

COMMITTEE ON PUBLIC UNDERTAKINGS

(1967-68)

SECOND REPORT

(FOURTH LOK SABHA)

Action taken by Government on the recommendations contained in the Thirty-fifth Report of the Estimates Committee
(Third Lok Sabha)

HEAVY ELECTRICALS (INDIA) LTD., BHOPAL

(Ministry of Industrial Development & Company Affairs)
(Department of Industrial Development)



**LOK SABHA SECRETARIAT
NEW DELHI**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1967-68)

(FOURTH LOK SABHA)

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Shri M. M. Mathur—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Report on the action taken by Government on the recommendations contained in the Thirty-fifth Report of the Estimates Committee (3rd Lok Sabha) on Heavy Electricals (India) Ltd., Bhopal.

2. The Thirty-fifth Report of the Estimates Committee was presented to the Lok Sabha on the 10th April, 1963. Government furnished their replies indicating the action taken on the recommendations contained in that Report between January, 1965 and 31st May, 1967. As the public undertakings are now to be examined by this Committee, the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by this Committee. The Report was adopted by this Committee on the 27th July, 1967.

3. The Report has been divided into the following five chapters:—

I. Report

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of Government's reply.

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in this Report of the Estimates Committee is given in Appendix. It would be observed therefrom that out of the 132 recommendations made in the Report 67.43 per cent have been accepted by Government and the Committee do not desire to pursue 24.25 per cent of the recommendations in view of the Government's

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reply. The replies of Government in respect of 6.81 per cent of the recommendations have not been accepted by the Committee and final replies of Government in respect of two recommendations i.e., 1.51 per cent are awaited.

D. N. TIWARY,

Chairman,

Committee on Public Undertakings.

NEW DELHI;

August 8, 1967.

Shravana 17, 1889 (S).

CHAPTER I

A. DR. GHOSH COMMITTEE REPORT (1948) AND THE PROJECT REPORTS SUBMITTED BY THE FOREIGN ELECTRICAL MANUFACTURERS IN 1949—PARA 14 OF 35TH REPORT OF E.C. (3RD LOK SABHA)

In December 1962, the Estimates Committee at the time of examination of the working of Heavy Electricals (India) Ltd., Bhopal, had requested the Ministry of Steel & Heavy Industries to furnish them with a copy of the report of Dr. Ghosh Committee (1948) and the Project Reports submitted by the foreign electrical manufacturers in 1949. The reports were, however, not made available to the Committee as these were stated to have been misplaced due to the transfer of work relating to heavy electrical industry between the various Ministries during the last 14 years. The Estimates Committee had accordingly in para 14 of their 35th Report on H. E. L. had observed that they could not but take a serious view of the matter. They were astonished that documents which ought to be in proper care and custody had not been forthcoming. The Committee had hoped that earnest efforts would be made to locate these important reports which must have entailed considerable sums of money.

2. At the time of furnishing their replies the Government, however, only noted this recommendation. On calling for detailed information on this point by the Committee on Public Undertakings, Government confessed that it had not been possible to trace the reports. *The Committee are not satisfied with the reply of Government. They take a very serious view of this lapse and would urge that an enquiry be instituted in the matter and disciplinary action taken against persons held responsible for the loss of these valuable reports.*

B. PAYMENT OF FEES TO SUBSIDIARY CONSULTANTS— PARAS 24—28 OF 35TH REPORT OF ESTIMATES COMMITTEE (3RD LOK SABHA)

3. Article II of the main consultancy Agreement with M/s. Associated Electrical Industries of U.K. (November, 1955) stipulated that the consultants shall ensure that they have a legally valid agreement with M/s. British Insulated Callender's Cables Ltd. (Subsidiary consultants), U.K. whereby they should be able to pass on to the Government of India the designs, drawings, manufacturing methods and techniques in respect of static capacitors. The consultants had in their letter dated 19th June, 1955 addressed to

Government had stated that the lump-sum payment of £400,000 payable to them under the main agreement as consultancy fee would not be increased on account of their having to secure collaboration from the subsidiary consultants.

4. In the fulfilment of their obligation the Consultants entered into an agreement with M/s. BICC on the 15th January, 1959 for the manufacture of static capacitors with the approval and acceptance of the Government of India. Under this agreement M/s BICC were to be paid £6,000 in four instalments. The AEI instead of paying the BICC themselves approached the HEL for the first instalment of £1,500 to be paid to the subsidiary consultants. The HEL referred the matter to the Ministry of Commerce and Industry as they were not clear that this payment was admissible over and above £400,000 payable to the consultants. The Ministry of Commerce and Industry who were not clear themselves consulted the Ministries of Finance and Law. The Ministry of Law took the view that the lump-sum payments envisaged under the subsidiary agreement with M/s. BICC should be construed as separate and independent from the payments provided for in the main agreement with the Consultants. In regard to the contractual liability of the Government of India in respect of this subsidiary agreement, the Ministry of Law further observed that clause 8(c) of the subsidiary contract would imply direct contractual relationship between the Government of India or the Heavy Electricals, Bhopal and the subsidiary consultant. The additional payment was, therefore, allowed.

5. Subsequently, Audit objected to this payment. Thereupon, the Public Accounts Committee which examined the matter made the following observations in their 42nd Report (Second Lok Sabha):—

“It passes the comprehension of the Committee as to how the subsidiary agreement contemplating additional payment was approved and accepted by the Company and the Government on 15th January, 1959. In the absence of an evidence to prove the abrogation of the Consultants' letter dated 19th June, 1955, the Committee feel that the matter needs further investigation. It is significant in this connection that the subsidiary agreement which was finalised on 15th January, 1959 with the approval and acceptance of the Company and the Government had superseded the terms of their letter dated the 19th June, 1955. The Committee understand that the relevant file of

the Ministry leading to the conclusion of the main agreement in November, 1955 with the Technical Consultants is missing for a long time. The matter therefore, calls for a thorough investigation."

6. In evidence it was stated that the matter was under discussion with the Director of Commercial Audit and the Comptroller and Auditor General's office. The representative of the Ministry of Finance stated that some correspondence had taken place between the consultants and the Ministry in 1956 in which the additional liability seemed to have been accepted.

7. The Estimates Committee in para 26 of their 35th Report had accordingly recommended that a thorough investigation should be made regarding payments made to the subsidiary consultants M/s. British Insulated Callender's Cables Ltd., U.K. which was contrary to the provisions of the main consultancy agreement entered into with A.E.I. of U.K. and desired that an early action should be taken in this behalf.

8. The Government while furnishing their replies simply noted the recommendation. The Government was, therefore, subsequently asked to state whether the matter had been investigated and if so, the outcome thereof may be communicated to the Committee. The Government in their reply dated 23rd April, 1966 have stated that the case had been handed over to the Central Vigilance Commission and the outcome was awaited.

9. *The Committee regret to note that when the Estimates Committee had recommended a thorough investigation of the matter the Government replied by noting the recommendation instead of taking any concrete action. The fact that the Government have referred the matter to the Central Vigilance Commission at this belated stage on further reference by this Committee shows that there is a prima facie case of malpractice. The Committee hope that suitable action will be taken against the persons found guilty. The Committee would also like that suitable instructions should be laid down by Government for guidance of Public Undertakings to prevent such errors in future.*

C. FINANCIAL REVIEWS—PARAS 173-174 OF THE THIRTY-FIFTH REPORT OF ESTIMATES COMMITTEE (THIRD LOK SABHA)

10. A Quarterly review of financial and accounting arrangements is required to be submitted by the Financial Adviser of each project

to the Government. It was stated that at Bhopal a time limit of 15 days after the close of a Quarter had been fixed for the submission of such reviews. The Estimates Committee at the time of examination of the working of HEL found that in actual practice, these reviews had not been prepared and submitted in time. Arrears in accounts and difficulties in reconciling them were stated to be the reasons for this delay. The Financial Adviser had stated that arrears in accounts would be cleared by December, 1962 and normalcy achieved in January, 1963.

11. The Estimates Committee had in paras 173-174 of their 35th Report recommended that greater attention should be paid to the timely preparation and submission of Financial Reviews. The Government at the time of furnishing their replies merely noted the recommendation. On calling further information on the point it is observed that the undertaking has even now failed to implement the recommendation as would be seen from the table given below:—

Quarter ending	Date of submission of Financial Review to Government.	Excess time taken	
		Months	Days
30-6-1964	19-10-1964	3	20
30-9-1964	8-1-1965	3	9
31-12-1964	16-3-1965	2	16
31-3-1965	26-10-1965	6	26
30-6-1965	26-11-1965	4	26
30-9-1965	14-12-1965	2	15
31-12-1965	3-3-1966	2	3

12. It would be seen from the table above that the stipulation of 15 days fixed for the submission of Financial Reviews in the case of HEL is not being adhered to as the Reviews for the quarters ending June and September, 1964 were submitted after three months. The reviews relating to the quarters ending March and June, 1965 were submitted after over six and four months respectively. The Committee take a serious view of this lapse. Since the Financial Reviews serve as an instrument of financial control and keep the

Government informed, of the operations of the financial conditions of the undertaking the Committee suggest expeditious submission of Financial reviews to Government.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee regret that although Government was conscious of the need for setting up a factory for the manufacture of heavy electrical plant in the country as far back as 1946, its urgency was not fully realised till november, 1955 when a firm decision was taken in the matter. Detailed project reports were obtained from three firms in 1949, but their further consideration was deferred on the ground of financial stringency though certain other projects like D.V.C., Sindri, Fertilizers etc. were taken up at that time. The ground of financial stringency does not appear to be convincing in view of the fact that M/s. Westinghouse were prepared to offer a long-term loan to cover the foreign exchange expenditure as also some permanent investment in the factory.

Later in 1952, the Planning Commission agreed to include the Project in the First Five-Year Plan, but apparently the matter was not pursued vigorously. Project reports were again invited in 1954 but were not proceeded with. On the other hand, a re-assessment of the demand for and production of such equipment in the country was considered necessary. It is also unfortunate that the terms of reference of the Gadkary Committee included an assessment of the extent to which the requirements of heavy electrical plant could be met from current production and possible expansion of it. In fact, at that time no heavy electrical equipment was being manufactured or had been planned for manufacture by the existing units in the country. Even the assessment of the demand for the heavy electrical equipment made by this Committee did not prove to be of much value as is evident from the fact that within a period of 4 to 5 years thereafter, two more heavy electrical factories had to be planned. (Paragraphs 11-12).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 2)

It would have been prudent if a decision to set up a factory had been taken in 1949 itself when Government had the project reports from three well-known firms before them. That would not only have enabled its being set up economically but also provided the much needed experience in this field. The factory would certainly have gone into production by 1953 thus providing not only the heavy electrical equipment at a time when it was badly needed for the Power Projects, but would also have saved valuable foreign exchange. The expenditure incurred on the preparation of the Project Reports in 1949 and 1954 was also rendered nugatory. It would thus be clear that as a result of this vacillation and delay regarding the setting up of the factory a valuable period of six years (1949 to 1955) was lost. (Paragraph 13).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 4)

A.E.I. was stated to have been preferred to Siemens as the estimates of capital investment given by the latter (Rs. 10 crores) was considered to be an under-estimate as against the estimate of AEI (Rs. 15.9 crores) which was assumed to be more accurate. In actual fact, however, the estimate of AEI proved to be equally unrealistic as has been discussed in paragraph 141 of the Report. (Paragraph 20).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 7)

Normally it is expected that the foreign exchange necessary for a Project would be made sure of before sanctioning it, especially for project of the magnitude of HEL. Here, it is clear that there was no such prospect at the time of sanctioning the Project. It is not sur-

prising therefore that there was so much delay in arranging for the foreign exchange with the consequential delay in its execution. The Committee feel that if that is not made sure of at the time of sanctioning a Project itself, the position from which one can settle the terms of obtaining foreign exchange will be weakened. In the present case, credit arrangements, involving heavy service charges, had to be made with a consortium of British Bankers. It also became necessary to appoint AEI as purchase agents and pay them over Rs. 2 lakhs for these services. All these must necessarily affect the cost of production. (Paragraph 31).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 8)

Under the purchasing agency agreement, the AEI were to be paid the cost of performing the services plus ten per cent thereof. The commercial practice is for purchase commission to be expressed as percentage of the cost of goods purchased. Whatever might be the justification for not specifying the fees in the present cases on this basis, the payment of charges on 'cost plus basis' is not conducive to economy and is open to criticism. The Committee, therefore, recommend that such an arrangement should be avoided. (Paragraphs 32-33).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether any general instructions have been issued to avoid payment of charges under the purchasing agency agreement on 'cost plus basis'.

[L.S.S. O.M. No. 14-Pu/64, dated, the 18th November, 1965].

FURTHER REPLY OF GOVERNMENT

No general instructions were issued as these were not considered specifically necessary. General instructions are now being issued, as desired.

Recommendation (Serial No. 9)

While in the case of the Bhopal Project there was only one agreement for the preparation of detailed project reports as well as consultancy service, at the other projects the Consultants insisted upon separate agreements for each item with the result that HEL is not aware at this stage of the likely financial commitments to the Consultants.

The Committee appreciate the difficulties in dealing with countries having different procedures in regard to collaboration. But at the same time it is necessary that Government should have a clear idea of the total payments to be made to the Consultants for a Project before appointing them. Otherwise it would be difficult to determine the reasonableness of their overall fees. They consider that the East European countries which are willing to co-operate may not be averse to indicate approximately their total consultancy charges at the very beginning. The Committee trust that Government would do so in future. (Paragraphs 35-36).

REPLY OF GOVERNMENT

Noted.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/1SS/67, dated, the 15th May, 1967].

Recommendations (Serial Nos. 11-12)

The Committee are constrained to observe that the payments so far made to the Consultants under clause XVI (a) (iv) have not been related to the progress of the factory, as stipulated in the agreement. Further, it is surprising that the total consultancy fee of £400,000 is due to be paid to them by March 1963, while the agreement is yet to run for another 8 years (i.e., upto 1970). To sustain the interest of Consultants in their work, as also to ensure timely completion of the Project, it is desirable that the payment is spread over the entire consultancy period—a suggestion to which the Chairman of HEL and the representative of the Ministry agreed. The Committee hope that this aspect would be borne in mind while entering into such agreements for the other Projects in future.

