC, Ministry have explained the standing arrangements for sorting out of the problems which cropped up in the execution of the projects, at the different levels in the field as well as at the level of Ministries. However, the Committee's recommendation regarding the need to be more vigilant in these matters and take suitable steps to achieve better coordination between Ministries/ departments and the public-sector undertakings concerned has been noted and appropriate instructions have been issued to all concerned vide our O.M. No. DBH-3/78-PD (Pt. 6) dated 10.4.78 (copy enclosed).

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD dated 30-6-78]

### Recommendation

The Committee note that after completion of 45 lakh cubic metres of dredging work in the dock basin area at Haldia, the Dredging Contractor had to suspend the dredging operations in February, 1978, as the civil construction work of the berths, on which the residual dredging of 20 lakh cubic metres was dependent, had not been done. From the material before the Committee, it is apparent that the resumption of dredging work, normally due in September, 1969 was delayed much further as the Port Trust themselves were not ready for the work till January, 1972. This long interval enabled the Dredging Contractor to put forward a demand to treat the contract as closed or, in the alternative, to negotiate suitable escalation in the contracted rate of dredging of Rs. 3/- per cubic metre.

The long delay in completion of the civil construction work of the berths apart, a further period of about 21 months was lost in coming to terms with the Dredging Contractor, with the result that the dredging operations could be resumed only in September, 1973, and completed in December, 1975, as against the originally stipulated date of October, 1969. In the process, the dredging contractor had to be paid at a higher rate of Rs. 3.80 per cubic metre for the residual

work of 20 lakh cubic metres, and at the current market rate of dredging for the additional work of 25 lakh cubic metres that had become necessary due to the increased depth of dredging in the area, viz. an average dredging rate of Rs. 4.85 per cubic metre for the entire work of 45 lakh cubic metres. In addition, the Project authorities had also to agree to payment of a sum of Rs. 37.50 lakhs to the Dredging Contractor by way of charges for bringing a dredger from Mormugao, which were equal to the charges for bringing a dredger from abroad. The explanations offered for this during evidence are that the dredger was removed from Mormugao because of urgency of work in Haldia and that no mobilisation charges were paid to the contractor for bringing a dredger later on for Mormugao from abroad.

[Sl. No. 42, para 6.67 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

No action is required on this para in this Ministry.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 12-6-78]

#### **Recommendation**

The Committee note that the work of designing fabricating and installing of sophisticated equipments of ore and coal handling plants at Haldia was allotted to M.A.M.C., a public sector undertaking, which according to Ministry's own statement, had never done this work before, on the recommendation of a committee appointed by the Government of India in 1966 to examine the availability and suitability of indigenous resources. The plants were originally scheduled to be installed by December, 1970, but even after off-loading some of the items, M.A.M.C. was able to start making some progress only from the middle of 1974 and when the Committee took evidence in June, 1976, the work was yet to be completed. The reasons for delay have been stated to be changes in designs and capacities of some of the major equipment, the lack of expertise and suitable know-how with M.A.M.C. The cost of the plants also rose from the initial contract price of Rs. 4.20 crores to Rs. 15.30 crores.

[Sl. No. 45, para 6.81 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)].

### **Action Taken**

No. Action is required on this para in this Ministry.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 14-6-78]

### **Recommendation**

The need for encouraging indigenous resources notwithstanding, the Committee consider the pitfalls, both in respect of long delay of six years and more than three-fold increase in cost, as unfortunate. This aspect of the matter was brought to the notice of the Finance Ministry, who, as pointed out in para 6.77 of this Report had stressed the urgency of avoiding such pitfalls in future. The Committee note that after Haldia, the M.A.M.C. has gained in experience and their supplies to other Ports like Madras and Visakhapatnam are stated to be more regular than was the case with supplies to Haldia. The Committee hope that the expertise that has been achieved at great cost and effort would be further developed and perfected.

[Sl. No. 46, para 6.82 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)].

### **Action Taken**

Noted.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 14-6-78]

### **Recommendation**

The Committee note that the "Outline Development Plan for Haldia Industrial Complex" brought out by the Government of West Bengal in January 1975 envisages the setting up of a number of industries, both in the public and private sectors, involving an outlay of over Rs. 475 crores. Out of the three public sector projects, two viz. Haldia Refinery Project and the Haldia Dock Project have been completed or are nearing completion. The third project, viz. Haldia Fertiliser Project, is taking shape. It is a matter of satisfaction that the Haldia would be one of the eight growth centres to be set up by the State Government of West Bengal for encouraging industrial and economic activities. That Haldia is being given the importance that it richly deserves is evident from the fact that industries are now being offered a package of incentives besides other infrastructural facilities. A proposal to set up a high-powered Haldia Development Authority is also on the anvil. The Committee are confident that given the necessary facilities and the wherewithal for acceleration of promotional activities envisaged



under the Outline Plan, the contours of Haldia would rapidly undergo a change and in not too distant a future the Complex would pulsate with diverse activities, industrial as well as economic, giving employment opportunities to large segments of the population. The Committee would like that a definitive plan for industrial development should be drawn up for the gainful absorption of an estimated 27,300 persons displaced as a result of the project and for the employment of other unemployed persons during the next five to seven years.

[Sl. No. 51, para 7.15 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

The Committee's recommendation regarding the need for a definitive plan for industrial development of the area and the gainful absorption of the persons displaced as a result of the project and other unemployed persons has been brought to the notice of the State Government for necessary action.

2. The Port Trust on their part have already employed in the Haldia Lock System about 1140 persons who were displaced as a result of the Haldia Dock Project. They are also making efforts to absorb another 300 persons as and when suitable openings are available with the picking up of traffic and work.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 30-6-1978]

#### **Recommendation**

It was stated before a Study Group of the Committee which visited Haldia in December 1976 that inadequate water supply was one of the main constraints in the industrial development in that area. The State Government had planned the setting up of a 10.5 mgd. water works project at Geokhali at a cost of Rs. 7 crores but it was apprehended that the State Government might not be able to undertake it without financial assistance from the Central Government. The Committee would urge that the Central Government should extend full cooperation to the State Government in solving this problem of water supply which is a basic necessity for the residence of the area.

[Sl. No. 53, para 7.17 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

The Government of West Bengal have prepared the Haldia Water Supply Scheme Phase I, which is estimated to cost Rs. 15 crores. The Committee's recommendation that full cooperation should be ex-

tended to the State Government in solving the problem of water supply has been noted.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dated 30-6-1978]

### **Recommendation**

As regards power, the Committee note that the West Bengal State Electricity Board have extended their power grid to Haldia and are now supplying power to the Dock Project, Refinery, Fertiliser factory as well as other industries from their 33 KV power line. The State Electricity Board are contemplating addition of certain transmission lines and sub-stations. However, for meeting the demand of Haldia region beyond 100 MVA and the demand for rural electrification of the region, the State Electricity Board will have to construct a thermal generating station at Kolaghat which has been taken in hand and is expected to be completed within the next 5 years. The Committee need hardly stress that power is an essential pre-requisite for industrial development and any delay in meeting the power requirements of the area in time is bound to have an adverse effect not only on the overall development of the region but also on proper utilisation of the industrial and other machinery installed at heavy cost. The Committee stress that the Central and State authorities should see that adequate power for industrial and development use is provided in time.

[SI No. 54, para 7.18 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### **Action Taken**

The recommendation has been brought to the notice of the Govt. of West Bengal, for ensuring necessary funds for the purpose and for having the Kolaghat Thermal Power Station commissioned in time.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-PD  
dt. 30-6-78]

### **Recommendation**

The Committee note that the National Highway No. 41 which is under construction shall connect the Haldia Port with National Highway No. 6 along the shortest length. The 32 mile length of the National Highway No. 41 leading to Haldia is expected to be completed by the end of 1978. There are two over-bridges which have

to be constructed by the Railways as deposit works for which the Railways have been paid the entire cost of construction during the year 1975-76. Keeping in view the expected generation of heavy and fast moving traffic on commissioning of the Haldia Docks, there is an imperative need for speeding up the completion of National Highway No. 41. The Committee, therefore, stress that in the matter of development of road communications as also other infrastructural facilities, there should be close coordination between the Port, Union Government and State authorities so as to ensure integrated and timely development.

[S. No. 55, para 7.19 of the 33rd report of P.A.C. on Haldia Dock Project (6th Lok Sabha)]

#### **Action Taken**

Recommendation of the Committee has been noted for guidance/compliance. Suitable instructions have been issued to all concerned vide this Ministry's letter No. BPC-15/77, dated the 17th February, 1978 (copy enclosed).

This note has been vetted by audit.

[Ministry of Shipping and Transport O.M. No NHV/Misc.4/78, dated the 4th July, 1978.]

Government of India

#### MINISTRY OF SHIPPING & TRANSPORT (Transport Wing)

No. BPC-15/77.

