

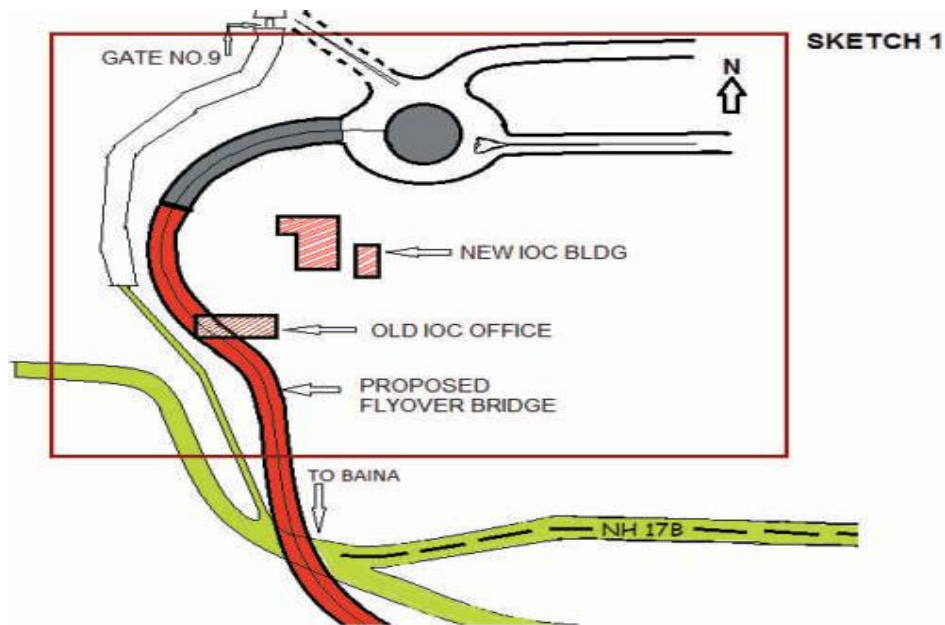
CHAPTER VII : MINISTRY OF SHIPPING

Mormugao Port Trust

7.1 Blocking of Funds

Construction of building without commitment for its usage by IOCL and another building without ensuring its marketability resulted in blocking of funds amounting to ₹ 3.01 crore.

(a) The existing administrative office building of Indian Oil Corporation Limited (IOCL), Vasco leased out by Mormugao Port Trust (MPT) was coming in the way of a proposed flyover connecting NH 17B¹ from Baina to Gate No. 9 of MPT as depicted below:



The said building was located in an area of 479 square meters leased out to IOCL by MPT (February 1980) for 30 years. The lease was due to expire on 26 February 2010.

The Board of Trustees (Board) of MPT decided (December 2007) to terminate the lease² and to construct a new building at MPT's cost to house IOCL and lease out to them. The work of construction of building was commenced in

¹ The work of NH17B has also not started for this extension for various reasons including continued occupation of old premises by IOCL, which was in alignment with the proposed flyover.

² MPT stated (January 2013) that the draft lease deed was forwarded to IOCL by MPT vide letter dated 2-GA(1)4-81/2989 dated 16 September 1981 and the same was not executed between the IOCL and MPT. Audit observed that even though the lease deed was not executed, IOCL did not deny existence of agreement with MPT.

October 2008 without obtaining commitment by IOCL for its usage and even before termination of the old lease.

Audit observed that IOCL had expressed (December 2009) their willingness to extend the lease for further 30 years for the old premises. However, MPT declined (February 2010) to renew this lease and informed IOCL to handover the vacant possession of the plot immediately. The construction of building was completed in May 2010 at a cost of ₹ 2.28 crore. IOCL has neither handed over the plot nor entered into any lease agreement in respect of the newly constructed building as of December 2012. Further, the lease rent of ₹ 4.86 lakh per month which was fixed by MPT for this new building was also not acceptable to IOCL.

Thus, construction of the new building resulted in idling of an investment of ₹ 2.28 crore for more than two years.

Management/Ministry stated (June 2012/December 2012) that the building was constructed since IOCL agreed to take it over after completion, but backtracked as the revised lease rent was much higher. IOCL did not agree for the rentals as they found it very high when compared to the existing rentals. Eviction proceeding under the Public Premise Act, 1971 has now been initiated. Ministry also stated that the building was constructed on behalf of Mormugao Port Road Company Limited (MPRCL) and the expenditure is adjusted towards the share of MPT's equity in MPRCL.

The reply is not tenable as MPT has not produced any documentary evidence to show that the commitment of IOCL was obtained before the commencement of building work in October 2008. IOCL imposed (April 2010) different conditions including requirement of additional land on lease as well as changes in and around the building. The changes required by IOCL suggested clearly that MPT did not construct the buildings as per the requirements of IOCL. Further, IOCL stated that new building was never built with their consent nor as per their requirement. No lease agreement or firm commitment was made by IOCL to occupy the new building.

As a result, building constructed at a cost of ₹ 2.28 crore is remaining idle for more than two years. The cost of the building is yet to be adjusted towards equity of MPRCL and even if it is adjusted against the equity, MPT only would continue to bear the expenditure.

(b) MPT decided (June 2006) to construct a building admeasuring 653 square meter (approx) near Vasco Railway Station to lease out for commercial purposes by demolishing the existing old building where the Port Employees Consumer Co-operative Society was situated. The construction of the

building, which commenced in March 2007, was completed in February 2011 at a cost of ₹ 0.73 crore.

Tenders were called for in January 2011 leasing out the building for 11 months renewable for a further four terms of 11 months at the discretion of the management. As there was no response it was retendered in March 2011 and four offers were received. All these were rejected as the highest offer of ₹ 0.90 lakh per month was far less than the reserve price of ₹ 2 lakh per month fixed by MPT. In May 2011 again offers were invited, however, there was no response. In July 2011 again it was retendered for five years renewable for a further one term of five years at the discretion of the management and the two offers received were rejected (September 2011) as these were far below the reserve price.

Subsequently, tenders were re-invited in November 2011 for 11 months. Though two bidders initially responded, later on backtracked. In March 2012 again tenders were called for but there was no response.

Though the building was ready for occupation in February 2011, the management could not lease out the same due to poor response. Failure of MPT in ascertaining the marketability of leasing the premises resulted in blocking up of funds of ₹ 0.73 crore spent on the newly constructed building for 22 Months (March 2011-December 2012).

The Ministry stated (December 2012) that the Ministry of Shipping directed (August 2011) the Port to keep long-term lease proposals in abeyance till finalisation of the land policy and the leasing was proposed for 11 months only. However, since the short-term lease was not commercially viable there was no response.

The fact remained that the construction work was commenced without proper feasibility study of its potential for earning income through lease. Consequently, though the building got constructed, appropriate lessee could not be found resulting in idling of investment.

Thus, construction of building without commitment for its usage by IOCL and another building without ensuring its marketability resulted in blocking up of funds amounting to ₹ 3.01 crore.