The Committee recommend that, as far as possible, the quantum of payment to consultants should be related to the quantum of work actually done and the legitimate expenses incurred by them. The

last instalment should be a substantial one, payable after the plants have been commissioned. (Paragraphs 41-42).

REPLY OF GOVERNMENT

The Ministry of Finance O.M. No. F.33(23)-EGI/60, dated 27th September, 1960 (at Appendix I) lays down, for the guidance of the Ministries/Departments concerned, that in the consultancy agreements, as far as possible, there should be a provision for suitably phasing the payments to the consultants, related to different stages in rendering of the consultancy services. It is also envisaged that the last instalment should be as substantial as possible, as in case of a serious defect or failure it would be possible to withhold the last instalment. The Ministries/Departments are again being requested to bear in mind this guideline while finalising collaboration agreements.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/1SS/67, dated, the 15th May, 1967].

Recommendation (Serial No. 13)

The Committee are surprised that from the payment of £ 2,50,000 already made to the Consultants, no income-tax was charged. They also do not understand why the Consultants have objected to the payment of income-tax. In their opinion, unless exemption from the payment of income-tax is specifically provided for in an agreement, it should be taken for granted that it has to be paid under the law of the land. (Paragraph 44).

REPLY OF GOVERNMENT

It has since been recovered from the Consultants from subsequent payments due to them.

[Ministry of Industry & Supply O.M. No. 21(1)/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 14)

The Committee suggest that in future the taxation aspect in respect of the consultancy charges payable to the Consultants should be settled in advance and not later on, as otherwise the Consultants are likely to claim exemption. (Paragraph 44).

REPLY OF GOVERNMENT

The Ministries/Departments were advised to observe this principle, vide Ministry of Finance O.M. No. F.33(23)-EGI/60, dated 27th

September, 1960. (at Appendix I). The Ministries/Departments are again being requested to carefully observe the principle.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 15)

The total income-tax deductions from the fee of £400,000 payable to AEI, are estimated to be £25,000. In the circumstances, the raising of their fee by £50,000 (from £350,000 to £400,000) to provide for payment of income-tax which is half of that amount does not appear to be justified. Instead of raising the fee by a fixed amount, it would perhaps have been advantageous to pay the original fee of £350,000 plus the amount of tax actually levied in India. (Paragraph 45).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 16)

The provision finally included in the agreement (vide para 48) is at variance with the draft provision submitted to the Cabinet. From a reading of the draft provision, it would appear that the Consultants were to be responsible to maintain the resident engineer and his assistants in India at their own cost, although it was not specifically mentioned. In the agreement finally concluded, the cost of maintaining this staff was specifically made the responsibility of the Government. The Committee are not aware of the reasons for agreeing to this material change in the agreement after its approval by the Cabinet.

They consider that the terms and conditions of such agreements should be clearly specified at the very beginning and should leave no room for ambiguity or a different interpretation later on. The Committee hope that Government would examine this matter and lay down certain broad principles for observance in this regard. (Paragraphs 52-53).

REPLY OF GOVERNMENT

This was one of the earlier collaboration agreements concluded at a time when sufficient experience was not available. However, subsequently broad guidelines which should be borne in mind while

entering into such agreements were laid down in this Ministry's O.M. No. F. 33(23)-EGI/60, dated 27-9-60 (at Appendix-I.)

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/2SS/67, dated the 15th May, 1967].

Recommendation (Serial No. 17)

The Committee recommended that where the cost of resident engineer, etc., is to be borne by Government, an upper limit for expenditure on the salaries, allowances, etc. of foreign specialists to be employed in a Project should be laid down in all agreements as far as possible, as has been done in the case of the Rourkela Project. (Paragraph 54).

REPLY OF GOVERNMENT

Noted.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/2SS/67, dated the 15th May, 1967].

Recommendation (Serial No. 18)

The Committee consider it necessary that as far as possible a list of foreign staff required to be posted by the Consultants at the various stages of a Project should be broadly determined in advance and included in the agreement so as to avoid any confusion or dispute at a later stage. A phased programme for the replacement of foreign specialists should also be prepared and adhered to as far as possible. (Paragraph 56).

REPLY OF GOVERNMENT

The need for including in the consultancy agreement a list of the consultant's staff that would be posted in India, was brought to the notice of the Ministries/Departments vide Ministry of Finance O.M. No. F. 33(22)-ECI/60, dated 27-9-1960 (Appendix-I). The programme of replacement of foreign specialists by Indian Officers is one of the aspects usually covered in the Detailed Project Reports.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/2SS/67, dated the 15th May, 1967].

Recommendation (Serial No. 19)

The Committee doubt whether it is possible to obtain favourable and equitable terms in regard to the employment of foreign specialists after the main agreement with the Consultants has been con-

cluded. Further any delay in settling the terms thereafter would affect the implementation of the project. What is more, having paid higher remuneration to foreign specialists at one Project, it may be difficult to deny similar terms to the specialists required for the other projects. The Committee therefore recommend that the terms of appointment of foreign specialists should be settled before entering into the consultancy agreement. That would enable the undertakings to get more favourable terms, as was agreed to by the representative of the Ministry of Finance during evidence. The Committee hope that this would be borne in mind while entering into agreements for the other projects in future. (Paragraph 6).

REPLY OF GOVERNMENT

Noted.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 22)

The Committee consider that reports from consultants at regular intervals, are very necessary and should be called for by HEL. They also suggest that AEI should not only send these Reports to the HEL but also to Government to keep the latter posted with the progress of the Project and any difficulties encountered so as to avoid any complaints from the Consultants later on. The Committee hope that early action would be taken in this matter, as was agreed to by the Chairman of HEL during the evidence. (Paragraph 64).

REPLY OF GOVERNMENT

Noted. The Consultants are now submitting half yearly progress reports to the Chairman, Heavy Electricals Ltd., with a copy to Government. They are considered jointly with a view to take necessary action whenever called for.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th February, 1965].

Recommendation (Serial No. 23)

The Committee consider that a correct appraisal of the working of the agreement can only be made in terms of the achievements of HEL, namely:—

- (1) time by completion and commissioning of the factory;

- (2) *achieving the targets of production as per the Consultants' estimate or even showing better performance;*
- (3) *cost of production as compared to the cost of similar equipment imported from abroad;*
- (4) *training its technical personnel so as to reduce dependence on foreign specialists as much as possible; and*
- (5) *self-sufficiency in the matter of raw materials and components.*

They trust that these aims would be constantly kept in view. (Paragraph 65).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 24)

The Committee were informed that a Projects Co-ordination Division had been organised in the Ministry of Finance to analyse the various kinds of agreements and to collect the necessary data so that it could provide 'reference and consultancy service' during the stages of establishment of industrial units in respect of contracting for collaboration, construction, etc. The Committee hope that this cell would be manned by suitable personnel and the agreements routed through this cell. In this connection, they would also refer to the recommendation contained in para 86 of their 32nd Report (3rd Lok Sabha) on the National Coal Development Corporation Ltd., Ranchi. (Paragraph 67).

REPLY OF GOVERNMENT

The Bureau of Public Enterprises would coordinate the arrangements in this regard.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/155/67, dated the 15th May, 1967].

Recommendation (Serial No. 25)

The Committee recommend that a firm production programme of a project should be decided in advance and no change, diversification, or expansion should normally be thought of till the output

initially contemplated has been achieved. The question of expansion, if necessary, should be considered and taken up only thereafter. The representative of the Ministry agreed with this view and assured that this policy would be followed in regard to other projects. (Paragraph 75).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 26)

The representative of the Ministry stated during evidence that although there was scope for doubling the Hardwar Project, the Russian Consultants had expressed the view that managerial and other problems would create difficulties. They, therefore, favoured a separate unit instead of doubling the existing one. The Committee feel that these considerations would equally apply to the Bhopal Project. They trust that Government would completely satisfy themselves about the economic and administrative aspects of the proposed expansion of the Bhopal Project to Rs. 50 crores output before according their final approval to it. (Paragraph 77).

REPLY OF GOVERNMENT

Managerial Problems, though difficult, can be easily solved by appointing additional senior supervisory personnel incharge of each viable section of manufacturing unit. This view was accepted by the Russians when they agreed to the doubling of the output at Hardwar on the basis of which it has been planned.

At Bhopal, there are separate Blocks for each manufacturing activity and for all practical purposes they are separate, in charge of a Superintendent. If additional top level supervision is needed, there can be separate Works Manager & Chief Engineer for rotating equipment (such as generators and motors) and static equipment (such as switchgear and transformers). Costs of services and general overheads are considerable and unless the quantum of output is large, a unit cannot be economical. In modern practice, for this reason sizes of manufacturing units are becoming bigger. Russians themselves are setting up, it is learnt, much bigger units.

The International General Electric Co. in U.S.A. have a manufacturing unit of 6 million Kilowatt capacity for Turbines and Generators at Schenectady.

The economics of the expansion scheme, at Bhopal, has been examined and the expansion has been approved by Government for the inclusion of steam turbines. The total output would now be Rs. 38 crores per annum.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 27)

Even the completion of Blocks I and II which were included in the original projects (Rs. 12.5 crores output) has been delayed by about 2 years.

The Committee hope that Government and HEL would take energetic steps to ensure that there is no further delay in the completion of the Project. (Paragraphs 78—80).

REPLY OF GOVERNMENT

The delay in completion of Blocks I and II has been due to the short supply of steel.

Noted. Steps were already being taken to remove bottlenecks and Blocks I and II have now been almost completed and are being equipped.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 28)

The ancillary plants of the Bhopal Project and the Testing Laboratory had not been completed or commissioned by the time the factory commenced production. Since the actual production at Bhopal till 1961-62 was much below the original target, the non-commissioning of these units might not have presented any serious problem. That no extra cost was involved in purchasing the products from the market is a small consolation and no justification for the delay in the setting up of these units in time. On the other hand, the late purchase of these plants must have cost more. The

Committee hope that HEL would ensure that the various units of the other plants are commissioned in time in an integrated and co-ordinated manner. (Paragraphs 81—83).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 29)

The Oxygen Plant, which cost Rs. 11.67 lakhs is not being used to full capacity. It is run on a three-shift basis for 2 or 3 days in a week. Obviously the partial working of the oxygen plant is not economical. The Committee would suggest that Government might make a study of the working of this as well as other ancillary plants at Bhopal with reference to the present and future needs of the factory, so that their working is placed on a satisfactory and economic footing. (Paragraph 84).

REPLY OF GOVERNMENT

Capacity of the Oxygen Plant was designed to cater for the needs of Block I, II and IV. At the time of the visit of the members of the Estimates Committee, Blocks I and II were not completed and, as such, the full requirement of oxygen was not utilised. With the completion of Blocks I and II, the Oxygen plant would be fully utilised. Similarly other ancillary plants at Bhopal would be fully utilised with the completion of all the factory blocks.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 30)

While the Bhopal Project has taken over four years, from the date of receipt of the Project Report, to go into production, the other projects are expected to take even less than 3 years. The Committee hope that, with the experience gained at Bhopal, HEL would ensure that the other projects would go into production according to the time-schedule fixed for them. (Paragraph 86).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 31)

The Committee were surprised to note that HEL had not yet undertaken the preparation of a completion report even in respect of the Factory Blocks, already completed. What is more surprising is that neither the HEL was aware of the suggestion contained in the 3rd Pl'n nor had the Ministry drawn their attention to it.

The Committee would suggest that Government might issue suitable instructions to all undertakings in the public sector to prepare comprehensive completion reports for their projects as envisaged in the Third Five-Year Plan. (Paragraphs 88-89).

REPLY OF GOVERNMENT

The completion report for civil engineering Works for the period ending 30th June, 1963 for HEL, Bhopal has been received.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 33)

As against a target of Rs. 290 lakhs suggested by the Consultants for the year 1961-62, the HEL aimed at a production of Rs. 350 lakhs. The value of finished equipment manufactured during 1961-62 amounted to Rs. 13.17 lakhs only. In addition, the value of works-in-progress and departmental works amounted to Rs. 164.30 lakhs. Even if the entire works-in-progress are taken into consideration, the production works out to 61.2 per cent of the revised targets of Rs. 290 lakhs. When compared the capital investment of Rs. 30.10 crores upto 31-3-1962, the output works out to Rs. 5.8 per cent only.

The Committee consider that most of the difficulties experienced by H.E.L. are not uncommon during the initial period of construction and commissioning of any industrial concern and could have been foreseen. The targets of production should have been fixed taking into consideration all such factors. They are not, therefore, convinced by the reasons advanced for shortfall in production. The Committee suggest that the production programme should be prepared realistically and every effort made thereafter to achieve them, unless extra-ordinary circumstances intervene. (Paragraphs 93-95).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 34)

It is hoped that the teething troubles of the Bhopal Project are now over. The Committee trust that with proper planning HEL should be able to show better performance in future and reach the targets that have been fixed (Paragraph 96).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 35)

(i) As any delay on the part of HEL in supplying the equipment is likely to affect the development programme of its customers (the State Electricity Boards etc.), the Committee suggest that HEL should offer firm dates of delivery and adhere to them as far as possible.

(ii) They further suggest that the actual item-wise production by HEL during a year vis-a-vis the targets may be included in its annual reports. The statement of actual production might include the value of orders executed during a year as well as those pending at the end of it. The reasons for shortfall and steps taken to overcome them may also be indicated in the annual reports. (Paragraph 98).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

(i) Whether HEL now offer firm dates of delivery to the Customers and how far the Company had been able to adhere to these dates during the last one year.

[L.S.S. O.M. No. 14-Pu/64, dated, the 18th November, 1965]

FURTHER REPLY OF GOVERNMENT

The Company have not been able to adhere to the delivery dates on account of late arrival of imported material. Firm delivery dates are quoted to customers and barring unforeseen circumstances, they hope to adhere to the delivery dates offered on orders booked during the last 12 months.

