

CHAPTER VIII : UNION TERRITORIES

Andaman and Nicobar Administration

Directorate of Shipping Services

8.1 Loss due to delay in disposal of a decommissioned vessel

Delay in initiating timely action and consequential delay in fixing the appropriate reserve price of an outlived vessel resulted in avoidable expenditure of ₹ 6.29 crore.

The TSS Yerava built in 1965 and owned by the Andaman and Nicobar Administration (Administration), was being run by the Shipping Corporation of India (SCI) for inter-island services. The vessel was operational till 7 February 2008 and then laid up for the Annual Passenger Survey. Since then, the vessel became non-operational till its decommissioning (September 2009).

As per the Merchant Shipping Act 1958, vessels were to be safely manned till they were finally disposed off.

SCI had intimated (January 2008) the Director of Shipping Services of the Administration (Director) that the plying permission of the vessel was expiring on 7 February 2008 and after that, the vessel would remain idle for want of instructions as no more extensions were possible due to the stringent regulations imposed by the Director General, Shipping.

Audit scrutiny of the records of the Director revealed that they had approached the Administration for decommissioning of the vessel only in June 2008 and the Administration had sought the approval of the Ministry in January 2009, after a gap of seven months. The Ministry ultimately conveyed the approval in September 2009, after a gap of eight months.

A committee was constituted (November 2009) by the Administration to fix the reserve price of the decommissioned vessel and to decide the mode of disposal. The committee fixed (November 2009) the reserve price at ₹ 1.49 crore. After fixing of the reserve price by the Committee, attempts were made by the department to auction the vessel locally. However, no party turned out to purchase the vessel since there was no ship-breaking facility available in the Andaman and Nicobar Islands.

The Metal Scrap Trading Corporation, Kolkata, a PSU, was approached (August 2010) to e-auction the said vessel after eight months of fixing of the reserve price. However, due to higher fixation of reserve price, the firm's e-auction failed to dispose of the vessel on three occasions. Consequently, in March 2011, the reserve price was lowered by 20 *per cent* and the vessel was auctioned (April 2011) at ₹ 1.21 crore.

Audit noted that between April 2008 and March 2011, the Administration had incurred ₹ 10.12 crore towards the establishment costs of the vessel.

The Director, in a reply to an Audit query, stated (November 2011) that the vessel was to be safely manned till such time it was finally disposed off. In case the vessel sank in the funnel area, the loss to the Government would be unimaginably higher and creation of a new berthing facility would take a lot of time, leading to more time and cost overruns.

The fact remains that timely and prompt action for the safe disposal of the vessel and its effective follow-up, could have saved at least ₹ 6.29 crore¹, incurred during 2009-10 and 2010-11.

The matter was referred to the Ministry in July 2011. The reply had not been received as of February 2012.

8.2 Avoidable expenditure on an outlived vessel

Ineffective co-ordination and follow-up by the Andaman and Nicobar Administration led to delay in surrendering a vessel and consequential avoidable expenditure of ₹ 3.69 crore.

The Andaman and Nicobar Administration (Administration) engaged a vessel viz MV Ramanujam, built in 1972 and owned by the Shipping Corporation of India (SCI), in the Port Blair-Havelock sector on cost plus contract basis for ferrying passengers. The vessel turned unproductive from 2006 and remained 'out of service' for almost six months in a year. Since the vessel had outlived almost double its lifespan, leading to huge repair/refit costs, SCI proposed (May 2007) to replace it with a high speed one, of the required capacity. The Administration took up (August 2007) the matter regarding replacement of the vessel with SCI but no concrete proposal was made by them for surrender of the existing vessel. The vessel was to be withdrawn by May 2009 on expiry of

¹ Expenditure incurred towards establishment cost of the vessel after allowing a reasonable period of one year i.e. 2008-09 within which DSS could have disposed of the vessel, has been treated as avoidable.

Total expenditure incurred during the period 2008-2011 (₹10.12 crore) less expenditure incurred during the year 2008-09 (-₹3.83crore) = Avoidable expenditure (₹6.29 crore)

its sea-worthiness certificate. The Director of Shipping Services (DSS) of the Administration, however, proposed to surrender the vessel to SCI only in October 2009. The Administration asked SCI to stop incurring expenditure for refit/repair of the vessel and arrange to shift it to another location.