New Delhi, the 17th February, 1978.

To

1. DG(RD) & Additional Secretary, Roads Wing, Ministry of Shipping & Transport, New Delhi.
2. Chief Secretary to the Govt. of West Bengal, Calcutta.
3. Secretary, Railway Board, Ministry of Railways, New Delhi.
4. The Chairman, Calcutta Port Trust, Calcutta.

Sub: 33rd Report of P.A.C. (1977-78) on Haldia Dock Project.

Sir,

I am directed to say that with a view to ensure integrated and timely development of road communications as also other infrastructural facilities, the Public Accounts Committee in Recommendation No. 55, para 7.19 of their 33rd Report on Haldia Dock Project, re-

produced below, had desired close coordination between the Port, Union Government and State authorities:

“The Committee note that the National Highway No. 41 which is under construction shall connect the Haldia Port with National Highway No. 6 along the shortest length. The 32 mile length of the National Highway No. 41 leading to Haldia is expected to be completed by the end of 1978. There are two over-bridges which have to be constructed by the Railways as deposit works for which the Railways have been paid the entire cost of construction during the year 1975-76. Keeping in view the expected generation of heavy and fast moving traffic on commissioning of the Haldia Docks, there is an imperative need for speeding up the completion of National Highway No. 41. The Committee, therefore, stress that in the matter of development of road communications as also other infrastructural facilities, there should be close coordination between the Port, Union Government and State authorities so as to ensure integrated and timely development.”

2. It is requested that the observations of the Committee may kindly be noted for guidance/compliance.

Yours faithfully,

Sd/- Inder Jit Murgai

Under Secretary of the Govt. of India.

Copy forwarded for similar action to:

- (1) All Port Trusts.
- (2) Port of New Tuticorin, Tuticorin-4.
- (3) Port of New Mangalore, Panambur, Via-Mangalore.
- (4) All other State Governments including Union Territories of India.

### **Recommendation**

Another aspect which causes concern to the Committee is the impression that they gathered during their visit to Haldia and informal discussions with the State authorities concerned that the Master Plan for development of Haldia as an industrial and chemical complex which constituted an essential part of the Haldia Project as conceived is not making much headway. The Committee stress that there should be closer coordination between the Central, State and Port authorities in the interest of accelerating the pace of development of industrial and chemical complex at Haldia.

The Committee would like to be informed of the concerted measures taken by Government and the other authorities concerned in pursuance of the above recommendations and the results achieved to generate larger traffic at Haldia on a sustained basis.

[Sl. No. 56, para 7.20 of Appendix to 33rd Report of the PAC (6th Lok Sabha)].

#### **Action Taken**

With a view to achieving close co-ordination between Central State Government and Port Authorities the State Government have already formed a Body styled as 'Haldia Development Authority' with the Chief Secretary to the Government of West Bengal as its Chairman and the Additional District Magistrate Tamluk as the Chief Executive Officer. This body is expected to accelerate the pace of development of the Industrial Urban Complex at Haldia. The Chairman, Calcutta Port Trust, is a member of the said authority.

The outline of the Development plan for Haldia Industrial Complex has been brought out by the Government of West Bengal in 1975. For the growing urban industrial complex conceived at Haldia, it is imperative that adequate infrastructure and utility services will need to be provided gradually and the schemes have been proposed for development of such facilities. Apart from co-ordination functionings, the Haldia Development Authority will have an overall control of the concerted measures relating to the activities of West Bengal State Electricity Board, West Bengal Industrial Infrastructural Development Corporation, West Bengal Small Scale Industries Corporation, State Development and Planning Department, Land and Revenue Department, South Eastern Railway and other Authorities. Calcutta Port Trust will endeavour to generate larger traffic at Haldia on a sustained basis by induction of port based and port oriented industries through the Haldia Development Authority.

### **CHAPTER III**

#### **RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT**

##### **Recommendation**

The Committee are anxious that the Haldia Docks which was conceived as an adjunct to Calcutta Port—threatened by lower draft conditions on account of siltation—should make an impressive start so that along with Calcutta it could play an effective role in the promotion of the trade of the entire eastern and north-eastern region of the country. It is only by rendering efficient handling facilities at most competitive rates that Haldia can attract larger quantities of bulk cargo meant for the eastern and north-eastern region of the country. There is no reason why with the heavy capital investment made and the latest and most modern equipment provided, it should not be possible to achieve this object of efficient and economic service which may set up a high example of smooth and efficient functioning to the other ports of the country as well.

The Committee would like to emphasise that however impressive be the achievement of the port authorities in the field of construction, a sense of complacency should not be allowed to develop and from now onwards the authorities should concentrate on preparing a perspective plan for the entire Haldia complex and efficient functioning of the operational facilities so that Haldia may play a meaningful part as a thriving and commercial entry port in the South East Asia.

[Sl. No. 6, Para 2.11 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

##### **Action Taken**

The Master Plan for the Haldia Dock Complex prepared by the Calcutta Port Trust has already been furnished to the PAC in this Ministry's Office Memorandum No. DBB/9/76 dated 23-6-76. Developments which have taken place since include handling of ore, coal and general cargo vessels at Haldia. With the commissioning of the container handling facilities, Haldia would make a significant start in attracting this new mode of cargo (As recommended by the PAC). The Calcutta Port Trust is maintaining regular liaison with the State Governments as well as with other agencies involved in handling of

cargo through Haldia to ensure optimum utilisation of the facility created there and to make this new port a thriving commercial centre in South-east Asia.

[Ministry of Shipping and Transport U.O. No. DBH3/78-PD  
dated 14-6-78].

### **Recommendation**

The Committee find that six tankers acquired by the Shipping Corporation of India at a cost of Rs. 15 crores each have a capacity of 87,500 DWT and a draft requirement of more than 40 feet. Having regard to the fact that Haldia dock system at present can accommodate only tankers with a draft of 30-35 feet, it is evident that these tankers may not prove economic for being used for carrying crude to Haldia till the draft of 40 feet and more is achieved which at the present showing would be in 1981 or thereafter.

[S. No. 10. Para 2.19 of Appendix to 33rd Report  
of PAC (6th Lok Sabha)]

### **Action Taken**

In this connection, a copy of the reply in respect of recommendations at Sl. Nos. 5, 12 and 14 is also attached for ready reference.

2. It may be clarified that out of the 6 tankers referred to, only 4 tankers were meant for the combined requirements of Haldia and Barauni Refineries. The remaining two tankers, also in the same size and series, were acquired by the SCI mainly for meeting the requirements of crude imports to Bombay. However, these two tankers were expected to provide the necessary flexibility for meeting additional requirements, in the event of increase in throughputs of Haldia and Barauni.

3. SCI has been ensuring the full employment and capacity utilisation of these tankers even from the beginning by utilising them on a pooling basis for meeting the requirements of not only Haldia but also the Madras Refineries. Thus the draft limitations at Haldia have not proved a restraint or led to an uneconomic use of the tankers.

[Ministry of Shipping and Transport, U.O. No. MDO (86) 76-MD  
dated 9th June, 1978].

### **Recommendation**

The Committee are not quite convinced with the Government's plea that they had taken a deliberate decision that a standard vessel

of 87,500 DWT would be preferable to getting a tanker of less DWT which could ply in the available, draft of about 35 feet in a port like Haldia.

The Committee would like the Government to examine the matter in depth in order to make sure that the six tankers of 87,500 DWT already acquired are put to full use in the best public interest to carry crude to other ports in the country and that suitable tankers are provided for carrying crude at most competitive and economic rates to the Refinery at Haldia.

[S. No. 11, Para 2.20 of Appendix to 33rd Report of PAC (6th Lok Sabha)].

#### **Action Taken**

Prior to the acquisition of 4 tankers of 87,500 DWT each, which incidentally were financed by World Bank Loan, detailed studies had been made to determine the optimum size of tankers to be acquired having regard to anticipated traffic of about 4.8 million tonnes by 1977-78 and draft availability. In view of the assured and long-term nature of requirements, the objective was to achieve economies in scale by striking an optimum for number of tanker units and the quantity to be carried per tanker per trip. The studies showed that the optimum amount of crude to be carried per trip, in order to cater to the refinery's needs, would be about 70,000 tonnes. However, a standard vessel which would be able to carry this quantity, would be of 70,500 DWT and would require a draft proposed to be achieved in Haldia, was only 40 feet. Also 6 units of such tankers would be required. The acquisition of such a standard size tanker involved:

- (a) Technical modifications being made for complying with a draft restriction of 40 feet; and
- (b) Additional capital cost for making these modifications.

The other alternative was to dead freight the tanker to the extent of about 40 feet draft which meant that only 62,000 tonnes could be carried per trip, an uneconomical proposition.

2. Having regard to the foregoing, quotations were invited for ships obtaining a DWT of 70,500 with 40 feet draft. The SCI addressed 27 shipyards in 12 countries and also 10 firms of ship brokers. Only 5 shipyards responded.