Recommendation (Serial No. 36)

It is obvious that the present practice of fixing the prices of equipment produced by HEL to correspond with prices of imported equipment cannot continue for long. Price has got to be determined on the actual cost of production. The present policy is, therefore, neither sound nor economical. The solution lies in HEL exercising utmost economy and bringing down the cost of production to a reasonable level so that the selling price leaves an adequate margin of profit to the Company. The Committee hope that efforts will be made by HEL to achieve this end as early as possible (Paragraph 101).

REPLY OF GOVERNMENT

It was only in the earlier stage when HEL's own data of costs was not available that prices were fixed on the basis of A.E.I. prices and methods of pricing. The pricing policy is being readjusted in the light of experience and will continue to be reviewed from time to time. The profit stage, however, will only be reached when the production level goes up substantially.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 37)

The Committee note the HEL is making efforts to increase the export earnings of the country. But it is clear that it would have to face tough competition from manufacturers of other countries who might even quote lower rates for export purposes. Such a competition can only be faced by adopting improved designs and production techniques. The Committee trust that HEL is addressing itself to this task. While doing so, HEL would no doubt consider whether it would be desirable to confine exports initially to certain types and ranges of equipment which lend themselves easily to mass production. (Paragraph 37).

REPLY OF GOVERNMENT

HEL propose to export only 11 K.V. circuit breakers and capacitors which can be covered by mass production.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 41)

(i) *The Committee note that while the project report was accepted in March 1957, the placing of orders for the purchase of plant and machinery commenced from April 1959, i.e., after a period of about two years. While the delay in receipt of plant and machinery might not have held up any work at Bhopal because the construction of factory blocks was also delayed, the additional expenditure on the cost of the equipment worth Rs. 249 lakhs alone, amounted, to Rs. 23.56 lakhs which could have been avoided with better planning.*

(ii) *The Committee would like to impress upon Government the desirability of ensuring adequate credit arrangements before sanctioning a Project of this magnitude in future. (Paragraphs 110—112).*

REPLY OF GOVERNMENT

At present no project is finally approved for implementation till the availability of foreign exchange required is assured, or there is reasonable likelihood of the foreign credit becoming available by the time orders are to be placed.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated, the 15th May, 1967].

Recommendation (Serial No. 43)

The Committee trust that as a result of experience at Bhopal, the purchases of plant and machinery for the other projects would be planned in such a way that delay in commissioning them is avoided. (Paragraph 115).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 44)

The Committee hope that a decision on the general question of setting up a suitable organisation in the U.K. for effectively coordinating the shipping arrangement of cargoes moving on account of the various public undertakings would be taken by Government at an early date and that it would be ensured that public undertakings follow it. (Paragraph 118).

REPLY OF GOVERNMENT

M/s. Schenker & Co., G.M.b.H., 2000 Hamburg 11, Bei Den Muhren-5, Hamburg have been appointed as Government's Forwarding Agents for making shipping arrangements from the U.K. and continent for the import of Government cargoes and those of the public sector undertakings wholly owned or controlled by the Central/State Governments. Their sub agents in U.K. are M/s. Bahr Behrend & Co., London. These arrangements are in force from the 5th September, 1962. .

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 15th Jan., 1966].

Recommendation (Serial No. 46)

The Committee consider that it should be highly desirable if the Annual Reports of HEL indicate the percentage of imported raw materials and Components used in the manufacture of equipment so that the progress made in the utilisation of indigenous raw materials and components is known from year to year. (Paragraph 124).

REPLY OF GOVERNMENT

The recommendation of the Committee will be implemented while publishing annual reports in future.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 48)

The Committee cannot help feeling that there is lack of experience and proper planning in the procurement of materials and the system of placing orders leaves much to be desired. They recommend that HEL should review the position immediately and ensure that in future the procurement of materials and components is complete and related to its requirements. (Paragraph 131)

REPLY OF GOVERNMENT

Undoubtedly this is a new complicated time of manufacture and adequate experience will be gained slowly. The question is now engaging the constant attention of the HEL management. After exploring the indigenous availability of stores imports are being resorted to. Planning and procurement are being done with a view to maintain a minimum level of inventory.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 49)

The observations of the consultants reproduced in para 132 confirm the apprehensions of the Committee expressed in para 131. They feel that there is an urgent need for examining the whole procedure of purchase and procurement of components and materials by HEL. The Committee trust that immediate action would be taken to remove the defects and streamline the purchase organisation and procedures. (Paragraph 133)

REPLY OF GOVERNMENT

As stated against serial No. 48 above, action is being taken to streamline the purchase planning and procurement procedures.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 50)

It was represented to the Committee that import duty on the raw materials used by HEL worked out to 22 per cent on an average. In most cases this was stated to be higher than the rate of duty (15 per cent) levied on the import of finished equipment. The Committee hope that early decision would be taken to reduce the import duty on the raw materials and components (Paragraph 134)

REPLY OF GOVERNMENT

Government have already issued orders that imported components will bear, the same quantum of customs duty as levied for finished equipment, when certified by the Directorate of Technical Development. Similar action would be taken into the case of raw materials, wherever necessary.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 51)

The estimates of capital cost of comparable items furnished by AEI in June 1955 rose from Rs. 15.90 crores to Rs. 28.16 crores in November 1956 i.e. by about 77 per cent in a period of 18 months. It would appear that the estimates of cost submitted by AEI in 1955 were not examined in any detail before sanctioning the project or appointing them as consultants. The Committee are constrained to observe that the Project was sanctioned on the basis of estimates, which have later on been termed as 'intelligent conjecture' (Paragraphs 139—141).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 52)

It is always expected of consultants that they will prepare realistic estimates of the cost of a Project. In fact the AEI were in an advantageous position in this respect in that they had the knowledge of local conditions in the country, as observed by the Gadkary Committee. One would have thought that their estimates would be reasonably accurate. It is regrettable that even their estimates proved to be so wide off the mark within a period of about 18 months. (Paragraph 142)

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 53)

The consultants are generally anxious to secure contract and in their anxiety tend to submit lower estimates. It is for consideration whether in the event of wide variation in the estimates, other than due to justifiable reasons, the consultants could be made responsible therefor. It is also necessary that the estimates of cost indicated by the prospective collaborators should be thoroughly examined before sanctioning a project or selecting the consultants. The Committee trust that Government would examine the matter and issue necessary instructions to avoid the recurrence of similar situations in future (Paragraph 143)

REPLY OF GOVERNMENT

Owing to the peculiar circumstances of the execution of this project, there were variations in the cost estimate originally indicated by the Consultants. However, the cost estimates given in the Detailed Project Reports are now carefully scrutinised before sanctioning the projects.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 54)

(i) *The original estimates of consultants did not include the cost of certain items, namely customs duty, purchase commission, hostel for trainees and township amounting to Rs. 11.45 crores. The Committee fail to understand why estimates of important items which amounted to over Rs. 11 crores, were not provided for in the original estimates. The estimates of total commitment on such projects, should be prepared as realistically as possible and should be available to Government before they are approved. It is not correct to undertake a project on the basis of incomplete estimates and to subsequently increase the outlay on it, which has in any case to be agreed to by Government—a feature which is fairly common to most of the projects and has to be discounted. (Paragraphs 145-146).*

(iii) *The Committee recommended that the final estimates of the Bhopal Project should be prepared and placed before parliament at an early date (Paragraph 146).*

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 55)

The Committee hope that complete and firm estimates of the new Projects of HEL would be obtained and examined before submitting them for Government's approval. (Paragraph 147).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 56)

The Committee regret to observe that in spite of a written enquiry from them, neither the Ministry nor the HEL could furnish information regarding the capital cost of establishing a comparable heavy electrical project elsewhere. The senior officers of HEL who have been visiting foreign countries for negotiations or training had also not been instructed to gather this basic information. The Chairman, HEL stated that the idea of collecting this information through their officers going abroad had not occurred to them. The Committee consider the collection of such data very necessary. In the absence of such data it is difficult to determine the reasonableness of estimates given by the Consultants. (Paragraphs 148-149).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 57)

The Committee would suggest that, with a view to ensuring utmost economy Government might set up a regular machinery to scrutinise the type of structure and construction, designs of factory buildings, etc., suggested by foreign consultants, before accepting them. (Paragraph 151).

REPLY OF GOVERNMENT

Similar observations of the Committee on Public Undertakings, vide recommendation at Serial No. 34 in their Eighth Report on "Townships and Factory Buildings on the Public Undertakings" have been brought to the notice of the Ministries concerned and the Public Enterprises for effecting an independent scrutiny of the plans, designs and specifications suggested by consultants for factory buildings, with a view to achieving economy and also meeting local requirements. (Copy of Circular 47-Adv.(c)/Cir-16, dated 20-1-67 at Appendix-II.)

[Ministry of Finance (Bureau of Public Enterprises) letter No. 782, FI/67, dated the 22nd April, 1967.]

Recommendation (Serial No. 59)

To avoid the preparation of separate designs for buildings and services which are common to all projects, the Team of Experts referred to in para 154 might also suggest the designs and specifications of common buildings and service facilities, e.g., administrative offices, canteens, schools, hospitals, which might be adopted by all undertakings in the public sector. In this connection para 281 may also be seen. (Paragraph 155).

REPLY OF GOVERNMENT

This work is being undertaken by the Bureau of Public Enterprises.

{Ministry of Finance (Bureau of Public Enterprises) letter No. 782/FI/67, dated the 22nd April, 1967.]

Recommendation (Serial No. 60)

(i) If the cost of township is taken into account the investment-output ratio of the Bhopal Project with an annual output of Rs. 15.5 crores was 3.9:1 and would be 2.6:1 for an annual output of Rs. 25 crores. If the cost of township is excluded from the total investment, this would work out to 32:1 and 2.2:1 respectively. The Committee were informed that for a similar newly established undertaking in the U.K. the investment-output ratio would be of the order of 1.7:1 or 1.8:1 in the early life of establishment. An electrical equipment manufacturer told the Committee that sale ratio should be 1:1.5 in a heavy electrical factory. It is also noteworthy that the investment sale ratio in the case of AEI is 1:1.5. It is thus evident that the Bhopal Project is over capitalised and its investment-output ratio is low.

The Committee regret that due importance was not given to the economics of the project initially.

(ii) It is well-known that higher capital investment increases the cost of the products and adversely affects the competitive position of the undertaking. The Committee recommend that this aspect should be carefully examined by Government before sanctioning new projects in future. (paragraphs 157-158).

REPLY OF GOVERNMENT

It is accepted that higher capital investment has the effect of increasing the cost of production, which also adversely affects the competitive position. Every effort is, therefore, made to achieve

maximum economy in capital costs, and also suitable phasing thereof, before the projects are approved for implementation.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 61)

The interest and other service charges on a five year loan of Rs. 3.5 crores would work out to Rs. 1.30 crores including purchase commission and expenditure on the purchase cell in U.K. The desirability of ensuring adequate credit facilities before sanctioning a Project has been stressed in para 112. Had this been done, the payment of such heavy service charges on the above loan could have been avoided, as was agreed to by the representative of the Ministry of Finance. (Paragraph 161).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 62)

The Committee are pained to note that arrears were allowed to accumulate in the maintenance of accounts of HEL till 61-62, i.e., five years after its setting up. Five years was a period long enough for any undertaking to recruit suitable persons for this work and to train them if need be. Evidently HEL had not put the right type of men in their accounts department or trained them properly. It would also seem that the accounting machinery had not been strengthened to keep pace with the speed of work at the project. (Paragraph 163).

REPLY OF GOVERNMENT

The position of accounts at HEL, Bhopal has since improved considerably. All the arrears have been cleared. Annual General meetings adopting the company's statement of accounts for 1962-63 was held on 30-9-1963 and for the year 1963-64 also it was held on 30-9-1964 as provided for in the Indian Company's Act.

[Ministry of Industry & Supply O.M. No. 21/1/62-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 63)

The need for efficient and well organised accounting procedure and for employing technically qualified staff would be increasingly felt as the company moves from the stage of construction to the stage of production. The Committee would impress upon HEL the need to employ technically qualified staff and to get them trained in improved techniques of accounting with the assistance of the Institute of Cost and Works Account Accountants if necessary. (Paragraph 164).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 64)

The Committee further suggest that in order to avoid the recurrence of a similar situation elsewhere Government should issue suitable instructions to all public undertakings to organise proper accounting machinery from the very beginning. (Paragraph 165).

REPLY OF GOVERNMENT

The Committee' Act and the relevant statues require proper maintenance of Accounts by the Enterprises and the relevant provisions have also been reiterated by Government.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 65)

The Committee were informed that SEL proposed to arrange in 1963-64 for an examination of the accounting and financial procedures followed by it. They trust that HEL would take advantage of the experience of the Department of Company Law Administration in this behalf and consider the desirability of associating them with the proposed examination of their financial and accounting procedures. (Paragraph 166).

REPLY OF GOVERNMENT

The examination of accounting and financial procedure has been done and the revised procedure has been embodied in the booklet

'Manual of Financial Accounts Vol-I'. Besides, three more Manuals containing the 'General Procedure and Procedure for Cash and Pay' have also been issued. The procedure for other sections is under compilation. The suggestion made by the Committee that HEL might associate the Department of Company Law Administration has been noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHI, dated the 6th February, 1965.]

Recommendation (Serial No. 67)

The administrative expenses of the Bhopal Project amounted to Rs. 41 lakhs during 1961-63 for a production of Rs. 177 lakhs, including works-in-progress. This would work out to 23.1 per cent of the cost of production. The Committee have gathered an impression that there is a general tendency in the public undertakings to recruit staff in excess of their needs. Besides increasing the cost of production, the extra staff not fully worked tends to have a demoralising effect on other staff. Further, once the staff has been recruited it becomes difficult to lay them off. It is therefore, essential that the recruitment of staff is strictly related to requirements. The Committee suggest that HEL might have the position examined with a view to determining its actual requirements and the surplus staff may be utilised for the expansion of the project. In this connection paras 228 to 232 may also be seen. (Paragraph 168-69).