SCI declined (November 2009) to withdraw the officers and crews engaged in the vessel immediately, on the ground that the Administration had not given the minimum six months' notice as stipulated in the operation and maintenance contracts for other Administration vessels. No further action was taken even on expiry of six months i.e by April 2010. Thereafter, the Directorate of Tourism, another department under the Administration proposed (July 2010) to procure the vessel for operating it as a floating restaurant and cinema hall on Public Private Partnership (PPP) mode. SCI agreed (September 2010) to hand over the vessel to the Administration at a cost of ₹ one crore. The modalities of the PPP had, however, not been finalized by the Administration as of December 2011 and the surrender proposed by DSS was not accepted by SCI as in the case of surrender, SCI would have to incur the maintenance expenditure of the vessel for the entire period.

SCI incurred an expenditure of ₹ 3.69 crore during the period November 2009 to March 2011 on the outlived vessel and charged the amount to the Administrations' Accounts held by them. Accounts for the period April 2011 onwards had not been finalized by SCI as of March 2012.

In January 2012, the Administration informed SCI that the vessel had been surrendered w.e.f. 31 March 2010 and as such, ₹ 2.38 crore charged by the latter for the period 2010-11 was incorrect. The Administration further requested that the amount already charged from their account may be refunded to them.

Audit scrutiny of the records of the Administration revealed that there was no agreement between Administration and SCI regarding the operation and maintenance of the vessel. Though the Administration kept observing that the vessel was of no use and needed replacement, its surrender to the SCI was not formally communicated even in November 2010. As the vessel could not be disposed of due to the pending proposal of Directorate of Tourism with SCI, the Administration was bound to pay the expenses incurred on the vessel amounting to ₹ 3.69 crore during the period November 2009 to March 2011.

Thus, delay in initiating the surrender formalities, coupled with lack of coordination between the Shipping and Tourism Departments of the Administration resulted in an avoidable expenditure of ₹ 3.69 crore on fuel charges, indirect operating expenses and management expenses on the outlived vessel which was worth ₹ one crore.

The matter was referred to the Ministry in July 2011. Their reply has not been received as of March 2012.

Lakshadweep Administration

8.3 Procurement of X-ray Baggage Inspection Systems

Failure of the Union Territory of Lakshadweep Administration to synchronize the supply, installation and commissioning of two X-ray baggage inspection systems with creation of the necessary infrastructure, resulted in non-achievement of the objective of strengthening the safety and security of passengers, despite incurring ₹ 61 lakh on the purchase of the systems.

In view of the high security alerts across the country, especially at all airports, ports and other important institutions, the Administrator, Union Territory of Lakshadweep (UTL) decided (December 2008) to install X-ray baggage inspection systems at six places i.e. Agatti airport, Agatti jetty, Beypore port, Kavaratti helibase, Kavaratti jetty and Mangalore port. The objectives were to strengthen security, check passengers' baggages bound for helicopter and shipping services and ensure safe travel of passengers. Installation of the systems involved creation of necessary infrastructure and procurement of equipment. Synchronization of these two activities was required for timely commissioning of the equipment.

Audit scrutiny (March 2011) revealed that without creating the necessary infrastructure required for installation of the equipment, the UTL authorities placed (January, February, October and November 2009) orders on M/s ECIL Rapiscan Ltd., for supply, installation and commissioning of six X-ray baggage systems at a total cost of ₹ 1.84 crore. These systems were delivered by the firm between May 2009 and April 2010. It was observed that two out of the six systems i.e. those supplied to Agatti airport (vide invoice dated 27 March 2010), and Kavaratti jetty (vide invoice dated 1 April 2010) costing a total of ₹ 61 lakh had not been installed as of April 2012.

On this being pointed out by Audit, the UTL Administration accepted the facts and stated (April 2012) that the two systems could not be installed due to

non-completion of civil construction works of Passengers' Halls in those locations by the Lakshadweep Public Works Department though land had been handed over and the full amount had already been released to those agencies. On completion of the buildings, the department would ensure installation of the machines without further delay.

The fact remains that because of the delay of over 15 months in installing and commissioning the systems, the UTL Administration not only lost the benefit of testing the equipment during the warranty period but also compromised the objectives of strengthening security and ensuring safety of the passengers.

The matter was brought to the notice of the Ministry of Home Affairs (November 2011) and reminded in April 2012. Their reply was awaited.