

Office of the Comptroller and Auditor General of India

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Press release

C&AG's Performance Audit Report No. 16 of 2018 on Inland Container Depots (ICDs) and Container Freight Stations (CFSs) tabled in Parliament today.

Report No. 16 of 2018 of the Comptroller and Auditor General of India – Union Government on 'Performance Audit of Inland Container Depots (ICDs) and Container Freight Stations (CFSs)' has been tabled in Parliament.

With the tabling of the Audit Report No.16 of 2018 on 'Performance Audit of Inland Container Depots (ICDs) and Container Freight Stations (CFSs)' in the Parliament today, the Comptroller and Auditor General of India has become one of the first few CAGs in the world to have produced a digital Audit Report. As a pilot project, this Audit Report is the first interactive digital report with reader friendly features such as use of infographics to present voluminous data in a meaningful way, use of easy navigational tools that help readers to access interlinked data and information through easy type and search functionality and features to download desired text or data.

As of March 2017 there were 129 ICDs in the country, of which Maharashtra had the maximum number followed by Uttar Pradesh. ICD Tughlakabad in Delhi NCR region is the largest ICD in the country spread over 44 hectares of land. There were no ICDs in the northern-most state of Jammu and Kashmir and only one ICD in Assam among all north-east states. There were 168 CFSs in the country out of which Tamil Nadu had the highest number followed by Maharashtra and Rajasthan.

In 2016-17, a total of Rs 4.27 lakh crore worth of imports and exports was handled through 80 active ICDs in the country, of which trade worth Rs. 1.94 Lakh crore (approximately 46 per cent of total trade) was handled in five top ICDs of the country, namely, ICD Tughlakabad Delhi, ICD Whitefield Bengaluru, ICD Sabarmati Gujarat, ICD Tuticorin Tamil Nadu and ICD Garhi Harsaru in Haryana.

The performance audit was conducted at 44 ICDs and 41 CFSs selected as sample for test check. The report contains twenty eight paragraphs consisting of audit findings with revenue implication worth `583.17crore.

The key findings of the Audit Report are:

➤ **Absence of framework for setting up of ICDs and CFSs**

An Inter-Ministerial Committee (IMC) was constituted in 1992 to act as single window clearance for proposals for setting up of Inland Container Depots (ICD), Container Freight Stations (CFS) and Air Freight Stations (AFS). Ministry of Commerce and Industry guidelines, 1992 prescribe the

requirements for setting up of the ICDs and CFSs. Audit found that these guidelines are procedural and lay down a checklist of steps for granting approvals, while there is no policy or framework laying down principles and objectives which would help the Inter Ministerial Committee (IMC) members to evaluate the proposals. Further, no role and responsibilities have been defined for the IMC or its constituent ministries beyond the approval process leaving the sector unregulated.

➤ **Lack of reliable data on number and status of ICDs and CFSs**

Audit found that basic data relevant to setting up and operation of ICDs and CFSs, such as their number, location, operational status (i.e. functioning or closed), installed capacity, performance in terms of operating capacity, etc. was not available with the Commerce Ministry which was the nodal Ministry under which the IMC was functioning. Further, the Central Board of Indirect Taxes (CBIT) also could not furnish the data on number of ICDs and CFSs functioning in the country. Thus, there is lack of single reliable source of data on the number of functional/operational/closed ICDs/CFSs.

➤ **Approvals to new ICDs and CFSs without assessment of capacity**

New ICDs and CFSs were approved by the IMC without assessing the capacity created and utilized. Nearly 40% of ICDs and CFSs test checked were operating at less than half of their installed capacity and another one third were operating between 50-70% of their capacity. Audit noticed that there is a proliferation of ICDs and CFSs in certain regions and in and around major port areas of the country and one of the main reasons for under utilisation of capacity created is setting up of multiple ICDs/CFS in close vicinity to each other. It has also resulted in overstretching of the resources of the Customs department.

➤ **ICDs functioning without adequate infrastructure**

Custodians operating the ICDs and CFSs are responsible for providing the required infrastructure and security to the import/export goods being handled at their respective premises under various provision of Handling of Cargo in Customs Area Regulations (HCCAR) 2009. In some of the test checked ICDs, Audit found that basic handling equipment like crane for loading and unloading of containers and reach stacker for lift-off operations were not available.

➤ **Non availability of specified demarcated areas and space for storage of hazardous goods**

Audit noticed several cases of violation of provisions of regulations for handling and storage of hazardous goods, where ICDs / CFSs had not provided demarcated areas nor made separate area available for handling hazardous goods.

➤ **Pendency of uncleared cargo**

It was seen that across the country in 85 test checked ICDs, 7877 containers occupying total storage area of 1.17 lakh square metres was pending for disposal. Out of these, nearly 57 per cent were pending disposal for more than 3 years. Pendency was mainly due to delays in issue of no objection certificates by Customs, delay in clearance certificates from participating agencies like plant quarantine and pollution control agencies, delay in implementing orders for destruction of cargo and delay in re-export of containers.

Among the undisposed containers, Audit found 469 containers of hazardous waste like metal scarp, municipal waste, used tyres and used war material, 262 containers of perishable goods like food items and 86 containers of teak / timber logs.

➤ **Dumping of Hazardous waste**

Import of seconds and defective rags, PET bottles and waste is regulated as per the Import Policy under Schedule I of ITC. The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules 2008 regulate the import of metal scrap and used rubber tyres under special permission by the Ministry of Environment and Forest and clearance of State pollution control boards

Among 469 containers of hazardous waste that were found lying undisposed there were live bombs, war material scarp in three ICDs in Rajasthan, 92 containers of used tyres, metal scarp and hazardous chemicals in one CFS under Mumbai Customs Zone II, 15 containers of hazardous cargo in ICD Tughlakabad and 50 containers of mixed waste in ICD Moradabad.

Through detailed analysis of some sample cases Audit found that the modus operandi for import of hazardous waste included import of cargo without mandatory documentation, import of municipal waste through high sea sales and imports of municipal waste by misdeclaring the cargo.

Apart from the fact that these imports were made possible due to laxity in implementing the laid down procedures, Audit also noticed absence of clear procedures for re-export of containers with hazardous waste that resulted in such containers lying undisposed.

BSC/RSJ