REPLY OF GOVERNMENT

The following action has been taken to curtail excess staff in Bhopal Unit of HEL:—

1. A stock taking of the staff was undertaken and the statistics in this respect have been compiled.
2. Measures have also been/are being taken to regulate the adjustment of surplus, staff, wherever exists, and to avoid filling up the posts which are not absolutely essential for the present and with a view to observing the utmost economy in future recruitment.
3. Senior Officers who have specially been trained in the U.K. in Method Study, now carry out job analyses of the posts existing in the Factory and other Departments with a view to:—
 - (i) determine which jobs are surplus; and

- (ii) introduce suitable systems and procedures to achieve efficiency.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th February, 1965.]

Recommendation (Serial No. 68)

Profits would be made at Bhopal only from 1970-71 when the volume of production and sales expanded sufficiently to meet the high overheads, including interest and depreciation. The Committee trust that the position would be constantly reviewed to minimise these losses to the extent possible. (Paragraphs 171-172).

REPLY OF GOVERNMENT

Noted

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th February, 1965.]

Recommendation (Serial No. 70)

The following suggestions were discussed in the course of examination by the Committee:—

- (1) the desirability of establishing a 'Cost Reduction Unit' at each Project as part of the construction organisation under the exclusive control of the Chief Engineer to carry out work studies, continuously analyse factors affecting costs; recommend suitable adjustments from time to time in materials, techniques, procedures and organisation, evaluate the result of such adjustments and keep a watch on the progress in achieving economies in construction costs.
- (2) The desirability of setting up special units to assist the management in keeping down production costs, raising productivity, setting norms and checking performances.
- (3) The need for organising a proper cost accounts organisation.
- (4) The need for a system of management accounting, and
- (5) The desirability of HEL preparing programme-cum-performance budget as recommended by the Committee in their 73rd Report (2nd Lok Sabha). The Committee

were told that a beginning had been made at Bhopal as regards items (3) and (4) above. The trust that all these suggestions — would be examined by HEL for implementation as far as possible. (Paragraphs 175-176).

REPLY OF GOVERNMENT

(1) The company have pointed out that in Bhopal practically all civil construction works have been contracted for except some quarters in the township. All possible economies will be affected. The recommendations of the committee will be borne in mind and implemented in the new units under construction.

(2) Noted.

(3) Cost Accounting Organisation with a regular Hollerith Section is now functioning regularly.

(4) The Management accounting is now being systematically done and cost accounts department is collecting and submitting all figures.

(5) Noted

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th February, 1965].

Recommendation (Serial No. 72)

The Committee note that the appointment of the Additional Secretary of the Administrative Ministry on the Board is not in accordance with the Government decision that "no Secretary of a Ministry/Department shall be a member of any Board."

The arrangement contemplated in Government's decision not to appoint the Secretary or Additional Secretary of the Ministry or Department on the Board is not only to relieve the volume and pressure of work on these top officials but also permit of an independent and objective examination of the proposals of the Board in the Ministry at the highest level. The Committee trust that early action would be taken to change the composition of the Board of Directors in accordance with the decision of Government in this regard. (Paragraphs 179-180).

REPLY OF GOVERNMENT

Shri O. N. Misra, Joint Secretary, Department of Heavy Engineering was appointed as a Director, Heavy Electricals (India)

Limited with effect from the 10th June, 1963 vice Shri T. Swaminathan, resigned.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 74)

The Board of Directors of HEL is, at present, composed of officials only, none of whom has had any previous experience of heavy electrical industry. Keeping in view the responsibilities of HEL, which has four big projects under its control, the Committee feel that the members of its Board of Directors should be drawn from a wider sphere than at present and that technical experts and men experienced in the line should be appointed to the Board, care being taken that no one with a direct interest in the same industry in the private sector is appointed. (Paragraph 182).

REPLY OF GOVERNMENT

The Board of Directors of Heavy Electricals (India) Ltd., as at present constituted, has also the following technical persons as its Directors:

- (i) Shri K. P. S. Nair, Additional Chairman, Central Water and Power Commission.
- (ii) Shri V. P. Appadurai, Chairman, Madras State Electricity Board.
- (iii) Shri K. M. Chinnappa, Chief Engineer, Tata Power Companies, Bombay.
- (iv) Shri S. Swayambu, (on deputation from C.W.P.&C.) Chief Engineer, Heavy Electricals (India) Ltd., Bhopal.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 75)

The Committee suggest that to ensure close coordination and liaison with the Central Water & Power Commission and the State Electricity Boards, two representatives one from the Commission and the other on behalf of the State Electricity Boards, may be

appointed to the Board—a suggestion to which the representative of the Ministry was favourably inclined. (Paragraph 183).

REPLY OF GOVERNMENT

Sarvashri K. P. S. Nair, Additional Chairman, Central Water and Power Commission and V. P. Appadurai, Chairman, Madras State Electricity Board were appointed as Directors of Heavly Electricals (India) Limited with effect from the 18th March, 1963.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965.

Recommendation (Serial No. 77)

The importance of selecting the right type of persons for the post of Chairman of an industrial undertaking cannot be over-emphasised. The success of an undertaking depends to a large extent on the direction and guidance provided by him. The principles enumerated in para 187 of the Report are healthy. The Committee hope that they will be kept in view while making appointments of Chairman of public undertakings in future. (Paragraph 188).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 78)

The post of Technical Director in HEL is lying unfilled since a year when the last incumbent (Shri M. Hayath) left to join the ECAFE. The need for appointing a Technical Director possessing the necessary technical knowledge and experience in the line so as to be able to advise the Board of HEL on complex matters coming up before it needs no special emphasis. The Committee feel that there is no dearth of qualified men in the country to fill this post either. They recommend that early action may be taken to appoint a Technical Director on the Board of HEL. If necessary the terms of his appointment might be so framed that it attracts a really capable man. (Paragraph 189).

REPLY OF GOVERNMENT

Shri S. Swyambu, a Deputy Chief Engineer, Central Water and Power Commission, was appointed as Director (Technical) of the Heavy Electricals (India) Ltd., with effect from the 11th December, 1963.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 79)

In the Committee's view the right choice of a General Manager for a Project is as important as that of a Chairman of an undertaking. They would suggest that Government should select a man for this post who fulfils the qualifications laid down in the Third Five Year Plan and reproduced in para 192 of the Report. (Paragraph 193)

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 81)

The Committee are not convinced by the reasons advanced by HEL not being able to get a suitable man for the post of Works Manager, particularly when other undertakings, like Hindustan Steel, have been able to get technical persons from the private sector. They also do not think that the scales of pay for such a key post should present any insuperable difficulty. The Committee hope that necessary action would be taken to secure the services of a suitable man for this post. (Paragraph 200).

REPLY OF GOVERNMENT

HEL have stated that an advertisement had been issued for the post of works manager without specifying salary, but none of the applicants was found suitable by the selection Board. Experience needed by a works manager for the Bhopal Plant has to be different from that needed in a steel works or machine tool factory. Among the younger men now working as shop superintendants, one is expected to occupy this post in due course as experience is gained. In

the meantime, however, senior mechanical engineers from the Railways having such background were considered and the post filled.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 82)

In view of the difficulty of getting a technically qualified person the Committee would recommend that HEL should take timely action to train the Works Managers for its other projects. (Paragraph 201).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 83)

- (i) *The Articles of Association of HEL did not originally provide for the appointment of a Financial Adviser. These were subsequently amended to provide for it. A Financial Adviser was appointed for the first time in 1959, i.e. about three years after the setting up of the company. The Committee are not aware of the considerations which led to this decision but they find that the accounts of the Bhopal Project have as a result fallen into heavy arrears. The 'accounting standards' and the 'maintenance of books of accounts' also came up for criticism by Audit. Had an experienced man been posted from the very beginning, this situation could probably have been avoided.*
- (ii) *The Committee hope that to avoid similar situations HEL would take timely action to appoint for the other projects, Financial Advisers particularly those who have experience of working in industrial undertakings. (Paragraphs 202-203).*

REPLY OF GOVERNMENT

(i) Noted.

(ii) Financial Advisers and Chief Accounts Officers have been appointed in the Heavy Electrical Equipment Plant, Hardwar, the

Heavy Power Equipment Plant, Hyderabad and the High Pressure Boiler Plant, Tiruchirapalli.

[Ministry of Industry O.M. No. 26-1/65-HECHE, dated, the 27th July, 1966]

Recommendation (Serial No. 85, Para 205)

Due to arrears in the maintenance of accounts at Bhopal, it was decided to post a separate Chief Accounts Officer to pull up the arrears. Since the position of maintenance of accounts had improved, it was proposed to combine the functions of the Financial Adviser and the Chief Accounts Officer again. The Committee hope that this would be done early. (Paragraph 205).

REPLY OF GOVERNMENT

The functions of FA & CAO were combined with effect from 25th Sept., 1962 and since then, there is one combined post of FA & CAO.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 87)

The Committee trust that the Commercial Department which has a very important contribution to make towards the successful working of HEL, would prove equal to the task. (Paragraph 207).

REPLY OF GOVERNMENT

Agreed. Action has already been taken to strengthen this Department as recommended by the Technical Consultants also in one of their recent Progress Reports.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 88)

The Committee have a feeling that there is a general tendency on the part of public undertakings as well as other Government organisations to have their officers at Delhi. The reasons advanced for setting up the administrative office of HEL at Delhi are common and apply equally to all undertakings, particularly those which are administering more than one project. The Committee are not convinced of the need for the administrative office of HEL to be located at Delhi when other industrial undertakings like Heavy Engine...

Corporation, National Coal Development Corporation, Hindustan Machine Tools, etc. having more than one project, are not experiencing any difficulties without such offices at this place. It is also surprising that while the Head Office of Heavy Electricals is at Bhopal, the Chairman's office called the administrative office has been set up here. This is a new innovation. The Committee feel that the location of the Administrative Office of HEL at a place different from its head office is not necessary. Such an arrangement, if allowed to continue in the case of HEL, will have its repercussions on other public undertakings also and it may then be difficult to resist a similar demand by them. The Committee, therefore, recommend that the Administrative Office of HEL in New Delhi may be transferred to Bhopal, which is where it ought to be. (Paragraph 210).

REPLY OF GOVERNMENT

HEL controls 4 units located at Hardwar, Bhopal, Hyderabad and Tiruchirapalli. The Chairman visits these Units almost once a month as considerable development is in progress at each point. Hardwar can be reached by rail overnight and by road in 4 hours. Bhopal is reached by rail alone overnight. Hyderabad & Tiruchirapalli can be reached by air.

— If the Headquarter were at Bhopal there will be considerable waste of time in rail journeys, together with uncertainty of finding accommodation from an intermediate point will render the task extremely difficult and inconvenient.

From the point of view of work, HEL are closely linked with the Central Water & Power Commission, New Delhi, whose technical advice on planning of production is frequently needed. HEL have three technical consultants to deal (British, Russians and Czechs.) and it is found that Delhi is more convenient for this purpose than Bhopal. From all these points of view Chairman's Office has been retained at Delhi till March, 65 when the matter will be reviewed.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the Office of the Chairman of H.E.L. has been transferred from Delhi to Bhopal and if so, when?

[L.S.S. O.M. No. 14-6 u/64, dated, the 18th Nov., 1965]

FURTHER REPLY OF GOVERNMENT

The office of the Chairman of Heavy Electricals (India) Ltd., was shifted to Bhopal with effect from the 17th November, 1964.

Recommendation (Serial No. 90)

The presence of a majority of the Directors of HEL at Delhi may be the reason for holding the ordinary meetings of the Board there. The Committee consider it desirable that these meetings should also be held at the registered office of the Company as far as possible. In this connection, attention is invited to para 155 of their 32nd Report (Third Lok Sabha) on N.C.D.C. (Paragraph 213).

REPLY OF GOVERNMENT

As stated earlier, HEL have four units located in different places including Bhopal, where the company is registered. It is found convenient to hold meetings at Delhi but some are also held at Bhopal.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE dated, the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the question of holding the meeting of the Board of Directors at Delhi instead of at the Registered Office of the Company, has been re-examined consequent upon the setting up of Bharat Heavy Electricals Ltd. If so, the decision taken in this regard?

[L.S. O.M. No. 14-6 u/64, dated the 18th Nov., 1965].

FURTHER REPLY OF GOVERNMENT

Though there is no provision in Companies' Act 1956 restricting the holding of the meetings of the Board of Directors of a Company at the registered office only, every effort is made to hold the Board's meeting at Bhopal which is the location of the registered office of the Company. A number of Directors of the Company are, however, at stations like Delhi, Bombay and Lucknow and their convenience has to be kept in view while fixing the venue of the Boards' meetings.

[Ministry of Industry O.M. No. 26-1/65-HECHE, dated 23rd April, 1966]

Recommendation (Serial No. 93)

The Committee hope that every effort will be made to abolish the Purchase Cell of HEL in U.K. as early as possible. (Paragraph 220).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the HEL has still got a purchase cell in U.K. and if so, the reasons therefor?

[L.S.S. O.M. No. 14-6u/64, dated the 18th Nov., 1965.]

FURTHER REPLY OF GOVERNMENT

In consultation with the Ministry of Supply and Technical Development, the London Office of Heavy Electricals (India) Ltd., was continued upto the end of February, 1966. This decision was taken in view of the inability of the India Supply Mission in the U.K. to take over the work handled by the cell.

The position after the 1st March, 1966 is under review.

[Ministry of Industry and Supply O. M. No. 26-1/65-HECHE, dated 23rd April, 1966.]

Recommendation (Serial No. 94)

The Committee feel that the setting up of a Technical Planning Cell in the Ministry of Steel and Heavy Industries would be very useful as it can also continuously keep abreast of the developments in the various industries abroad. It can also evaluate the performance of the projects referred to in para 224. The Committee trust that the proposed Cell would be organised at an early date. (Paragraph 223).