3. The examination of these offers showed that a 87,500 DWT standard type of tanker, without any modification, would comply



with the combined requirements of a dead weight of 70,500 at 40 feet draft. Being standard vessels, there was no additional capital cost involved in regard to modifications etc.

4. Acquisition of such standard size tankers of 87,500 DWT each, therefore, only meant adoption of suitable measures to avoid dead freighting. Since SCI was associated with the oil industry on an overall basis for arranging transportation of crude to refineries at other centres and its tanker fleet was being developed on that basis, it made an integrated and upto capacity use of the tankers through lighterage and other suitable measures and thereby avoided dead freighting.

5. It may also be stated that the tankers had been chartered to the Indian Oil Corporation on a 16-year time charter basis at a rate acceptable to both the SCI and the IOC.

[Ministry of Shipping and Transport U.O. No. MDO(86)/76-MD dated 9th June, 1978].

#### **Recommendation**

The Committee have noted with concern the rising cost of maintenance dredging at Calcutta/Haldia which has gone up from Rs. 1.69 crores in 1964-65 to Rs. 4.95 crores in 1975-76. The Public Accounts Committee have stressed more than once the need for optimum utilisation of the fleet of dredgers of the Calcutta Port Trust and for meeting all the requirements of Calcutta and Haldia without making any addition to their number. The Committee were informed in June 1976 that while it might be possible for the Calcutta Port Trust to meet the requirements of dock dredging without any addition in their existing fleet, the requirement of river dredging both below and above Haldia would be dependent upon the development and stabilisation of shipping channel, completion of all corrective works, quantum and pattern of head-water flows etc.

In view of the imperative need to keep the expenses on dredging as low as possible and of the likely improvement of the river as a result of Farrakka water flowing in, leading to availability of deep-water near the Haldia Docks, the Committee expect the Calcutta Port authorities to ensure that all dredging requirements of Calcutta and Haldia both Docks and River, are actually met from the existing fleet of dredgers without making any addition thereto. The Committee would await a categorical assurance from the Ministry in that regard.

[S. Nos. 13 and 14 Paras 2.28 and 2.29 of Appendix III to 33rd Report of PAC (6th Lok Sabha)]

### Action Taken

The rising cost of maintenance dredging over the past few years has been largely due to escalation in salaries and commodity prices.

2. Regarding maintenance dredging, since April 1976 all river dredgers including estuarian dredger 'Mohana' are being utilised intensively and the annual repair period has also shown a marked downward trend. As a result of this one of the older dredgers, i.e., S.D. 'Jalengi' has been decommissioned without compromising the dredging commitments. Earlier, in December 1973 another River Dredger was condemned without replacement, in anticipation of release of Farakka waters by 1974 and consequent reduction in dredging commitments expected thereby. As regards the Port Dredgers, Calcutta Port Trust have introduced 2-shift work on 2 dredgers, as a result of which one of the older dredger has been moth-balled.

3. Following release of Farakka waters from April, 1975, maintenance dredging commitments in the Upper Reaches have shown certain trends of reduction and it is expected that the maintenance dredging of the Upper Reaches and dock dredging both in Calcutta and Haldia docks can be carried out without addition of any new dredger. However, in view of reduction in the discharge through Farakka, it will be necessary to observe the behaviour of the river before a firm assessment of dredging effort is made.

4. Release of headwater from Farakka is not expected to have and beneficial effect in the estuarian reaches below Diamond Harbour.

5. Deepening of the channel leading to Haldia is still in progress. During this processes very heavy rate of re-shoaling has been observed. Earlier assessment was that the two dredgers acquired by CPT viz., Mohana and Mahaganga, will be able to meet the maintenance requirements of the navigation channel. Owing to higher rate of reshaling, the quantum of additional dredging effort can be assessed only after the channel has been deepened to its designed depth and stabilised.

[Ministry of Shipping and Transport O.M. No. DBH/  
3/78-PD dated 14th June, 1978].

### Recommendation

As regards steel, the Committee note that the supply was sporadic and fell far short of the demand. It was only after January, 1974 when Haldia Project was treated as a core project (a priority given next to operational demands of Defence Department) that there was a perceptible improvement in the supply of steel. During the period January, 1971 to January, 1974, there was steep fall in supply—in fact against an indent of 35,000 tonnes, an allotment of 15,000 tonnes was made—and the project authorities had to go into the market with the help of the Steel Controller of India and had to pay an extra price of Rs. 200 per tonne, the total financial implication of which has been stated to be of the order of Rs. 35.16 lakhs. The Committee cannot but express their unhappiness that a project of national importance like Haldia was denied priority as for a core project till 1974 in the matter of allotment of steel to which it was clearly entitled. That a Government Organisation like the Port Trust, constructing big project like Haldia, should be asked to go into the open market and get steel at a price higher than the control price, is a matter of great concern. The Committee feel that there should be a standing direction to treat such projects of national importance as core projects in the matter of allocation of steel and other scarce materials.

[S. No. 20 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

### Action Taken

When the Steel Priority Committee was first set up in 1964, the Government Notification stated *inter-alia* as follows:—

“The demands to be considered for priority grading are the following:

**Priority ‘A’.** Defence demands which will be collected, screened and submitted to the Secretariat of the Priority Committee by the Ministry of Defence.

**Priority ‘B’.** Railways, Transport and Communications, basic industries, agriculture, small-scale industries and important projects. These demands will be collated, screened and sponsored by the Ministries of the Central Government responsible for the matters mentioned above. The Steel Priority Committee will, before taking decision about the six monthly allocation of priorities, generally hold discussions with the Sponsoring Ministries”.

2. These guidelines were being followed by the Steel Priority Committee. Subsequently, these were slightly revised as follows:

Defence (Operations)—Priority 1

Defence Deptt., ERPC and Ministry of Energy—Priority 1.5.

Other important Central Government Deptts. (including Shipping and Transport)—Priority 2.

3. It may also be clarified that the allocations made by the Steel Priority Committee were to the sponsoring authorities and not to individual projects. As the overall availability was much less compared to the overall demand for steel at the relevant time, the allocations to each sponsoring authority were less than what they had asked for. However, it was open to each sponsoring authority to sub-allocate the quantities made available to them among the projects sponsored by them in whatever manner they liked. Therefore, the degree of importance to be given to a particular project as compared to others was a matter primarily for the sponsoring authority.

4. As regards the reference to the project authorities having to go into the open market with the help of the Steel Controller of India, where they had to pay an extra price of Rs. 200 per tonne, the position has been checked up with the Iron and Steel Controller. Presumably, the reference is to the allocations made from stockyards. Such allocations used to be made, in addition to the allocations made by the Steel Priority Committee, to meet some urgent and immediate requirements as requested by the projects from time to time.

The stockyard prices are naturally higher than the prices of materials supplied direct from the plants, as they had to cover the operational expenses of the stockyards etc.

5. It may also be mentioned that the Ministry of Shipping and Transport had been advised from time to time that, in view of the shortage in indigenous availability, they could ask for clearance for imports, which would be considered.

6. It may also be added that the position has completely changed now. In view of the relatively easy availability of steel, the system of periodical priority allocations by the Steel Priority Committee

has been given up. Hence the question of treating such projects as 'core projects' for purposes of allocation of steel, does not arise.

[Department of Steel O.M. No. SC-3(12) 78-DIA  
dated 18th August, 1978]

#### **Recommendation**

In regard to the traffic, at the Oil Jetty, the Committee find that the actual materialisation in 1975-76 was only 2.17 million tonnes as against the expectation of 2.5 million tonnes for that year. So far as future projections are concerned, it is disturbing to note that as against the earlier expectation of 4.7 million tonnes for 1978-79, it is now expected as stated by the representative of the Ministry of Petroleum during evidence, that the traffic will go up to the level of 3 million tonnes per annum only (the quantum on which the economic viability was based) by 1980-81. While noting that the capacity of the oil jetty provided at Haldia is related to the size of ships calling at the jetty, the pumping rate of those ships, and requirements|storage capacity of the Refinery, the Committee would stress that there should be optimum utilisation of the facilities created at heavy capital expense at Haldia for handling of POL traffic.

[Sl. No. 28 (Para 5.9) of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

The actual traffic at Haldia Port has been different from the figure that was projected earlier because of certain changes in circumstances relating to movement of crude oil from Haldia to Barauni and demand for petroleum products in the Haldia-fed area. The total oil traffic in Haldia port has reached 3 million tonnes level in 1977-78 and according to the present assessment the total traffic is likely to be 3.1 million tonnes in 1978-79. The traffic is likely to rise to about 3.5 million tonnes in 1982-83. These estimates are based on the demand projections in the Haldia-fed area and running of the Haldia refinery at the capacity level. The observations of the Public Accounts Committee have been noted and will be fully borne in mind while finalising the plans for meeting the projected demands in this area in the subsequent years.

