

Chapter 6

Cargo Facilities Infrastructure

6.1 One of the major functions of the Authority as provided in Section 12 of the Airports Authority of India Act, 1994, was the establishment of warehouses and cargo complexes at the airports, for storage and processing of goods. There was 65.95 *per cent* growth in cargo operations from 8.46 lakh tonnes in 2000-01 to 14.04 lakh tonnes in 2005-06. Cargo operations generated revenue of Rs.369.90 crore and constituted 10.59 *per cent* of the total revenue of the Authority during 2005-06. The Authority carried out international cargo operations at airports in Nagpur, Guwahati, Lucknow and Coimbatore apart from the airports in the four metros. It had also constructed cargo complexes at Amritsar, Jammu and Lucknow airports for international cargo operations.

6.2 *Avoidable expenditure in the construction of cargo complex*

Construction of a cargo complex at Amritsar was proposed (1998-99) based on annual projected cargo growth of 11 *per cent*. Another cargo complex with a holding capacity of 1400 MT operated by the Central Warehousing Corporation (CWC), the Customs appointed Custodian, was already in existence at that time at Amritsar. Due to inadequate demand, CWC's cargo complex was underutilised. A committee which examined the proposal for the new cargo complex recommended (August 2000) against its construction in view of the underutilisation of the existing cargo complex. The Authority however justified the new construction by projecting cargo handling to the tune of 10619 MT in 1999-2000 and 19863 MT in 2005-06 and the work of construction of the cargo complex was awarded (July 2002). The complex was completed in November 2004 at a cost of Rs. 2.93 crore. In addition, two X-ray Baggage Inspection System (X-BIS) machines were installed in the cargo complex at a cost of Rs.84.52 lakh.

The complex had not been commercially utilised. The tenders for leasing the Air Cargo Complex to private entrepreneur had been invited in November 2006 and was yet to be finalised (December 2006). It was estimated that a recurring expenditure of Rs.40 lakh per annum for Customs manpower and Rs.31 lakh per annum for the Authority manpower would have to be borne by the Authority for running the operations. As against this, the revenue (both export and import cargo) was estimated to be to the tune of only Rs.9.59 lakh per annum. As CWC would also continue to run the operations from the airport as customs custodian, the return from the complex would be negative. The airport handled merely 1,312 MT of cargo during 2004-05 and 1,399 MT in 2005-06 for which the capacity owned by CWC at Amritsar airport was sufficient. Thus, the expenditure of Rs.3.78 crore incurred on construction of the cargo complex was avoidable.

6.3 *Delay in establishment of integrated cargo complex*

For smooth flow of cargo and to consolidate and integrate all functions under one roof, construction of an integrated cargo complex (ICC)–Phase I at Kolkata was proposed

(October 2000). Estimated completion time of the work was fixed as 30 months from the date of award of work and commissioning of the complex was projected in November 2004.

Though as per the PERT chart for the project, the date of award of work was before December 2002, the NIT for the work was issued in February 2003. This was attributed to the restrictions imposed by the Ministry in taking up capital works at the four metro airports in view of the proposed leasing. Time schedule for award of work was further delayed as the Ministry desired (April 2003) that such infrastructure works should be taken up on turn key basis for better coordination and expeditious completion. The tender action already initiated was therefore cancelled (June 2003). Further notice calling for tenders for the composite work was again issued (June 2003) and the work was awarded (August 2004) after a delay of more than one year at a cost of Rs.29.37 crore. Completion of the work was scheduled for February 2006 but even one month after the scheduled completion date (March 2006), civil works were completed only upto 74 *per cent* and electrical works upto 30 *per cent*. The Management replied (August 2006) that the integrated cargo facility had been put to use for handling export cargo and the import cargo was scheduled to be handled by the month end. It also stated that for the delay beyond justified period, necessary penalty would be levied on the contracts. However, the Authority had not levied any penalty till December 2006.

6.4 Implementation of Bar Code System

For better monitoring and tracking of cargo, the Authority planned to enhance the Integrated Cargo Management System (ICMS) by establishing electronic data interchange connectivity with airlines and other agencies. It was decided (March 2004) to implement a Bar Code System integrated with ICMS at the cargo terminals at Delhi, Mumbai, Kolkata and Chennai. Work order was issued (April 2004) on M/s Bar Code India Ltd. for implementation of the system at a cost of Rs.5.81 crore* at four airports. The time allowed for completion of the work was 16 weeks in respect of Delhi and 20 weeks for the other stations from the date of issue of award. However till March 2006, an amount of Rs.5.15 crore had already been spent but the system was yet to be commissioned. The software connectivity between the bar code system and the ICMS which was to be provided by CMC Ltd., supplier of ICMS package, had not been completed as CMC had not been able to install the application software. The Management stated (August 2006) that over 75 *per cent* of the work of application development had been completed at Delhi and in respect of Mumbai, Kolkata and Chennai, application software would be loaded after operationalisation of the bar code system of Delhi cargo terminal. Thus even two years after the issue of work order, the implementation of the system was still in progress.

Recommendations

- The completed cargo complexes should be commissioned early to avoid idle investment.
- Before setting up cargo complexes, the Authority should assess its viability based on demand.

* Delhi – Rs.2.08 crore, Mumbai – Rs.1.41 crore, Kolkata – Rs.95 lakh and Chennai – Rs.1.37 crore.