REPLY OF GOVERNMENT

A nucleus Planning and Projects Cell has been set up in the

Department of Heavy Engineering. In addition, three technical officers have also been appointed for planning and implementation of the projects of this Department.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 95)

In para 143 of their 38th Report (Second Lok Sabha) on Shipping Corporations, the Committee had recommended the setting up of a separate organisation, analogous to the Committee on Plan Projects, to evaluate the working of industrial and commercial undertakings periodically. In their reply furnished in June, 1960 Government accepted this recommendation and stated that instructions had been issued regarding the setting up of inspection teams by the administrative Ministries in consultation with the Ministry of Finance for making a periodical inspection of these undertakings. The Committee regret to observe that although Government issued instructions in the matter 2½ years ago, no action has been taken by the Ministry of Steel and Heavy Industry to arrange for the evaluation of any undertakings under its control. They expect that once the Committee has made a recommendation and Government have accepted the same, it would be implemented. The Committee trust that the Ministry would lose no time in implementing the recommendation already accepted by Government. (Paragraph 224).

REPLY OF GOVERNMENT

A Bureau of Public Enterprises for this purpose has since been set up.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 97)

The Project report envisaged that at the time of final build-up for the ultimate output, the ratio between administrative and factory staff would be 1:12. The present administrative staff (584 @ 40 per cent. of 1461) and factory staff (3406) gives a ratio of 1:6 This is on the high side and was in fact admitted as being high by the representative of HEL during evidence. (Paragraph 230).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 98)

The Committee are in agreement with the views of the Consultants that the Project is over-staffed for its present level of output. They recommend that a thorough review of the staff strength at Bhopal may be carried out immediately with a view to its reduction. (Paragraph 232).

REPLY OF GOVERNMENT

This is being done.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 99)

The Committee suggest that the annual reports of HEL should include a breakup of the staff employed category-wise separately on (a) construction, (b) operation of the factory, etc. (Paragraph 233).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 100)

The Committee consider that the non-industrial staff at Bhopal is on the high side. They recommend that their number should be brought down. (Paragraph 235).

REPLY OF GOVERNMENT

This is being done. Attention is invited to the reply to recommendation No. 67.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

Recommendation (Serial No. 102)

The Committee find that 54 officers of HEL have had two or more promotions within a period of five years. They also find the present pay of certain officers employed at Bhopal is double the pay that they were getting before their appointment in HEL.

While the Committee recognise that merit has to be rewarded, they regret to note that rapid promotions are becoming common in some of the public undertakings and HEL is no exception. Promotions should be made on well-defined principles and should broadly correspond to those followed in other undertakings and Government service. For higher posts it is not the basic qualifications that matter but the requisite experience to hold that post. Experience is some thing which is gained by service in a particular job over a period of time and before such experience is gained it would serve little purpose to lift a man to a position of higher responsibilities. The Committee have also dealt with this subject in paras 202—204c of their 32nd Report (Third Lok Sabha) on National Coal Development Corporation and have recommended that the matter may be examined by Government in a comprehensive manner with a view to bringing about some rationale and uniformity in the present mode of promotions in the various undertakings. (Paragraphs 238—240).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

FUTHER INFORMATION CALLED FOR BY THE COMMITTEE

In reply to paras 202—204 of the 32nd Report E.C. on N.C.D.C. the Committee had been informed that a comprehensive study was being undertaken with a view to evolving a rational procedure for promotions. Has the study been completed and have instructions been issued to all Public Undertakings?

[L.S.S. O.M. No. 14-Pu/64, dated the 18th November, 1965]

FURTHER REPLY OF GOVERNMENT

Model rules were formulated and copies thereof were laid on the Table of Lok Sabha on the 26th February, 1964.

Recommendation (Serial No. 106)

Out of about 8,000 persons employed at Bhopal, the number of staff belonging to scheduled castes and scheduled tribes was 495 and 1000 respectively on 31st March, 1962. The Committee suggest that the management of Heavy Electricals should seek the assistance of various organisations engaged in the uplift of scheduled caste/tribes

in the country as well as the Commisisoner for Scheduled Castes for recruiting persons belonging to that category. (Paragraph 247).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 16—Pu/64, dated the 18th Nov. 1965.]

Recommendation (Serial No. 107)

The Committee note that the labour relations at Bhopal have been none too satisfactory. Not long after the factory went into production, there were two strikes, one in May 1961 and another from 12th February, 1962 which lasted for about a month and resulted in a loss of 1½ months work and psychological tension which in turn affected the output. It is necessary for the efficient and economic working of an Undertaking that there should be complete understanding and co-operation between its labour and management. This is all the more essential during the present emergency. The Committee were glad to be informed during evidence that the position had improved during the last two months. The Committee hope that the improvement will be kept up and the differences such as there may be between the management and labour will soon disappear completely to make room for a friendly and co-operative endeavour in the best interest of the country. (Paragraphs 248-249).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 114)

The Committee were informed that HEL proposed to set up a foundry forge plant of its own for the manufacture of heavy castings and forges required for the three heavy electrical plants. The Committee are unable to appreciate why the HEL thought of setting up its own foundry forge plant at all when there was already an organisation in the public sector for this purpose. If any additional production in this field has to be organised, it should obviously be done by the Heavy Engineering Corporation which is already in the line and possesses the necessary technical 'know-how'. In this

connection, the Committee would invite a reference to the recommendation made in their 80th Report (Second Lok Sabha) that the existing organisation should be utilised to take up new activities in the line instead of entrusting it to new bodies. They recommend that if any additional foundry forge plant is necessary, it should be set up by Heavy Engineering Corporation and not by the Heavy Electricals. (Paragraphs 263-264).

REPLY OF GOVERNMENT

Government have so far decided to set up a foundry forge plant for the exclusive needs of casting and forgings in the Heavy Electrical Plants. A project report has been prepared by Heavy Electricals Ltd. It has, however, not been decided which agency will be entrusted with the responsibility for setting up and executing the project.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

FUTHER INFORMATION CALLED FOR BY THE COMMITTEE

The decision taken regarding the agency which would be responsible for setting up and executing the Foundry Forge Plant may be intimated.

[L.S.S. O.M. No. 14-6u/64, dated the 18th Nov., 1965.]

FURTHER REPLY OF GOVERNMENT

It has been decided that Bharat Heavy Electricals Ltd., should be responsible for setting up and executing the Foundry Forge Plant at Hardwar.

Recommendation (Serial No. 115)

The Committee consider that the assistance of foreign collaborators should be sought only for planning and designing the main sections of the projects for which 'know-how' is not available in the country. For the rest the consultants may be asked to indicate their requirements on the basis of which the planning, designing and construction of auxiliary shops etc. could be undertaken by Indians. Besides, effecting considerable economy, this would reduce the dependence on foreign collaborators and instil the necessary confidence in our men. The Committee hope that Government would issue suitable instructions in this matter for compliance by

all undertakings in the public sector. In this connection, a reference is also invited to paras 76—78 of their 32nd Report (3rd Lok Sabha) on N.C.D.C. (Paragraph 266).

REPLY OF GOVERNMENT

The general principles underlying the recommendation will be followed to the extent feasible. The Ministries/Departments have been requested to issue necessary instructions to the Public Enterprises with which they are concerned (*vide* O.M. No. F.3(5)-PC/63, dated the 22nd October, 1963, at Appendix—III. The policy is to avail of consultancy services from abroad only when unavoidable, and when the same cannot be secured from indigenous sources.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ESS/67, dated the 15th May, 1967].

Recommendation (Serial No. 116)

The Committee were told that HEL was organising its own design bureau and in future the appointment of consultants for heavy electrical industry may not be necessary. They hope that the proposed design organisation would be set up at an early date.

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965.]

Recommendation (Serial No. 119)

It is not desirable for HEL to reserve a large quantum of power, not immediately required by it and prevent the quantity excess of its own needs from being diverted to other needy consumers in the area. The Committee suggest that HEL should prepare a firm schedule of its demand from time to time. (Paragraph 275).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 120)

The Committee suggest that to avoid any dispute later on, the rates of power and water supply should be firmly settled at the time of deciding the location of a Project in a State. (Paragraph 276).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965.]

Recommendation (Serial No. 122)

The Committee note that a Middle School at Bhopal cost Rs. 1:08 lakhs, Secondary School Rs. 5:00 lakhs, Primary-cum-K.G. School Rs. 0:75 lakhs and the Community Centre, Assembly Hall and Auditorium Rs. 9:15 lakhs. The above buildings are on a very lavish scale. Such a heavy expenditure is hardly justified. There is, therefore, need for practising utmost austerity in such matters. The Committee trust that this aspect would be borne in mind while sanctioning the construction of townships at the new projects, (Paragraph 281).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965.]

Recommendation (Serial No. 123)

The Committee would like to make the following other suggestions:—

- (1) The layout of the township should be compact so as to avoid extra expenditure on roads, electric wires, water mains, sewage, etc.,*
- (2) The desirability of changing the designs and specifications of residential buildings particularly those for the use of higher officers, may be examined with a view to reducing their cost; and*
- (3) The construction of township should be according to a phased programme which should bear some proportion*

to actual requirements. In the initial stages the construction of the factory should be given higher priority. The housing designs may be simpler and cheaper, so as to bring down the ratio of cost on township to a reasonable level. (Paragraph 282).

REPLY OF GOVERNMENT

- (i) Noted.
- (ii) Noted.
- (iii) Noted.

[Ministry of Industry and Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965.]

Recommendation (Serial No. 124)

The maintenance charges of the Bhopal township (viz. Rs. 7.77 lakhs) are high and need to be brought down. (Paragraph 283).

REPLY OF GOVERNMENT

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965.]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The steps taken to bring down the maintenance charges of the township and the actual expenditure on this account during 1964-65 may be intimated.

[L.S.S. O.M. No. 14-Pu/64, dated, the 18th Nov., 1965]

FURTHER REPLY OF GOVERNMENT

1. Efforts have been made to bring down the Cost incurred on maintenance of township by—

1. (a) reducing or restricting the number of maintenance staff to the extent possible, and
- 1 (b) arranging white washing and outside colouring of the buildings every alternate year instead of every year. Saving on this account alone is of the order of Rs. 1.5 lakhs every year.

2. The expenditure on maintenance of the township during the year 1964-65 was Rs. 22.11 lakhs against Rs. 7.7 lakhs for 1961-62. The reasons for increase are as follows:—

- 2.1 The township is expanding year by year. Against about 5000 quarters under occupation towards the end of 1961-62, the number went upto 8700 in March, 1965.
- 2.2 The houses become older year by year requiring more maintenance, which in turn resulted in more expenditure.
- 2.3 During the last few years there has been an increase in the wage structure of the workers and in the year 1964-65, arrear on account of revision in Dearness Allowance and pay scales had to be paid. The amount paid to maintenance staff during this year comes to Rs. 11.02 lakhs.
- 2.4 The cost of material required for maintenance of the houses has considerably gone during the last three years.

Recommendation (Serial No. 125)

The Committee were surprised that the undertaking had not taken advantage of the financial assistance and subsidy available to industrial employers under the subsidised industrial housing scheme. They hope that it would now utilise the assistance available under this scheme. (Paragraph 284).

REPLY OF GOVERNMENT

Noted

[Ministry of Industry and Supply O.M. No. 21|1|63-HECHE, dated the 6th Feb., 1965]

Recommendation (Serial No. 127)

The Committee would also like to refer to the recommendation contained in their 84th Report (Second Lok Sabha) that the houses for different categories of employees should be interspersed in the same block/area so as to eliminate class-consciousness disguised or otherwise. Sharing of common amenities like schools, play-grounds, recreation centres, dispensaries, canteens, shopping centres would tend to create a feeling of belonging to a common family among employees of different categories serving the Company. They trust that HEL would implement this recommendation in its projects as far as possible. (Paragraph 286).

REPLY OF GOVERNMENT

Noted

[Ministry of Industry O.M. No. 26-1/65-HECHE, dated the 27th July, 1966].

Recommendation (Serial No. 128)

(i) *As regards long-term research, the Chairman of HEL stated that they proposed to take it up after the industry had developed to*

some extent. The Committee trust that this matter would receive the attention of Government and HEL at the appropriate time.

(ii) They suggest that, in the meantime, HEL might sponsor research on problems of immediate importance to it in any of the National Laboratories or Engineering Colleges by meeting a part of the expenditure from its funds, if necessary. (Paragraph 287).

REPLY OF GOVERNMENT

- (i) }
 (ii) } Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965]

Recommendation (Serial No. 129)

The Committee consider it necessary that in order to avoid the defects in Planning and execution of the Projects, organisation and construction, selection of personnel for the top posts, particularly the Chairman, Managing Director, Financial Adviser and Works Manager should as far as possible, be made from among the existing successful undertakings so that they could bring to bear their experience and knowledge in the field. This in the Committee's view would help avoiding the pitfalls and overcoming the difficulties that generally occur in the early stages. They trust that this matter would receive earnest attention of the Government. (Paragraph 290).

REPLY OF GOVERNMENT

This recommendation will always be kept in view while selecting persons for the posts of Chief Executive, Financial, Adviser, etc.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Serial No. 5)

The total financial obligation of HEL under the agreement with AEI and subsidiary agreements would amount to Rs. 4.66 crores or about 12 per cent of the capital investment of Rs. 40.30 crores. It is, however, seen that the total fee payable to AEI was not clearly brought out in the note submitted to the Cabinet and only the fees, on a percentage basis, were mentioned therein. Evidently, the total commitments on this account were not known to the Export Committee nor was this placed before the Committee of the Cabinet. The Committee are not happy that the approval of the Cabinet should have been obtained for the appointment of consultants on such meagre data furnished to them. In a matter like this there should be specific instructions to avoid such situations in future. It is hoped that it will receive due attention. (Paragraphs 21—23).

REPLY OF GOVERNMENT

By the very nature of things the information available about the detailed terms and conditions of the consultant, while seeking approval to engaging his services, would vary from case to case. However, the extant instructions require that as complete a picture of financial implication as possible is indicated in the Note for Cabinet, also mentioning the extent of uncertainty involved in the figures given.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/PSS/67, dated the 15th May, 1967].