[Ministry of Petroleum, Chemicals and Fertilizers O.M.  
No. Q-21012/2/76-Dist.]

#### **Recommendation**

From the material made available to them, the Committee come to the inescapable conclusion that the Port Trust Authorities did

not bestow the proper care and attention which they should have in the planning of designs before awarding the contract for civil construction work of the lock entrance, leading-jetty and berths in the impounded dock basin of Haldia. According to the statement of the Chairman, Calcutta Port Trust, investigations into the behaviour of the river Hooghly have been going on for a long period since river research is a continuous process. The Committee, therefore, fail to understand why necessary tests could not be conducted by the Calcutta Port Trust or the Poona Research Station before the award of the contract to the Hindustan Construction Ltd. in August 1967. The Port Trust Authorities should have undertaken all the necessary tests germane to the work of this magnitude. As a result of the dilatory processes involved in getting technical clearance for the project, there has been not only undue delay in the completion of the civil construction works but also escalation of the costs. The Committee are not happy over the fact that the Port Trust Authorities instead of accepting the Audit point have sought to justify the delay, which, in the opinion of the Committee, is wholly uncalled for. The Committee would, therefore, urge that the matter should be looked into in greater detail with a view to fix responsibility for the lapses. Further, procedures should be drawn up for working out the details of the operations well before the award of contracts of this nature. There should be proper coordination among the different authorities so as to obviate delays in the execution of the works.

[Sl. No. 29 Para 6.6. of Appendix III to 33rd Report of P.C.  
(6th Lok Sabha)]

#### **Action Taken**

The contract for the civil works was awarded in 1967 on the basis of data available then. The results of the researches regarding the effects of Farakka Barrage Project on the estuary and the Hooghly River which had been going on for many years became known to CPT in 1967-68 and indicated possibility of further improvement in the estuary which would enable the movement of bigger vessels of deeper draught up the river to Haldia. However, the handling of these vessels at the dock system would be possible only if the dimensions of the lock were enhanced. Hence a decision to increase the size of the lock was taken in early 1968, even though the civil construction contract with M/s. Hindustan Construction Company had been settled earlier. After a definite size of the lock was decided, upon, the Pune Research Station made a scale model of the lock and carried out model tests. On the basis of results of

these tests, essential dimensions and characteristics of the lock were finalised.

Chief among the factors which impeded progress of the civil construction works related to the acute short supply of steel and the shortage of wagons for the movement of essential construction materials. The Committee themselves have taken note of these difficulties in their observations under paragraphs 3.25 and 3.26 of their report. The comparative inexperience of the Indian engineers and experts in handling a project of the magnitude and complexity was also one of the factors which has to be taken into account while examining the delay in the construction schedule. In paragraph 3.28 of their Report, the Committee have expressed satisfaction over the fact that "by executing the project without depending upon foreign expertise the Indian engineers and workmen have achieved and demonstrated a high degree of self-reliance in a crucial sector like construction of a new major port and show what dedicated and determined efforts can achieve".

In these circumstances, the Committee would kindly appreciate that instituting an inquiry with a view to fixing responsibility for the delays and lapses in the construction of the Haldia Lock System is not called for.

### **Recommendation**

The Committee note that the decision taken by the Calcutta Port Trust in 1970 for changing the method of construction of Caisson gates from "vertical position" to "horizontal position" was based on the anticipated delay in completion of the cambers where these gates were to be installed, and was primarily intended to effect a saving in time likely to be spent in fabrication of gates after the cambers become available. The fact that the intended saving in time could not be achieved and the change in the method of fabrication ultimately resulted in an extra expenditure of more than Rs. 51 lakhs, are, in the opinion of the Committee indicative of lack of planning and coordination on the part of the Project authorities and their Consultants. This is one of the instances, where expenditure has proved to be deceptive or in other words led to bad judgement. The position was made worse by the contracting firm (M/s. Jessop & Co.) delaying the completion of the work according to the new method from the stipulated date of September, 1972, to June, 1976, which resulted in an additional expenditure of Rs. 28 lakhs due to

escalation. No action seems to have been taken against the firm on account of this delay.

The Committee cannot but express their unhappiness over the delay and resultant escalation in cost.

[Sl. No. 36 para 6.38 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### Action taken

The order for the Caisson gates was awarded on M/s. Jessop & Co. Ltd. on 6th May, 1969. The contract required the Caisson gates to be constructed in vertical position inside the cambers. The contract also provided that all work pertaining to the gates would be completed by end January, 1971 provided and cambers were handed over to Jessops by April, July and October 1970 respectively.

To enable the Caisson gates to be constructed simultaneously with the construction of Lock Entrance, including the three cambers, it was decided in October 1970 that the gates should be fabricated horizontally in a temporary building berth at Haldia. The basic design had provided for such alternative construction with minimum additions and alterations. The construction of a temporary building berth was considered both economical and time saving, at that time, as Jessops were prepared to remove their Workshop Shed from the Construction Site at Farakka Barrage, where their work had just been completed.

Reviewing the progress of work during one of the regular visits by C.P.T.'s Consulting Engineers, in the month of June 1971 it had been observed that Jessops had not received matching quantity of steel required for commencing fabrication work. At this stage the Consulting Engineers were of the opinion that subject to the availability of all steel materials to commence fabrication by July 1971, Jessops should be in a position to complete fabrication by September 1972 and the final fitting out work of the gates could be completed inside cambers by December 1972.

The progress of procurement of steel materials had been pursued with the Ministry of Steel and Heavy Engineering right from September 1969 and reviewed regularly at the Steering Committee meetings commencing from the 10th held on 21st February, 1970 and followed successively upto the 13th meeting held on 18th May, 1972. As the position stands, most of the steel materials were received by Jessops by June 1972 \* and the balance by August 1972

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\*Audit has pointed out that most of the steel materials were received by middle of 1971 and not by June 1972.



Fabrication work at Jessops' works received set back on account of non-supply of matching steel materials in time. Labour strike at Jessops' workshop, acute power shortage in their own workshop as well as that of their sub-contractors aggravated the problem, thus contributing towards considerable delay. The assembly work commenced at site from September 1972.

During the sub-assembly and erection work in the building berth, Jessops were faced with several constraints such as power failure, fluctuation in voltage interrupting welding work, labour trouble culminating in strike at site workshop, etc. Moreover, their Sub-contractor for the supply of valves and accessories, supplied only 56 valves out of 189 and failed to supply the balance. Hence Jessops had to re-order remaining valves on another firm on 21st October, 1974 while Jessops themselves undertook fabrication of valve accessories in their own Works. The delay in supply of valves considerably upset the un-interrupted progress of erection of the pipelines and this in turn contributed towards overall delay in the erection of Caissons and their subsequent fitting out inside cambers. The constraints were discussed in the 17th, 18th and 19th meeting of the Steering Committee held on 1st November, 1974, 2nd April, 1975 and 15th January, 1976 respectively for effective co-ordination at the highest level.

However, all work pertaining to the Caisson gates including temporary fittings and fixtures required for floatation were completed by 28th April, 1976 with the exception of valves accessories, 'C' dock valves and some painting which got mechanically damaged. The building berth was flooded on 30th April, 1976 after which the caisson gates were floated, towed inside the Lock Entrance after completion of the dredging work at the Dock Turning Basin and bundh of the Building Berth. All three caisson gates were uprighted, scuttled across the Lock in May 1976 and placed inside cambers by 1st June, 1976 for further fitting out work.

The Inner and Outer Caisson gates were made over to Jessops on 28th June, 1976 and 26th July, 1976 respectively after stoplogging, dewatering and desilting of the cambers.

Fitting out work on both the Inner and Outer Caisson Gates were completed and put in commission between December 1976 and January 1977. The Lock was opened to shipping by end February 1977 after completion of the dredging work of the Lock Entrance including that relating to the riverside Outer bundh.

As regards taking action against the firm for the delay, CPT have indicated that the main factors which were responsible for the 4139 L.S.—5.

delay were shortage of steel, labour troubles and power shortages over which the firm had no control and would thus amount to force majeure conditions.

The delays in the completion of the project have to be seen in the light of the comparative inexperience of Indian engineers and technicians in jobs of this magnitude and complexity and other serious constraints in the matter of supply of steel and railway wagons over which the project authorities had no control. In fact, in paragraphs 3.25 and 3.26 of their Report, the Committee have taken note of these constraints and in paragraph 3.28 have expressed satisfaction at the emergence of Indian engineers and technicians on the world scene as having the expertise construction of major ports and for development of related infra-structural facilities.

The observations of the Committee, however, have been noted.

[Ministry of Shipping & Transport U.O. No. DBH/3/78-PD  
dated 14-8-78]

### Recommendation

A regards the dredging work of 24.10 lakh cubic metres in the river basin which was awarded to the same contractor (Yugoslav firm) in November, 1966, the Committee note that the same was subsequently taken away from the contractor to be done departmentally. There is no record to show that any serious efforts were made by the project authorities to persuade the dredging contractor to undertake in lieu of this work the additional dredging work of 25 lakh cubic metres in the dock basin area at the originally contracted rate Rs. 3 per cubic metre plus escalation. On the other hand, the project authorities had to agree to the treatment of the above mentioned work in the dock basin area as new work to be paid for at the current market rates of dredging in 1972-73. The total additional financial burden on this account works out to Rs. 47.25 lakhs viz., the difference between the contracted rate (after escalation) of Rs. 3.80 per cubic metre and the average rate of Rs. 4.85 per cubic metre actually paid to the contractor for the entire work of 45 lakh cubic metres (including 20 lakh cubic metres of left over work). In this connection, the Committee find that in terms of clause 83 in the General Conditions of work with the contractor the project authorities had the power to increase the quantity of any work included in the contract and to ask the contractor to execute the additional work of any kind after taking into account the value

of such variations. The Committee have no doubt that if the project authorities had seriously pressed their claim under this clause, there was every possibility of the contractor agreeing to undertake the additional work of 25 lakh cubic metres in the dock basin area (in lieu of 24.10 lakh cubic metres of dredging work in the river basin) at Rs. 3.80 per cu.m. v z., the original contracted rate of Rs. 3 per cubic metre plus escalation. The Committee suggest that this aspect of the matter should be probed into further and responsibility fixed with a view to take suitable corrective measures for the future.

[Sl. No. 44 Para 6.69 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### Action taken

Under the contract entered into with the firm M/s PIM in November, 1966, dredging in the Dock Basin at Haldia was to be completed in 36 months i.e. by October, 1969. The total quantity of dredging was estimated at 8.91 m.cu. metres and the rate was Rs. 3/- per cu. metre. The work started during December, 1966 and by March 1968, a quantity of 4.5 m.cu. metres had been dredged. At this stage work had to be stopped as dredging was not possible till such time as the construction of under-structure of the berths had progressed sufficiently. The dredger deployed at Haldia was taken out by the contractor in March 1968, with the consent of Calcutta Port Trust for deployment at Vizag., as, otherwise C.P.T. would have been liable to pay heavy idle charges. The understanding at that time was that dredging would be recommended in September 1969. The balance dredging quantity was reassessed at 2 m.cu. metres because dredging of another 2.41 m.cu. metres in the river in front of the oil jetty, was not considered necessary.

2. The additional dredging requirement of 2.5 m.cu. metres in the Dock Basin came only as a result of the decision to deepen the dock from 23 ft. to 30 ft. The total dredging that still remained to be done was thus 4.5 m.cu. metres (2 m.cu. metres+2.5 m.cu. metres).

3. Even though the matter of resumption of dredging was taken up by C.P.T. with the contractor several times after September, 1969, the contractor did not agree to commence the work till the rates were revised. The contractor's contention was that the rate of Rs. 3/- per cu.m. quoted in 1966 could not be held valid for the period beyond the three years of contract. Thus, even for dredging of the quantity of 2 m.cu. metres left over from the original contract, revised rates were demanded by the contractor. C.P.T. had proposed to the contractor that in lieu of dredging of 2.41 m.cu. metres in the

river, they may undertake extra dredging of 2.5 m.cu. metres in the dock area at the old rates but it did not receive any positive response. It was also suggested by C.P.T. that for the balance quantity of 2.0 m.cu. metres left behind under the original contract, the existing contract rate should remain operative and for the increased quantity a suitable escalation over that rate could be considered. The contractor's proposal was to revise the rate for the balance quantity and to quote fresh rates for the additional quantity. As a result of the negotiations held with the contractor, he finally agreed to do the entire work of 4.5 m.cu. metres dredging at a combined average rate of Rs. 4.85 per cu.m. plus mobilisation charges. This rate was considered reasonable taking into account escalation in prices since 1966 and the prevailing rate of Rs. 8 per cu.m. elsewhere. The possibilities of re-invitation of tenders and getting the work done by M.O.T. Dredgers were also examined but had to be given up for considerations of high cost as well as tight time schedule.

4. It will thus be seen that an attempt was made to persuade the contractor to take up dredging of the additional 2.5 m.cu. metres at the contracted rate in lieu of the dredging quantity of 2.41 m.cu. metres in the river which was not required on reassessment. The contractor wanted a fresh contract at enhanced rates not only for this new quantity but also for the balance 2 m.cu. metres under the original contract. In the circumstances it was not possible to enforce the rate of dredging in the original contract, with escalation, either for the new quantity of 2.5 m.cu. metres or for the balance quantity of 2 m.cu. metres.

[Ministry of Shipping and Transport O.M. No. DBH/3/78-  
PD, dated 30-6-78]

### **Recommendation**

The Committee note that after finalisation of the detailed scheme regarding mechanical handling facilities for fertilisers at Haldia with the Canadian Consultants in March 1973, the Project authorities found it necessary to modify the same to accommodate the Fertiliser Corporation of India's special requirement. There was, however, no change in the handling capacity of the equipment which remained at 20 lakh tonnes per annum and, as stated by the Ministry, the modifications also were only 'to some extent without altering the basic scope of the project'. In the light of this position, the Committee are unable to understand the 33 fold increase in the cost of equipment from Rs. 42 lakhs in 1965 to Rs. 1395 lakhs in 1975. The figures speak for themselves.

In a note furnished to the Committee in March 1977, it has been contended that since the first estimate for the project actually sanctioned in 1972 was for Rs. 331.39 lakhs, the comparison should be between this sanctioned estimate (Rs. 331.39 lakhs) and the revised (1975) estimate of Rs. 1395 lakhs. Even on that comparison, there has been a four-fold increase. In the opinion of the Committee, it is a moot point whether the estimations were realistically made on the basis of sound projections and the handling cost implications or they were simply escalated upwards to fit in within the framework of the prospective offer of a Canadian loan. In any case, one very vital factor seems to have been lost sight of, namely, the question of capacity created *vis-a-vis* requirements. As mentioned in the Audit paragraph, Government's own anticipations of traffic in fertilisers at Haldia for 1978-79 were assessed in January 1971 at 11.47 lakh tonnes and in January/March 1972 at 13 lakh tonnes. The latest calculations in this regard as placed before the Committee during evidence are 13.10 lakh tonnes per annum (both raw materials and finished fertilisers) from 1980-81 and thereafter. It is, therefore, obvious that by providing mechanical handling facilities for 20 lakh tonnes per year, an excessive handling capacity of about 7 lakh tonnes per year, has been created at heavy cost which is likely to remain unutilised on the present showing. The extra expenditure involved in the creation of this capacity is also bound to have its impact on the Port's charges for handling fertilisers which will in turn make the imported fertilisers more costly. The Committee, therefore, suggest that the matter should be looked into by a team of experts including a costing expert with a view to optimise the use of the handling capacity created at the fertiliser berth of Haldia Docks. The Committee will like to be informed of the action taken in this regard within three months of the presentation of the Report.

[Sl. Nos. 49 and 50, Paras 6.93 and 6.94 of Appendix III to 33rd Report of PAC (6th Lok Sabha)]

#### **Action Taken**

The Project estimate of Rs. 331.39 lakhs, sanctioned in 1972 included a foreign exchange element of Rs. 100.34 lakhs. The revised estimate of Rs 1395 lakhs includes a foreign exchange component of Rs. 133 lakhs. The increase in the foreign exchange component therefore, between the first estimate and the last revised estimate is in the region of 33 per cent only. The project was finalised and lay-out prepared after detailed consultation with the Canadian Con-

sultants in March/April 1973. The reasons for the increase in the estimates have been furnished to the Committee in this Ministry's O.M. No. DBB-3/77-PDB, dated 23-6-1977.

2. As already indicated to the PAC during the hearing, the overall designed capacity of this berth, as estimated by foreign consultants, is in the region of 1.68 million tonnes per year and taking into account the operational limitations, the system will be able to achieve a throughput of 1.5 million tonnes per year. In the above context, the annual throughput of 13 lakhs as has been indicated during the hearing would mean that the excess capacity at this berth already created would be only marginal. The capital investment for such marginally lower throughput would not have been materially different.

3. In a note on the economic viability of Haldia Dock Project sent to the Committee in this Ministry's O.M. No. DBB-9/76-PDB dated 23-6-76, it has been estimated that for a total traffic of 1.5 million tonnes of fertilizers the consolidated per tonne cost of handling was expected to be Rs. 41.17 against a total cost at Calcutta ranging between Rs. 70.37 and 90.98. If the fertilizer traffic is reduced to 1.3 million tonnes, the corresponding handling cost at Haldia will inversely go up but will still be very much below the total cost at Calcutta. There is no doubt that the use of handling capacity at the berth can be optimised by having a larger throughput of traffic and all possible efforts will be made to attract greater traffic at Haldia as already recommended by the Committee in their Recommendation No. 6, Para 2.11. In view of this, there would be no advantage in having a team of experts go into the utilisation of the fertilizer berth at Haldia.