Recommendation (Serial No. 10)

The Committee would recommend that Government should lay down broad principles for determining the reasonableness of fees demanded by the Consultants. The fees should bear a certain ratio to the total estimated cost of a project. In this connection, reference is invited to the Manual of the Association of Consulting Engineers, U.K., which indicates a sliding scale of fees. (Paragraph 37).

REPLY OF GOVERNMENT

As the nature of consultancy problems differs from project to project, and in any case since the fees payable would very much depend on what is acceptable to the Consultants who are interested in a particular job, it is difficult to lay down a uniform rate of fees for the consultants. Fixation of fees as a percentage of total project cost might also result in unintended benefit for the Consultants on account of the increase in cost of work due to extraneous reasons like contractors' delays etc.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 20)

The Committee suggest that instead of providing various facilities to the foreign specialists free of charge, the desirability of paying them a fixed salary, keeping in view the level of salary in their own country, may be examined. In that case the specialists could be asked to pay for all the facilities so that there was no hidden element in the terms of their appointment and the public at large would be aware of what was being paid to them. (Paragraph 61).

REPLY OF GOVERNMENT

The suggestion would be kept in view while negotiating collaboration agreements in future. But it should be recognised that the fixed amounts would hardly be acceptable to the prospective collaborators because of the varying conditions of living at the projects sites. In such cases, it is difficult for them to assess the likely cost of perquisites. Having regard to all factors, the various facilities provided to the foreign specialists are not entirely unreasonable.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967].

Recommendation (Serial No. 21)

The Committee recommend that Government should lay down broad principles governing the terms and conditions of foreign specialists for adoption by all public undertakings. (Paragraph 62)

REPLY OF GOVERNMENT

The nature of work for which the services of foreign specialists become necessary varies widely from project to project, depending

upon the type of industry, the scope of collaboration etc. Moreover, the specialists are drawn from various countries, who have their different procedures for collaboration arrangements. Having regard to all relevant factors, it is difficult to lay down uniform principles governing the terms and conditions. (

[Ministry of Finance, (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated, the 15th May, 1967].

Recommendation (Serial No. 32)

The Committee would urge that the recommendations contained in the Third Five Plan, particularly those contained in Chapter XVI and XVII, which are required to be implemented by the public sector undertakings should be specifically brought to their notice by Government. (Paragraph 90).

REPLY OF GOVERNMENT

These have been noted and are being acted upon taking all relevant factors into consideration.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 39-40)

(39) *The Committee noted that though the detailed project report for the Bhopal Project had been received as early as November, 1956, a survey of the indigenous capacity for manufacture of machine tools was not undertaken till 1958. Had survey been made earlier and the year-wise requirements of plant and machinery for the Project determined and publicised in advance, it might have been possible for the indigenous manufacturers to gear up their production and supply a part of the equipment that was imported.*

(40) *It is significant to note that out of the plant and machinery valued at Rs. 12.32 crores purchased from foreign countries, equipment worth Rs. 11.78 crores was purchased from the U.K. In such cases the Project authorities who are advised by the Consultants, are prone to import substantial quantities of plant and machinery for the quick implementation of the Project. The Committee would therefore, suggest that the requirements of the machinery for the other projects of HEL may be formulated sufficiently in advance and given wide publicity so as to secure indigenous supplies to the maximum extent possible. (Paragraphs 108-109).*

REPLY OF GOVERNMENT

The views of the Committee are noted. Even if the requirements of the machinery and plant had been published in 1956, it is questionable whether the indigenous industry could have geared itself to produce the sophisticated equipment peculiar to the Heavy Electrical Industry in 6 or 7 years particularly when the quantity of such equipment is not large enough for economical production in India. Equipment for Phase II of the factory was obtained on a Global Tender basis. The foreign countries other than the UK offered mostly the standard equipment against requirements of a specific nature. These countries also have Heavy Electrical Equipment manufacturing factories and they would have manufactured special machines for such factories. Yet they did not choose to quote for such machines but instead offered standard ranges of machines. Besides, the use of special jigs, fixtures and tools on the sophisticated machines is a factor also to be taken into consideration. If HEL bought from UK, machines similar to the ones in the consultants' factories, the special tools would not have to be designed to suit the machines. Considerable time in bringing the machines to effective use has thus been saved. Equipment of the desired accuracy and sturdiness made in India whenever feasible has been obtained indigenously.

For the other Plants a complete survey of the indigenous machine tools likely to be available has been made and full provision is being made for this in future purchases from abroad.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 42)

(1) Plant and machinery of the value of Rs. 10 crores, i.e., about 50 per cent of the total requirements of Rs. 18.51 crores, had been received at Bhopal. Of this machinery worth Rs. 70 lakhs, which was meant for Blocks I and II, had not installed as the factory blocks were not ready. The production during the year 1961-62 amounted to Rs. 177.47 lakhs, including works-in-progress, and construction of the value of Rs. 164.30 lakhs. During 1962-63, the target of production of Rs. 5.09 crores, is also not likely to be reached. Thus, while 50 per cent of the total equipment required for the project for an estimated annual output of Rs. 25 crores had been installed, the production (including works-in-progress) during 1961-62 worked out to only 5 per cent of the total capacity. In 1962-63

also the production would be less than 20 per cent of the rated capacity. This would clearly indicate that the utilisation of equipment already installed had been very low. During their visit to the factory in September, 1962, the Study Group of the Committee also gathered the impression that there was a considerable amount of idle capacity in the plant and machinery. The Committee deplore the existence of idle equipment at Bhopal to such a large extent.

(ii) They hope that with the completion of Blocks I and II and better planning with regard to the procurement of components and raw materials, the position would soon improve. (Paragraphs 113-114).

REPLY OF GOVERNMENT

(i) It is to be appreciated that though the Project was started about 9 months behind the date scheduled in the Project Report, yet the Project authorities commenced production from the scheduled date, in a very small way, in July, 1960. Various types of equipment had to be installed by stages and all these could not be utilised fully in the beginning. Although there was a 9 months delay in the sanction of the Project, the pattern of output had almost followed the course chalked out in the original Project Report; and the diversity of products in the Transformer sphere has been much beyond expectation. Already, Transformers of 75 MVA capacity have all been designed and manufactured by HEL engineers which means an achievement.

It would not be correct to take the entire capacity of the factory into consideration in assessing the percentage output, when about half the factory was not fully equipped and in operation.

(ii) Noted.

[Ministry of Industry & Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 45)

(i) In 1969-70 hardly 53 per cent of the requirements of raw materials and components for the Bhopal project would be met indigenously. In that year the cost of imports would still be Rs. 1229 lakhs in foreign exchange. Due to the foreign exchange position, considerable difficulty is stated to have been experienced by HEL to meet its full requirements. This has affected the production programme. With the setting up of two new projects, their requirements would largely increase. The need for making concerted efforts to locate and increase the indigenous production of the raw

materials and components required by HEL is evident. It is imperative that the Company should aim at ensuring that they are made available indigenously in the quickest time possible. The Committee suggest that with this end in view, Government should appoint immediately a Committee of technical experts, which may include representatives of the HEL, Development Wing and the Ministry to survey the indigenous capacity in this regard and to draw up in consultation with the various interests concerned, a long-term plan, for allocating among various producers the responsibility of manufacture of specified items.

(ii) Attempts should also be made to standardise the components as far as possible. (Paragraph 123).

REPLY OF GOVERNMENT

While the principle underlying the above recommendation is indefensible, the following points should be taken into consideration before deciding about the formation of the proposed Committee:

- (i) While it is true that the Bhopal Plant has to import components and raw materials for its production, for a number of years to come, involving considerable outlay in foreign exchange, it may be pointed out that the Management have taken necessary steps to develop ancillary industries in the industrial estate attached to the plant; manufacture of Aluminium Anodised Labels, Machine Screws, Tool Room Accessories, Cable Sockets, Nuts and Bolts, Packing Cases has already been established; manufacture of steel forgings, hot brass pressings, cotton, glass PVC tapes, Gun Metal Valves and Cooling fans is proposed to be developed shortly.
- (ii) The plant has exclusively marked an Executive Engineer to be in sole charge of Ancillary Industries Development.
- (iii) As all the imports have got to be cleared by the Directorate General of Technical Development from the indigenous angle before foreign exchange is released, it is always assured that no material is allowed to be imported, wherever there is an indigenous angle for the same resulting in wastage of foreign exchange.
- (iv) Since these imports are subject to the scrutiny of the Directorate General of Technical Development the

latter are fully acquainted with the requirements of the Bhopal for the various components, semi-finished assemblies and other critical raw materials and they are thus enabled to advise and promote private entrepreneurial activity for establishing new units in these lines of manufacture.

(v) Most of the requirements of the Bhopal Plant are tied up with the various developmental activities in the public and private sector industrial field, e.g. Rourkela Steel Plant are programmed to commence production of hot rolled transformer steel, the Government Porcelain Factory at Bangalore are trying to develop porcelains of the required specifications for the Bhopal Plant; the Sankey Electrical Stampings Ltd., are planning to expand their production to meet the growing needs of stampings in the country.

(vi) Import substitution is a long drawn-out process and it is only with the progressive development of production techniques and manufacturing skills spread over a number of years that one can hope to make this heavy high-precision industry as fully indigenous as possible. Even in the most advanced stages of development, a little percentage of imported components is inescapable.

In the above circumstances, it is considered that the constitution of a Committee, as suggested in the recommendation of the Estimates Committee, may not be necessary at present.

(ii) To the extent to which standardisation is possible Heavy Electricals are already attempting but their efforts are necessarily limited as most of their equipment is "tailor-made." They have already standardised the size of transformers and they propose to develop indigenous components in replacement of imported one in the manufacture of switchgear, to the extent possible. They also propose to standardise traction equipment suitable to mass production methods.

The suggestions of the Estimates Committee will constantly be kept in view by Heavy Electricals.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 47)

The Committee note that, as per Project Report, components for the manufacturing programme of 1960 were to be ordered by HEL in January, 1958 i.e. about 30 months in advance of the commencement of the manufacturing year (July, 1960). But neither the detailed specifications for the raw materials and components required in the first year of production were furnished by AEI nor had the HEL located the indigenous capacity for them. It was, therefore, decided to import in full the materials required for the first year of production. The Committee are surprised to note that sufficient attention was not paid by HEL to an important matter like obtaining specifications for raw materials and components from the consultants in time. It was also incumbent on the consultants themselves to do so sufficiently in advance of the commencements of production. Had this been done, it would have been possible for HEL to prepare a phased programme for imports as also to obtain some supplies indigenously. (Paragraphs 127-129).

REPLY OF GOVERNMENT

The execution of the Project itself was sanctioned only early in 1958 and its implementation became practicable only after a foreign loan from a U.K. syndicate of bankers came to be operated in April 1959. The Consultants also could undertake the compilation of lists of materials only after the execution of this project became a certainty and this was possible only after the foreign loan negotiations were finalised. Thereafter, time was required for preparing massive lists of items needed and get them cleared from Bhopal before procurement action could be initiated. At the same time, their machinery had to be geared for procurement of hundreds of machine tools and equipment.

It should be appreciated that despite about 9 months delay in the sanction of the project and the operation of the loan agreement, the original target date of 1st July, 1960 for starting manufacture though in a small way was adhered to.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

Recommendation (Serial No. 66)

The desirability of prescribing a suitable accounting procedure for adoption from the beginning by all undertakings in the public

sector may be considered by Government in consultation with the Department of Company Law Administration and the Comptroller and Auditor General (Paragraph 167).

REPLY OF GOVERNMENT

The Companies Act lays down, in respect of Govt. companies, the form of Balance Sheet and the requirements as to the Profit and Loss Account, so that all material information relating to the accounts are properly exhibited. Since the nature of operations of the Enterprises varies, it is not feasible to prescribe a single accounting procedure as suitable for all the Enterprises, apart from what is laid down in the Companies' Act. Government, however, issue instructions whenever considered necessary, on important aspects of accounting, viz., methods of depreciation, exhibition of tax etc.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/1SS/67, dated the 15th May, 1967].

Recommendation (Serial No. 71)

The number of Directors on the Board is not to be less than two and not more than fifteen. Further there has been a wide variation in the number of Directors on the Board from year to year. The minimum of two Directors is obviously too low. The Committee would suggest that the matter may be looked into and the minimum raised suitably. Wide variations in the actual strength of the Board may also be avoided, as such variations are not conducive to the sound administration of the undertaking. (Paragraph 177).

REPLY OF GOVERNMENT

Section 252(2) of the Companies Act lays down that a private company shall have atleast two Directors. There is no objection at all to a private company providing a higher minimum number of directors in its articles. In accordance with this Section, the Articles of Association of almost all the Government undertakings provide that, until otherwise determined by the Company in a general meeting, the number of Directors shall be not less than two. Although most of these Government Undertakings provided for a minimum of two Directors in their Articles of Association on the basis of Section 252(2) of the Companies Act, they normally function with their Boards composed of more than two Directors and the above recommendation appears to have been complied with in effect.

[Ministry of Industry and Supply (Department of Heavy Engineering) O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

Recommendation (Serial No. 80)

The Committee note that no less than 12 departmental heads are working directly under the Resident Director. He has thus an extremely wide span of control. It is stated that such a position tends to give rise to "procrastination, indecision, misunderstanding, irritation and strained relations." It is also doubtful whether a Resident Director charged with the task of controlling an industrial enterprise of the size of HEL can do the whole job by himself, unless he is assisted by deputies who could share some of his burden or who could advise him in various matters.

Obviously the present position does not fulfil the needs of an undertaking and calls for a speedy reorganisation. What the Consultants have suggested about the formation of a management team seems to deserve consideration. The Committee consider it essential that a suitable organisation should be immediately provided there taking into account the various managerial problems that might have been experienced so far. (Paragraphs 195-97).