[Ministry of Shipping and Transport O.M. No. DBH-3/78-PD  
dated 30-6-1978]

#### **Recommendation**

In view of the fact that the people of the region had set high hopes on the development of Haldia and on the vast employment opportunities likely to be generated, the Committee would like that concerted steps should be taken to encourage early setting up of the industries for which licences have been given or proposed to be given in near future. All factors inhibiting the growth of industries should be identified and remedial steps taken. The Committee would like to mention in this connection a few of the constraints which have hampered the creation of an appropriate climate for growth.

[Sl. No. 52 (para 7.16) of Appendix to 33rd Report of PAC (6th  
Lok Sabha).]

### Action Taken

The intention of the Public Accounts Committee appears to be, that as a result of development of Haldia Dock Project, licences may be given for setting up of some industries which require speedy implementation. In this connection, it may be pointed out that the Department of Industrial Development who are concerned with this case have been writing to all State Governments emphasising the need to set up Monitoring Organisation at the State level to expedite implementation of industrial projects through a systematic review of the progress of implementation of all Letters of Intent/Industrial Licences, pertaining to the respective State. The Department of Industrial Development have accordingly, been sending to all State Governments, the consolidated monthly Statement of all Letters of Intent/Industrial Licences issued/granted by the Secretariat for Industrial Approval for industrial projects in various States. The authority to extend, cancel, and revoke Industrial Licences and Letters of Intent issued to entrepreneurs has been delegated to the Administrative Ministries, who are empowered to revoke licence, if the party has failed to establish or to take effective steps to establish new Undertakings within the time specified in the licence or within the extended time granted by the Government. The procedure for revocation of industrial licences has been indicated by the Department of Industrial Development in their circular letter No. 30(1976-Series) bearing No. 12(160)/LP/76, dated the 6th October, 1976. As a result of these instructions, the number of Industrial Licences cancelled rose to a record figure of 140 in 1977 as against 121 in 1976, 56 in 1975 and 10 in 1974. The Department of Industrial Development have written to all Administrative Ministries suggesting them to split the licensed projects into two categories;

- (i) Licences of investment of more than Rs. 5 crores of fixed capital assets;
- (ii) Licences of investment between Rs. 1 to 5 crores on fixed capital assets;

and have this exercise carried out with the help of a Monitoring Committee within each Ministry, consisting of the Joint Secretary, incharge of the industry as the Chairman, the Industrial Adviser-in-charge of the industry in DGTD, a representative of the Planning Commission and a representative of the Department of Industrial Development (Secretariat for Industrial Approval); it can also co-opt any other person who will facilitate the task of the Committee. This

Committee is required to identify the reasons for delayed execution of licensed projects and suggest suitable measures to overcome the same.

In view of what has been stated above, it is obvious that the Department of Industrial Development have already taken adequate measures for ensuring industrial growth in Haldia and other areas.

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## CHAPTER IV

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

#### Recommendations

The Committee have elsewhere in the Report dealt at length with the facilities for handling of iron ore (4.0 million tonnes) and coal (3.5 million tonnes) which have been developed at the port at heavy capital expense. The Committee are greatly concerned to note that these facilities for bulk handling of cargo would be utilised even less than half of their capacity in the coming months. This underlines the need for initiative being taken at a higher level to coordinate and integrate the effort of the undertakings concerned in the public sector, *viz.*, MMTC, Coal India, Port Trust authorities, etc. so as to ensure that the handling facilities at Haldia Port are pressed into service and put to effective use with the twin objectives of providing the requisite traffic load to Haldia to sustain its economic viability and to accelerate the development of mining and allied industries in the hinterland.

The Committee would like to be informed of the concerned measures taken by Government and the other authorities concerned in pursuance of the above recommendations and the results achieved to generate large traffic at Haldia on a sustained basis.

Another matter of concern to the Committee is the flow of sufficient traffic in iron ore and in coal to ensure full and complete utilisation of the capacity created at Haldia for handling these commodities. As it is, the berth being provided at Haldia can handle 4 million tonnes per year of iron ore. As against this handling capacity, the port's expectation of movement during 1977-78 are 1.5 million tonnes which is only half of the figure of 3 million tonnes planned by the MMTC for movement through Haldia in that year. Unless concerted efforts are made, the target of exporting 4 million tonnes of iron ore through Haldia during 1978-79 may not materialise.

Similarly, in regard to the traffic in coal, while the berth at Haldia has been initially designed to handle 3.5 million tonnes per

year, the estimated traffic during 1977-78 is now expected to be only 1.5 million tonnes which again is only 50 per cent of the estimate for this year as originally prepared by the Port authorities. For 1978-79, the original estimate of the Calcutta Port Trust is 3.5 million tonnes of coal traffic but it is a moot point whether this traffic would actually materialise during that year because the actual contracts about movement of coal are yet to be finalised.

As a matter of fact, Government themselves are not sure about the firm forecasts of coal traffic and the Department of Coal are stated to have set up a Working Group to arrive at a firm indication in regard to the actual quantum of annual coal traffic expected to materialise during the next ten years. Such a position is indicative of the fact that there has been complete lack of coordination between the Ministries/Departments concerned. The Committee apprehend that the mechanical coal handling capacity has been provided at Haldia without any firm indication about materialisation of traffic in the years to come.

The Committee cannot but express their grave concern over the fact that the facilities for bulk handling of iron ore and coal, provided at Haldia at heavy capital expense, would be utilised even less than half of their capacity in the coming months. In regard to coal, even the firm indications of expected traffic during the next ten years are yet to be worked out. As already stated in paragraph 1.12 of this Report, this situation calls for speedy remedial action at a higher level so as to ensure sufficient traffic load for an economic utilisation of the capacity being provided for handling of iron ore and coal at Haldia.

[Sl. No. 3, 4, 47 and 48 (Paras 1.12, 1.13, 6.83 and 6.84 of Appendix to 33rd Report of PAC (6th Lok Sabha)].

#### **Action taken**

Coal berth at Haldia was initially planned and built for coastal movement of coal. But the coastal movement did not materialise as expected earlier because of the delay in commissioning of the Thermal Power Station at Tuticorin. It is expected that with the Commissioning of all the three units of the Power Station at Tuticorin, the Coastal Coal despatch from Haldia for Tuticorin alone would be more than 2.5 million tonnes. Vigorous efforts are also being made to export coal to West European countries from Haldia. During 1978-79, MMTC expect to export about 1 million tonnes of coal from Haldia. An inter-Ministerial Working Group was also set up by the Department of Coal to examine the long-term pros-

pects for export of coal. The Working Group has *inter-alia* estimated that India would be in a position to export upto 2.5 million tonnes of Grade I slack coal by 1983-84. This would be in addition to the export of approximately 0.5 million tonnes of steam coal to neighbouring countries. If all these materialise, not only will the Haldia coal handling plant be fully utilised but its capacity would need to be augmented.

2. As regards iron ore traffic, it may be stated that due to recession in world steel industry, there has been a consequent substantial decline in the demand for iron ore by steel producing countries. Steel production in Japan declined from 108 million tonnes in 1976-77 to less than 100 million tonnes in 1977-78. This resulted in Japan, who is our principal iron buyer, taking reduced quantities of iron ore even from highly developed iron ore exporting countries. In the case of Haldia, because of the limitations in draught availability, Japanese steel mills were reluctant to nominate ore carriers to Haldia to life iron ore. However, with very vigorous efforts, Japanese steel mills were persuaded to take whatever possible quantities of ore from Haldia by adopting two port loading, i.e., up topping at Paradip. The demand at Haldia can however pick up significantly only with improvements in international market and draught in Haldia Channel.

3. Several meetings have been held by officials of Calcutta Port Trust with the officials of MMTC, Coal India and other organisations at different levels with a view to augmenting the volume of traffic to Haldia. Constant liaison is kept with these organisations at local level. The Ministry of Shipping and Transport have also taken up with the other Ministries for rational distribution of cargo through different ports, so that the installed capacities at Haldia are fully utilised.

4. The utilisation capacities of the berths from the point of view of generating new cargo and trade potential, such as export of pig iron, import of coal for steel industry, import of cement in bulk meant for eastern region is also being reviewed. Exporting and importing authorities are being persuaded to build up infrastructural facilities at Haldia to achieve this object.

### Recommendation

As to the overall effect of delay in completion of the project, the Committee have been informed that while it is a feasible pro-

position to make a calculation of the total financial loss to the port on a count of loss of revenue/earnings caused by the long delay in commissioning of the Port, it is difficult to quantify the contribution to this loss caused by the delays on the part of different contractors in executing the respective works allotted to them. The Committee are not convinced with this argument. They feel that an exercise could and should be made to identify the contribution of each agency to the delay in the execution of the project and then quantify the loss sustained as a result of the default on the part of each agency.

[Sl. No. 22, Para 3.27 of the Appendix-III to 33rd Report of P.A.C. (6th Lok Sabha)]

### **Action Taken**

The delays which have happened in the commissioning of the Haldia Dock System have to be seen in the context of the deliberate policy decision of Government to utilise indigenous expertise and potential to the maximum even when at that point of time the experience of Indian engineers and manufacturers in works such complexity and sophistication was very limited. This has been brought to the notice of PAC in Ministry's O.M. No. DBB-10/76-PDB dated 10-8-76.

2. Then there were also factors like chronic labour troubles in Calcutta and nearby areas, power shortage and shortage of steel and railway wagons over which neither the Port Trust nor their contractors had any control. In paragraphs 3.25 and 3.26 of their Report, the Committee have already taken note of the acute shortage of steel and wagons which impeded the work on the project.

3. However, as desired by the P.A.C., action was taken to identify the contribution of each agency to the delay in the execution of the project and to quantify these in financial terms. The conclusion was, that the factors indicated in the preceding paragraphs, either individually, or in combination, had their effect on all the major items of work connected with the project. To fix responsibility for any element of the delay on a particular contractor, it would be necessary to be sure beyond the possibility of reasonable doubt that the contractor, by reasonable precautions, could have foreseen and forestalled the factors which were responsible for the delay. This has not been found possible on the contracts relating to Haldia Dock Project. In view of this, it is submitted that fixing responsibility for delay on individual contractors or asses-

sing in financial terms their part in the total loss which has resulted from delay in the commissioning of the project was not found to be feasible.

[Ministry of Shipping & Transport U.O. No. DBH-3/78-PD  
 . dated 16-8-78]

### **Recommendation**

The Committee are greatly concerned at the disquieting picture that has emerged in regard to planning for the Haldia Project. While the estimate for the first phase of the Dock Project providing for one riverside oil jetty, 5 berths for coal, ore, fertiliser, general cargo and containers and one finger jetty prepared initially in April, 1962 and reframed in 1965-66 was for Rs. 36.92 crores (foreign exchange Rs. 4.40 crores), the figure swelled up to Rs. 40 crores on account of devaluation of the rupee in November, 1966. As per later decision to provide for facilities for ships of 80,000 DWT as against 40,000 to 60,000 DWT decided earlier, the project estimate was escalated to Rs. 53.83 crores in March, 1969. It is revealing that the Port authorities had themselves admitted that the earlier estimates were not based on detailed designs and the changes in scope of works accompanied by steep rise in costs and prices necessitated an upward revision of the estimates to Rs. 90.40 crores in April, 1972. There was, however, no finality to the estimates and the Committee have been informed in October, 1975 that the estimate would be in the region of Rs. 127 crores. The latest estimate, as furnished by the representative of the Ministry during evidence, is around Rs. 135 crores.

2. As to the justification for preparing estimates on a year to year basis instead of drawing up a consolidated estimate for the project as a whole, the representative of the Ministry has adduced an argument, which is hardly convincing that "Normally speaking one really sanctions revised estimates. But if there are practical difficulties, the procedure is adopted by Government, and there are other cases also." No satisfactory explanation has been given by the representative of the Ministry as to why the final estimates could not be put up before the Government and their approval obtained. As matters stand, there has been a three and a half fold increase from the original estimate of Rs. 40 crores to Rs. 135 crores, notwithstanding the fact that the new items included in the project accounted for an increase of Rs. 11 crores only.

3. The Committee come to the inescapable conclusion that there has been an almost laconic approach in the matter of preparation of project estimates and the processing thereof. In the opinion of

the Committee, such a situation is fraught with inherent danger in so far as the economy of the Port as a whole is concerned. Not only does it upset the planning of the Port but it also affects the ways and means position of the Government. The Committee would, therefore, urge that the Ministry of Finance should observe stricter financial control over the projects and should insist on definite and realistic estimates of cost. The Ministry should satisfy itself at all stages why a revision of the original estimates is necessary, and whether the reasons adduced in support of revision are conclusive and do not give any scope for unnecessary expenditure. The Committee need hardly stress that preliminary and consequential steps in respect of a project which is decided to be taken up for execution e.g. the acquisition of lands, placing orders for the purchase of plant, machinery, etc. should be taken in time and in proper sequence so that the original estimates do not become out of date because of efflux of time and escalation in costs. Complete details of the estimated cost of a project together with its economics and financial implications should be placed before Parliament when submitting a demand for its approval, and whenever these estimates are revised full reasons therefor and the effect thereof on the economics of the Project should be given to enable Parliament to understand the full implications before voting the funds.

4. The Committee suggest that in the present case Government should finalise the estimates of Haldia Project without further delay include them with supporting data and financial and economic implications in the Demands for Grants to be placed before Parliament.

[Sl. No. 24 of Para 4.12 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action taken**

The Committee's observations regarding the steep increase in the cost of the Haldia Dock Project and the delay in drawing up a consolidated estimate for approval of Government have been noted for future guidance and suitable instructions to all concerned have been issued in Ministry of Finance O.M. No. 12(4)-E (Coord)/78 dated 29th May, 1978.

In April, 1978, a note was circulated to the P.I.B. seeking their approval for the revised estimate for the Haldia Dock Project. This is under consideration of P.I.B.

[Ministry of Shipping & Transport U.O. No DBH-3/78-PD  
dated 19-7-78]

### **Recommendations**

The Committee note that the work relating to additional culvert and pump house was initially awarded to M/s. Chanda Engineers in 1971 but, since the firm had failed to execute the work despite an advance of Rs. 6 lakhs given to them by the Calcutta Port Trust in October, 1974, the contract with them was terminated in August, 1975. The Committee are unhappy that no enquiry as to the financial position of the firm was made before awarding the contract to them.

In order to get the residual items of work executed, the Port Trust started negotiations with M/s. Hindustan Construction Co., the working contractors at the site, and a Committee was in fact appointed to negotiate reasonable rates with M/s. Hindustan Construction Co. Ltd. The Committee are surprised that before the departmental committee could proceed with the job assigned to them, the Calcutta Port Trust authorities decided to re-award the contract to M/s. Chanda Engineers on the recommendation of a nationalised bank (United Commercial Bank) who were stated to have agreed to extend financial assistance to the contractors and also to furnish additional performance guarantee to the extent of 5 per cent of the contractual value of the work. The bank had also obtained an assurance from M/s. Continental Construction Pvt. Ltd., a contracting firm of repute, to the effect that they would carry out the work on behalf of Chanda Engineers Ltd. The Committee are somewhat perplexed by this whole exercise. Without awaiting the results of the efforts of the departmental committee appointed to negotiate reasonable rates with M/s. Hindustan Construction Co., the Port Trust had extended a favour to M/s. Chanda Engineers Ltd. which, on the basis of their past experience, should not have been done.

From the latest information received by the Committee (March, 1977) in respect of actual performance of M/s. Chanda Engineers after re-award of contract to them the Committee find that the ultimate date of completion, viz. end of April, 1977 is not going to be adhered to inasmuch as the firm later indicated that they will make every effort to complete the work before the onset of monsoon, viz. June/July, 1977. The main reason for this slippage of about three months has been stated to be the obstruction met underground while sinking the 90 ft. diameter monolith up to the desired level, which is necessary before the adjoining culverts can be constructed and connected with the same. The Committee cannot but express their unhappiness over the fact that in spite of assurances by the firm and their bankers, the firm have not been able to adhere to the ultimate

date of completion as agreed upon in the re-awarded contract. The Committee desire that the Port Authorities should keep a vigilant watch over the completion of the work. This, of course, is without prejudice to the imposition of penalty etc. for delay in execution of the project.

[Sl. No. 39, 40 and 41, Paras 6.55, 6.56 and 6.57 of Appendix III to 33rd Report of PAC (6th Lok Sabha)]

#### **Action taken**

As desired by the Committee, the Port Trust is keeping a vigilant watch over the progress of the work and is expediting completion of the work through review meetings attended by the contractor as well as the representatives of the UCO Bank. The question of levy of liquidated damages under the terms of the contract is also under consideration of the Port Trust.

[Ministry of Shipping and Transport U.O. No. DBH/3/78-PD  
dt. 12-6-78].