REPLY OF GOVERNMENT

This matter is under constant review. Considerable delegation of powers at lower levels has been given to reduce the burden on the top executives.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb. 1965].

Recommendation (Serial No. 84)

The Committee suggest that Government might arrange for an orientation of Financial Advisers of industrial undertakings in the principles and practices of financial management either before their joining an undertaking or through refresher courses, as has been suggested in the Third Five-Year Plan. (Paragraph 204).

REPLY OF GOVERNMENT

In selecting persons for appointment as Financial Advisers in Public Enterprises, preference is given to those possessing accounting qualifications or previous experience of working in these Enterprises. Appropriate orientation courses are proposed to be organised, to the extent necessary, by utilising the facilities available in the existing management institutes, staff colleges, etc. One such was, in fact, organised in 1966 in the Administrative Staff College, Hyderabad.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 782 /FI/67, dated the 22nd April, 1967].

Recommendation (Serial No. 89)

The Companies Act and the Articles of Association of HEL require that the annual general meetings of the Company should be held at its registered office at Bhopal. But, it is seen that from 1960 onwards, the annual general meetings of the Company have all been held in the Chairman's office in New Delhi. The Committee regret that the provisions of the Companies Act and the Articles of Association have not been complied with by HEL in this regard. (Paragraph 212).

REPLY OF GOVERNMENT

As all the share holders are stationed in New Delhi, it has been found convenient to hold these meetings at New Delhi. Prior approval of Government has been obtained by HEL under the provisions of the Indian Companies Act.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb. 1965].

Recommendation (Serial No. 91)

The liaison Offices of the public undertakings in New Delhi are located in rented buildings at different places for which heavy rents ranging from 64 np per sq. ft. to Rs. 1.50 nP. per sq. ft. is being paid by them. In para 173 of their 32nd Report on N.C.D.C. the Committee have recommended a review of need for the various liaison Offices of public undertakings in Delhi. They also discussed with the representatives of the Ministry of Steel & Heavy Industries the desirability of constructing a multi-storeyed building to house such offices of public undertakings as are necessary and have to be located at New Delhi. They are glad to learn that the State Trading Corporation had made a proposal for the construction of a building for the purpose. The Committee hope that an early action would be taken in the matter. (Paragraph 215).

REPLY OF GOVERNMENT

Noted. As the recommendation has been reiterated by the Estimates Committee in their 50th Report (*vide* para 21 of the Report) (Third Lok Sabha) which is under consideration, the considered views of the Government will be conveyed while furnishing replies in respect of the recommendations contained in the 50th Report.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb. 1965].

COMMENTS OF THE COMMITTEE

In view of the Government's reply, the Committee would like to pursue this recommendation in the Action Taken Report on the 50th Report of the Estimates Committee (3LS) on 'Accommodation rented in Principal Cities and Guest Houses, Staff Cars, etc; maintained by them.'

Recommendation (Serial No. 92)

The Committee doubt whether the Guest Houses set up by the various public undertakings in New Delhi are fully occupied throughout the year. A study of their use and economics would, perhaps, lead to interesting results. As any expenditure by an Industrial Undertaking on such activities affects its cost of production, there is need for utmost economy in these matters. It is obviously advantageous to pool such arrangements of the public undertakings. The Committee, therefore, suggest that the feasibility of constructing a few residential blocks in the multi-storeyed buildings referred to in para 215 may be examined by Government. These blocks could be used as a Common Guest House by all Public Undertakings. (Paragraph 218).

REPLY OF GOVERNMENT

Noted. As the recommendation has been reiterated by the Estimates Committee in their 50th Report (vide paras 29-31 and 33 of the Report) (Third Lok Sabha) which is under consideration, the considered views of the Government will be conveyed while furnishing replies in respect of the recommendations contained in the 50th Report.

[Ministry of Industry & Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

COMMENTS OF THE COMMITTEE

In view of the Government's reply, the Committee would like to pursue this recommendation in the Action Taken Report on the 50th Report of the Estimates Committee (3LS) on 'Accommodation, rented in Principal Cities and Guest Houses, Staff Cars, etc; maintained by them'.

Recommendation (Serial No. 96)

The Committee discussed the desirability of appointing a separate Personnel Commission for the public undertakings. It could broadly lay down the terms & conditions etc. of the various categories of posts. The members of such a Commission could also be co-opted on the Selection Committees of the Public Undertakings. The representatives of the Ministry stated that it would not be conducive

to speedy recruitment which was necessary in the case of such undertakings. Further, it was a question of policy and would have to be carefully examined. The Committee have discussed this matter in detail in paras 205-9 of their 32nd Report on the N.C.D.C. and have urged Government to take an early decision in the matter. (Paragraph 227).

REPLY OF GOVERNMENT

Noted. As the recommendation has been reiterated by the Estimates Committee in their 52nd Report (*vide* paras 183-185 of the Report) (Third Lok Sabha) which is under consideration, the considered views of the Government will be conveyed while furnishing replies in respect of the recommendations contained in the 52nd Report.

[Ministry of Industry & Supply O. M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

COMMENTS OF THE COMMITTEE

In view of the Government's reply, the Committee would like to pursue this recommendation in the Action Taken Report on the 52nd Report of the Estimates Committee (3LS) on Personnel Policies of Public Undertakings.'

Recommendation (Serial No. 101)

The Committee consider that variation in the scales of pay for similar posts in the various public undertakings is not desirable as it would lead to dissatisfaction and drift of staff from one undertaking to another. They, therefore, suggest that some uniformity should be attempted in the scale of pay for similar posts in various undertakings. (Paragraph 237).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th Feb. 1965].

FURTHER INFORMATION CALLED FOR BY FIVE COMMITTEE

The steps taken by Government to implement the recommendation of the Committee may be intimated.

[L.S.S. O.M. No. 14-Pu/64, dated the 6th February, 1965.]

FURTHER REPLY OF GOVERNMENT

The recommendation is still under consideration.

Recommendation (Serial No. 103)

Out of 155 technical personnel who left HEL during the years 1959, 1960, and 1961, 79 persons had undergone training at the expense of the Company and signed an agreement to serve it for a period of five years in 17 cases and three years in two cases after completion of training. During 1962 another 14 technical personnel had left HEL. Although these technical personnel left the Company during the years 1959, 1960 and 1961, suits for the bond money had not so far been filed except in one case. Three years is a long enough period and prompt action should have been taken by HEL to pursue these cases. It is regrettable that HEL has not made any serious efforts to recover the amounts outstanding and has dealt with this matter in a casual manner. It appears that this lenient attitude may have been responsible for the flight of such a large number of persons without paying the bond money. With a view to curbing the present tendency of trained personnel leaving HEL, the Committee suggest that vigorous steps should be taken to recover the bond money in all the defaulting cases. (Paragraphs 241-244).

REPLY OF GOVERNMENT

(i) (a) Out of 33 technical personnel who have undergone training at the Company's expense and signed an agreement bond to serve for a specific period, but have left the Organisation, full amount of Rs. 65619.49 nP has been received in 8 cases.

(b) An amount of Rs. 1821.94 nP is also being paid in 18 instalments with interest in one more case.

(ii) In the case of another trainee the court has passed decree in favour of Company.

(iii) In 16 cases suits have been filed in the court of law.

(iv) In the remaining 7 cases also similar action is being taken. It will, therefore, be seen that HEL have made all efforts to recover the amounts due from the defaulting employees and their sureties.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 104)

At present 45 retired persons are employed by HEL, out of which 32 are engaged on non-technical jobs, including those of Assistants and Clerks. While the Committee agree that in the initial stages, there might have been some justification for HEL to re-employ retired personnel for certain technical jobs till suitable

persons had been trained, they do not appreciate the reason for employing retired officers for non-technical secretarial jobs. The Committee note that except in six cases, the term of all the re-employed personnel is due to expire in 1963. They were assured by the representative of the Ministry that the decision of Government would be taken into account while granting extensions of service to these personnel. They trust that this would be done. (Paragraph 245).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 108)

The Committee trust that elected Works Committees would soon be set up in all Departments of the factory and made an active instrument for the democratic administration of labour matters. (Paragraph 251).

REPLY OF GOVERNMENT

Industrial Disputes Act, 1947 provides for the formation of a Works Committee but since this Act is not applicable to the HEL, the question of constituting such a Committee does not arise. As the Heavy Electricals (India) Ltd., Bhopal is in the State of Madhya Pradesh, they are governed by the Madhya Pradesh Industrial Relations Act, 1960, which provides for the formation of a Joint Committee. It provides that where there is a Representative Union, a Joint Committee may be constituted in an Undertaking in the prescribed manner with the consent of the employer and the Representative Union. A Joint Committee could only be formed when the Madhya Pradesh Government declared on 12th February, 1963, the Heavy Electricals Employees Union, Bhopal as the Representative Union of the Company. Conforming to the provisions of the Act, a Joint Committee consisting of five representatives of the Management and five representatives of the Union has been appointed on the 15th March, 1963. It is the duty of this Committee to promote measures for securing amity and good relations between the employer and employees and to that end to consult on matters of common interest or concern and try to compose any material differences of opinion in respect of such matters. The provision for the democratic administration of labour matters has thus been made.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 109)

The Committee were informed that the Ministry of Finance was not consulted before deciding to split up of Heavy Power Equipment Plant and the High Pressure Boiler Plant to be set up under Czech. assistance. While the splitting up of an integrated project might have been justified in the present case on technical and other grounds, it would have been desirable of the financial implications of locating the plants at the separate places had also been examined in consultation with the Ministry of Finance before taking a final decision in the matter. (Paragraph 256).

REPLY OF GOVERNMENT

It was only in consultation with the Ministry of Finance and the Planning Commission that the final decision to split up the Heavy Electricals Plant under the Czech. assistance into Heavy Power Equipment Plant and High Pressure Boiler Plant to be located at Ramachandrapuram (near Hyderabad) and Tiruchi respectively was taken. This was also mentioned in the Cabinet Note for the Tiruchi Project.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 110)

It has been decided to increase the capacity of the equipment to be manufactured at Hyderabad from 12,25 or 60 M.W. to nearly 100 MW. The Committee are surprised to note that changes in the size of equipment to be produced at Hyderabad are being made so soon after the project was sanctioned and immediately after receipt of the project report from the Czech. Collaborators. It clearly indicates that the project has been conceived hastily. The change would also delay the execution of the project as it would necessitate preparation of fresh blue-prints for the factory, structural changes in the designs and heavier foundations for the factory buildings. The time and money already spent on the preparation of the earlier project report might also be rendered infructuous. (Paragraph 257-258).

REPLY OF GOVERNMENT

M/s. Technoexport were commissioned in June, 1961 for the preparation of a detailed project report, for the manufacture of the

following in Ramachandrapuram, Hyderabad:—

(1) Steam turbines and turbo alternators complete with pumps and other auxiliaries	12 MW units 10 Nos.
	25 MW units 20 Nos.
	<hr/>
Total :	620 MW units 30 Nos.
	<hr/>

(2) *Grey Iron Foundry*

First Stage	3000 tons
Ultimate Stage	10,000 tons

Non-ferrous foundry 430 tons.

The agreement stipulated that the plant should be designed to be capable of doubling the capacity and also to manufacture larger turbines and turbo alternators of unit sizes of 60 MW in the next stage of development. The manufacturing programme, in the first phase, envisaged meeting the demand for smaller power houses and for standby power plants, especially for individual industrial units and in the remote areas.

2. In consultation with Indian engineers, M/s. Techno-export took up the preparation of the detailed project report on the above lines. In the meantime, the very considerable gap in power supply in the country, related to the demand in the immediate future and in the years to come, began to be increasingly felt, which led to some rethinking on the scope and nature of individual hydro and thermal power plant projects. Thermal schemes began to assume importance *vis-a-vis* hydro schemes, which they did not previously have. The firm opinion developed, that, if the gap in the supply of power was to be reasonably bridged, it was necessary to build a national grid. All these led to the view that power generation should be by considerably larger individual generating units than had been envisaged before. The Czech experts were apprised of this position and were requested to include, in the detailed project report, the manufacture preponderantly of turbine and turbo alternators of 60 MW in the first stage itself with provision for later manufacture of units of 100 MW and 120 MW capacity. In the first instance, the Czech experts did not agree to this suggestion and the project report was completed in terms of the agreement. After some persuasion, the Czechs., however, agreed to prepare a supplementary project report, which would cover the manufacture of units of 55 MW. Subsequently, after several discussions, the Czechs.

were persuaded to so redesign the plant as to enable the manufacture of steam turbines and turbo alternators of 100 MW utilising the equipment proposed to be installed in the plant.

The original detailed project report envisaged a total production capacity of 620 MW. By going to higher ranges, namely 55 MW and 100 MW, it has been estimated that the output from this plant would be of the order of 800 MW. The scope of manufacture included the complicated process of blades for the turbines and also a stamping shop for the alternators, and a grey iron foundry for meeting the requirement of castings upto 5 tons piece weight. The detailed project report was accepted on the above basis.

From the foregoing, it will be evident that it was only after the scope of the plant was finally determined the designing and construction work had been started. There has thus, been no infructuous expenditure as a result of Government's decision to enlarge the original scope of the plant to include manufacture of steam turbines upto 100 MW.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 111)

Originally the intention was to manufacture at Hyderabad the generator sets for the boilers to be produced at Tiruchy. It had now been decided to produce them either at Bhopal or Hardwar. It would thus be seen that the original idea of coordinating the production of Tiruchy and Hyderabad Projects has been abandoned. (Paragraph 259).

REPLY OF GOVERNMENT

This is not so. Hyderabad will also make Steam Turbines and Generators of 55 MW and 100 MW. and their matching boilers will be made at Tiruchy.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 112)

The Committee trust that the orders for the supply of equipment produced at the factories of HEL would be co-ordinated and distributed in such a way that customers of one region would be able to obtain all their requirements from that region. This would facilitate speedier repair and replacement of parts in the event of breakdowns. (Paragraph 260).