#### **Recommendation**

The Committee feel concerned about the inordinate delay in completion of the civil construction work of berths in the lock basin area, which held up the resumption of dredging work. It is evident that there was no advance planning whatsoever and no attempt was made to synchronise the two operations. The consequent escalation in the contracted rate of dredging from Rs. 3 to Rs. 3.80 per cubic metres cost of exchequer an additional sum of Rs. 16 lakhs. The Committee are surprised that after delaying matters from 1969 to 1972 and further spending considerable time of negotiations with the Dredging Contractor, the project authorities put themselves in an unenviable position where they had to pay Rs. 37.50 lakhs for bringing a dredging from Mormugao to Haldia on grounds of urgency. In the opinion of the Committee, such helplessness on the part of the project authorities is a sad reflection on the dredging position in the country. This is borne out from the statement in the Audit paragraphs to the effect that it was not considered practicable to use a Ministry of Transport dredger due to planning already made. Further, from the information furnished to the Committee during evidence it is noted that the estuarian dredger, which was to be delivered from Garden Reach Workshops by June, 1976 had not been delivered. The Committee would urge that immediate steps should be taken by the Government to improve their dredger position in



order to save themselves from situations where the dredger contractors can dictate their own terms to them.

[Sl. No 43, para 6.68 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)]

#### **Action Taken**

The observations of the Committee have been noted. The estuarian dredger, built by the G.R.S.E. Ltd. (erstwhile G.R.W. Ltd.) has not yet been delivered to the C.P.T. The dredger is presently undergoing trials.

Steps have been taken to improve the dredging Capacity. Since 1973, following additions have been made to the MOT Dredger fleet.

MOT V—Dec., 1974

MOT VI—June, 1975

MOT VII—Sept., 1976

MOT VIII—July, 1977

From 1976 a separate Corporation in the Public Sector called Dredging Corporation of India Ltd., has been set up to provide integrated dredging service to the Ports.

[Ministry of Shipping & Transport (T.W.), U.O. No. PGH-8/78 5-1978]

## CHAPTER V

### RECOMMENDATIONS OR OBSERVATIONS IN RESPECT TO WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

The Committee need hardly remind the Ministry that M/s Cementation Company to whom the work of said investigations was awarded, have already come in for adverse notice of the Committee in the case of their performance on soil analysis work at Naval Dockyard, Bombay and again at Mormugao Port. The Committee feel that there is need for a detailed review in regard to the performance of this company in the various contracts of soil analysis work awarded to them from time to time by the Government of India. The capacity and capabilities of this firm should be taken into account before awarding any further contracts to them.

[Sl. No. 32 para 6.18 of Appendix III to 33rd Report of PAC  
(6th Lok Sabha)].

#### Action Taken

The recommendations have been noted. A show cause notice had been issued to the firm and their reply is now under technical examination in consultation with the Calcutta and Mormugao Port Trusts.

[Ministry of Shipping and Transport U.O. No. DBH-3/78-PD dated  
29-6-78].

NEW DELHI;  
February, 27, 1979.  
Phalguna 8, 1900 (S).

P. V. NARASIMHA RAO,  
Chairman,  
Public Accounts Committee.

## APPENDIX

### Statement of Conclusions and Recommendations

| S.<br>No. | Para<br>No. | Ministry/Department              | Conclusions and Recommendations  |
|-----------|-------------|----------------------------------|--|
| 1         | 2           | 3                                | 4  |
| 1         | 1.3         | Ministry of Shipping & Transport | The Committee expect that final replies to those recommendations observations in respect of which only interim replies have so far been furnished will be submitted to them, duly vetted by Audit, without delay.  |
| 2         | 1.7         | -do-                             | The Committee are disappointed to learn that the bulk handling facility for coal erected at heavy capital expense has not been fully utilized so far. The Ministry have stated that the expectation of the coal traffic at Haldia did not materialise, due to, among other things, to the delay in commissioning of the Thermal Power Station at Tuticorin. While it is estimated that the coastal coal despatch from Haldia to Tuticorin would be 2.5 million tonnes and India would be in a position to export upto 2.5 million tonnes of Grade I slack coal by 1983-84 as per the calculation of the Working Group set up by the Department of Coal, the Committee are afraid that all these remain a remote possibility and till such time these materialized, the capacity created at Haldia to handle 3.5 millions |

tonnes of coal per year would more or less remain idle. The Committee have, however, been informed that the utilization capacities of the berths from the point of view of generating new cargo and trade potential is being reviewed and several other measures are also being taken so as to fully utilize the installed capacities at Haldia. They would like to know the achievements made by Government in this regard.

Apart from the set-back suffered in coal handling, the Committee note with great concern that the iron ore traffic has also declined substantially due to recession in the World Steel Industry. The Committee have been informed that the demand at Haldia can pick up significantly only with improvements in international market. It is stated that because of the limitations indraught availability Japanese steel mills were reluctant to nominate ore carriers to Haldia to life iron ore. The Committee hope that there would be improvement in this regard in future, in view of the steps taken by Government to increase the drafts at Haldia, in line with the recommendations of the Committee at Sl. Nos. 5(Para 1.14) and 12 (Para 2.21) of 33rd Report (Sixth Lok Sabha).

The Committee further note that several meetings have been held by officials of Calcutta Port Trust with the officials of MMTC, Coal India and other organizations at different levels with a view to augmenting the volume of traffic to Haldia. The Committee would eagerly await the outcome of all these measures.

The Committee are unable to appreciate the plea put forward by the Ministry that "fixing responsibility for delay on individual contractors or assessing in financial terms their part in the total loss which has resulted from delay in the commissioning of the project was not found to be feasible." While making the above recommendation the Committee had taken note of the fact that the Port Trust or their Contractors did not have any control over power shortage and shortage of steel and rail wagons. And yet they had made the above recommendation because escalation of cost in many cases was substantial and could not be overlooked. They are not convinced that it has not been found possible to establish, beyond doubt, the default on the part of the contractors and other agencies particularly when they themselves have pointed out a number of irregularities and avoidable expenditure incurred by Government and are unable to understand why cases of the type mentioned in para 6.21 (Sl. No. 33) should not be enquired into and responsibility fixed for the lapses. From the latest information made available to the Committee, it is seen that on a rough estimate, the loss which could be considered to have been sustained on account of delay in completion of the work varies from Rs. 7.80 crores (based on total revenues of Rs. 97 lakhs for the period from April 1977 to December 1977 for the delay of 6 years from 1971 to 1977) to Rs. 160 crores (based on original traffic projections of original project report for delay of 6 years). The Committee cannot view such serious loss lightly. They therefore reiterate their earlier recommendation and urge that the contribution of each agency to the delay in the execu-



made available to the Committee, it is apparent that since June, 1978 the work relating to Monolith and culvert came to a standstill, which are stated to have been completed, to the extent of 98 per cent and 85 per cent respectively. It is more distressing to learn that only 5 per cent of the work relating to pump house has so far been completed even after this long delay. The Committee are unable to understand why, despite the assurances given by the firm and the Bankers, the erratic progress in the work is allowed to continue. It is apparent that indulgence is being shown to this firm. The Committee desire that the matter should be pursued vigorously with a view to completing the work without further delay. The delay was attributed to labour unrest and heavy rains. The Committee hope that the work would now be completed in the near future. While the Committee would like to be apprised of the completion of the work, they further desire to know the outcome of the action taken, including the levy of liquidated damages under the terms of the contract, against the contractor.

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The Committee note that in order to provide integrated dredging service to the Ports, from 1976 a separate Corporation called "Dredging Corporation of India Ltd." has been set up in the Public Sector, and that additions at the rate of one dredger per year have been made between 1974 and 1977 to the Ministry of Transport Dredging Port. They are however concerned to note that the esturian dredger which was to be delivered by the Garden Reach Workshop Ltd. by June 1976 has not yet been delivered and at

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present it is undergoing trials. While the Committee hope that there would be considerable improvement in the dredger position in time to come by the direct control of the Dredging Corporation, they are not happy at the delay in the delivery of the dredger by the Garden Reach Workshop.

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20. Atma Ram & Sons,  
Kashmere Gate,  
Delhi-6.
21. J. M. Jaina & Brothers,  
Mori Gate, Delhi.
22. The English Book Store,  
7-L, Connaught Circus,  
New Delhi.
23. Bahree Brothers,  
188, Lajpatraj Market,  
Delhi-6.
24. Oxford Book & Stationery  
Company, Scindia House,  
Connaught Place,  
New Delhi-1.
25. Bookwell,  
4, Sant Narankari Colony,  
Kingsway Camp,  
Delhi-9.
26. The Central News Agency,  
23/90, Connaught Place,  
New Delhi.
27. M/s. D. K. Book Organisations,  
74-D, Anand Nagar (Inder Lok),  
P.B. No. 2141,  
Delhi-110035.
28. M/s. Rajendra Book Agency,  
IV-D/50, Lajpat Nagar,  
Old Double Storey,  
Delhi-110024.
29. M/s. Ashoka Book Agency,  
2/27, Roop Nagar,  
Delhi.
30. Books India Corporation,  
B-967, Shastri Nagar,  
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