REPLY OF GOVERNMENT

This would not be practicable. Bhopal is the only unit for the manufacture of Transformers, Switchgear and Traction equipment for the whole of India. Regarding Thermal and Hydro-Generating Units, the division of work in the different HEL Plants would depend upon the sizes of generating units to be supplied. Repair of such equipment is normally done at the site and not in the factory.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 113)

The Committee consider that the placing of the Boiler Plant under Heavy Electricals had some justification originally when it formed an integral part of the Heavy Power Equipment Project. But after it was decided to split it up into two separate plants, it was not, perhaps, necessary to continue the original arrangement especially when it involved different technical processes. The Committee urge that Government may examine whether it would be desirable to set up a separate organisation for the administration of the Boiler Plant. (Paragraph 262).

REPLY OF GOVERNMENT

The boiler and steam turbine are integrated units and there is some coordination in their manufacture. It is, therefore, advantageous to keep both manufacturing units under one control when it is administratively practicable and to ensure co-ordinated and timely supplies at sites of power stations.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 117)

With the emphasis placed on rapid industrialisation, many new projects are likely to be set up in the public sector during the Third and subsequent Five Year Plans. It is seen that in some of the existing industries certain amount of experience has been gained and the technology is well-known, for instance fertilizers, sugar, cement, textile, steel, etc. Already consultancy service is available in regard to some of these. There is need for pooling all these experiences and developing a strong central consultancy organisation. The idea should be to minimise the dependence on foreign consultants and the expenditure on foreign exchange as far as possible. The Committee trust that the proposed Central Consultancy

Organisation would be built up as early as possible. (Paragraph 269).

REPLY OF GOVERNMENT

In the Technological Consultancy Bureau of National Industrial Development Corporation, technological experience and skills in different fields of consultancy are being developed. The Central Engineering Design Bureau of Hindustan Steel Ltd., Engineers (India) Ltd., Planning and Development Division of Fertilizer Corporation of India Ltd., etc. are specialising in the fields of steel, refineries, and fertilizer respectively. In view of the specialised nature of problems in the different industries, it may not be practicable or advisable to centralise these arrangements. However, the need for coordination between the different agencies, wherever necessary, has been accepted.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated the 15th May, 1967.]

Recommendation (Serial No. 118)

The Committee were informed during evidence that Government had not laid down any criteria for the selection of sites for the public Sector Projects. With the experience at Bhopal and with the indications given by AEI in the Project Report some basic considerations had emerged which were kept in view while selecting sites for the new projects of HEL. The Committee suggest that Government might lay down broad principles to guide the selection of sites for factories in future. These principles may apart from availability of power and water supply, raw materials and transport include expert opinion on foundations and soil conditions. (Paragraph 273).

REPLY OF GOVERNMENT

The Government have decided that unless over-riding considerations supervene the public sector projects should to the maximum extent practicable be located in areas in which industrial development has been lagging behind. Also in particular those areas which are industrially congested should be avoided. The Technical Committees which are normally constituted for site selection go into the question of the suitability of soil also.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

Recommendation (Serial No. 126)

The Committee suggest that Government might examine the general question of the incidence of cost of townships on the cost of production of industrial undertakings in the public sector, and examine to what extent relief could be given by way of lower rate of interest on the investment in townships. (Paragraph 285).

REPLY OF GOVERNMENT

The principle has been accepted that the Public Enterprises should be as close as possible to private sector units in their working in order to get a correct picture of their financial operations. In this context, it would not be appropriate to extend special concessions like providing to the Public Enterprises capital at low rate of interest for townships or other purposes.

[Ministry of Finance (Bureau of Public Enterprises) letter No. 198-FI/ISS/67, dated, the 15th May, 1967].

Recommendation (Serial No. 130)

The Committee consider it desirable that Government should prepare a Handbook on Public Undertakings for the guidance of Project Authorities. The proposed Handbook might contain among other things directions, instructions and decisions of Government on all important matters relating to the organisation and administration of industrial undertakings, e.g., agreements with foreign collaborators, siting of projects, organisation, procedure for recruitment, training, scales of pay, employment of foreign specialists and retired personnel, delegation of powers, relationship with Government, accountability to Parliament, maintenance of account procurement of plant and machinery and raw materials and components, pricing policy and research. (Paragraph 291).

REPLY OF GOVERNMENT

Noted. As the recommendation has been reiterated by the Estimates Committee in their 52nd Report (*vide* para 259 of the Report) (Third Lok Sabha) which is under consideration, the considered views of the Government will be conveyed while furnishing replies in respect of the recommendations contained in the 52nd Report.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

COMMENTS OF THE COMMITTEE

In view of the Government's reply, the Committee would like to pursue this recommendation in the Action Taken Report on the 52nd Report of the Estimates Committee (3LS) on 'Personnel Policies of Public Undertakings'.

Recommendation (Serial No. 131)

The Committee suggest that the heads of various undertakings, in the public sector, should meet at intervals to exchange views and discuss common problems with a set agenda. (Paragraph 292).

REPLY OF GOVERNMENT

The suggestion of arranging meetings of heads of various undertakings at fixed intervals will be examined by the Bureau of Public Enterprises.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

FURTHER REPLY OF GOVERNMENT

The suggestion of the Estimates Committee for arranging meetings of heads of public undertakings at fixed interval to exchange views and discuss common problems with a set agenda, has been examined by the Bureau of Public Enterprises. Government is already aware of the need for convening such meetings and accordingly the Ministers in charge of the Ministries principally concerned with public enterprises, such as the Ministry of Industrial Development and Company Affairs, Department of Mines and Metals, Department of Defence Production, etc., have been convening periodically meetings of the Chief Executives of the Enterprises under their administrative control. It is also customary to circulate an agenda in advance of each such meeting. Such a meeting was called by the Minister of Mines and Metals at the end of March 1966, Minister of Labour and Employment in July, 1966, Minister of Industry in July, 1966 and recently by the Minister of Industrial Development & Company Affairs in March/April, 1967. In June last year the Prime Minister had also convened a conference on "How to make the Public Sector the Creator of New Wealth" which was attended among others, by Chief Executives of major Public Enterprises. At such meetings the Bureau of Public Enterprises participates through their representatives. It is felt that such meetings

should be called as and when necessary, as in fact is the practice at present. It is also considered to be of advantage to arrange such meetings Ministry-wise or in other convenient groups rather than have all Public Enterprises represented at each such meeting.

[Ministry of Industrial Development & Company Affairs O.M. No. Pr. C. 16(8)/64, dated 17th May, 1967].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE.

Recommendation (Serial No. 3)

The Committee regret to observe that the report of Dr. Ghosh Committee and the Project Reports submitted by foreign electrical manufacturers in 1949 were not made available to them and were stated to have been misplaced due to transfer of work relating to heavy electrical industry between the various Ministries during the last 14 years. They cannot but take a serious view of the matter. The Committee are astonished that documents which ought to be in proper care and custody have not been forthcoming. They hope that earnest efforts would be made to locate these important reports which must have entailed considerable sums of money. (Paragraph 14).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965.]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the Reports in question have been traced.

[L.S.S. O.M. No. 14-Pu/64, dated, the 18th Nov., 1965].

FURTHER REPLY OF GOVERNMENT

It has not been possible to trace the reports.

[Ministry of Industry and Supply O.M. No. 26-1/65-HECHE, dated 23rd April, 1966.]

COMMENTS OF THE COMMITTEE

(Please see para 1 and 2 of Chapter I).

Recommendation (Serial No. 6)

The Committee have looked into the commitment made by the Consultants (AEI) in their letter dated 19th June, 1955 that "the lumpsum payment of £400,000 payable to them under the main agreement would not be increased on account of their having to secure collaboration from the subsidiary consultants." They have a feeling that the above commitment was overlooked at the time of entering into the subsidiary consultants' agreement and obtaining Government's approval thereto. This position could not be confirmed as the relevant file of the Ministry is still missing. The Committee agree with the observations of P.A.C. that the matter calls for a thorough investigation and desire that early action should be taken in this behalf. (Paragraph 28).

REPLY OF GOVERNMENT

Noted. •

[Ministry of Industry & Supply, O.M. No. 21/1/63-HECHE, dated the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the matter had been investigated as suggested by the Committee and if so, the outcome thereof.

[L.S.S. O.M. No. 14-Pu/64, dated the 18th Nov., 1965].

FURTHER REPLY OF GOVERNMENT

Investigation of the case has been handed over to the Central Vigilance Commission and the outcome is awaited.

[Ministry of Industry & Supply O.M. No. 26-1/65-HECHE dated the 23rd April, 1966.]

COMMENTS OF THE COMMITTEE

(Please see para 3—9 of Chapter I).

Recommendation (Serial No. 31)

The Committee were surprised to note that HEL had not yet undertaken the preparation of a completion report even in respect of the Factory Blocks, already completed. What is more surprising is that neither the HEL was aware of the suggestion contained in the 3rd Plan nor had the Ministry drawn their attention to it.

The Committee would suggest that Government might issue suitable instructions to all undertakings in the public sector to prepare comprehensive completion reports for their projects as envisaged in the Third Five-Year Plan. (Paras 88-89).

REPLY OF GOVERNMENT

The completion report for civil engineering Works for the period ending 30th June, 1963 for HEL, Bhopal has been received.

[Ministry of Industry & Supply, O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

“.....copy of instructions issued by Government regarding preparation of comprehensive completion reports by the undertakings may be furnished....”

• [L.S.S. O.M. No. 14-Pu/64, dated the 18th Nov., 1965].

FURTHER REPLY OF GOVERNMENT

Instructions are under issue.

[Ministry of Industry O.M. No. Pr. C. 16(8)/64, dated the 27th March, 1966].

COMMENTS OF THE COMMITTEE

The Committee in this connection note that at the time of evidence of Management & Administration of Public Undertakings, it was informed that the idea of preparation of completion Reports was accepted and instructions to all the public undertakings had also been issued in October, 1964. From the reply of Government it, however, appears that the Ministry is ignorant of this fact that instructions to all the public undertakings have already been issued. The Committee would, therefore, like to draw the attention of the Ministry to para 201 of the 13th Report of the Committee on Public Undertakings on Management and Administration of Public Undertakings.

Recommendation (Serial No. 38)

There are several interests connected with the heavy electrical industry in India. These are mainly the manufacturers of electrical equipment in the private sector, the Government Electrical Factory at Bangalore, the CW&PC, the consumers of heavy electrical equipment, the different producers of raw materials and components for the industry, the railways and the Government. All these have their

respective problems which do not always coincide. The Committee feel that in order to ensure a balanced development of the industry there should be proper coordination among all the interests. They would suggest that a Consultative Committee consisting of the various interests might be set up to advise on the production programme of HEL, and other connected problems. The representative of the Ministry agreed that the proposed Committee could meet once a year to discuss the various problems. The Committee hope that early action would be taken in the matter. (Paragraph 104).

REPLY OF GOVERNMENT

While the principle underlying the above recommendation is indefensible, it should be pointed out that the time is not yet opportune for the constitution of such a Committee. At present, only the Bhopal Unit of Heavy Electricals (India) Ltd., is in production and even in this unit the present rate of output is about 25 per cent of the installed capacity and much leeway remains to be made up. The Board of Heavy Electricals (India) Ltd., has, as at present constituted, the Additional Chairman of the Central Water and Power Commission and the Chairman of the Madras State Electricity Board as its Directors; besides the Chief Engineer, Tata Group of Power Companies is also a Director.

The Chairman of HEL is in continuous and constant touch with the various user Departments like the Central Water and Power Commission, the Ministry of Railways (Railway Board), the Chairmen and the Chief Engineers of the various State Electricity Boards and other consumer interests. He is also in touch with the Department of Technical Development and the administrative Ministry with the result that all the production programmes in the various heavy electrical plants will be correlated to the actual requirements of the country and that the capacity of the plants is effectively and judiciously utilised so as to subserve the maximum indigenous demand for heavy electrical machinery.

In the above circumstances, it is felt that the constitution of a Committee, as suggested in the above recommendation, will hardly be necessary. Moreover, for a business undertaking like Heavy Electricals (India) Ltd., it appears unwise that it should lay open its entire production plan to the public, some of which is bound to be of a competitive character in which the private industrialists may also be vitally interested—e.g. capacitors and industrial motors within certain ranges.

[Ministry of Industry & Supply, O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

COMMENTS OF THE COMMITTEE

The Committee are not satisfied with Government reply. They, therefore, reiterate the recommendation and would like to pursue it further during the course of examination of Heavy Electricals (India) Ltd., Bhopal.

Recommendation (Serial No. 58)

(i) *It would be seen that the expenditure on factory buildings at Bhopal is higher than that in other projects. The expansion of the factory to an annual output of Rs. 50 crores is expected to entail an additional expenditure of Rs. 9.34 crores on factory buildings alone. The Committee feel that the factory at Bhopal has been planned on a very lavish scale. The buildings should be purely functional and related to the actual needs. It needs no emphasis that heavy expenditure on construction etc. leads to over-capitalisation and adversely affects the overall efficiency of the project including its cost of production.*

(ii) *Though the expenditure on buildings may have to vary from industry to industry depending on their needs, the Committee consider it very essential that it should bear certain ratio to the total cost of the Project. They would suggest that a team of experts be appointed to make a study with a view to fixing such a ratio.*

REPLY OF GOVERNMENT

(i) *Civil construction costs of the factory blocks at Bhopal have been found to be economical even in the light of estimates furnished by the Russian and the Czech Consultants for the factory buildings of other HEL units at Hardwar etc.,*

(ii) *This will vary not only from industry to industry but also in the same industry, as it depends on the nature of output, height, size and weight of products etc. Air-conditioning or Air-heating also counts. For manufacture of heavier equipment like Turbines, Generators & Power Transformers, much heavier structures, foundations and craneage are required. The flooring also is more expensive. It also depends upon soil conditions. Lighter industries require lighter construction and correspondingly less costs.*

In view of these considerations, it is felt that an expert committee cannot be expected to fix standards and useful norms for such widely different and complex projects in which the Public sector is interested. It would, however, be Government's endeavour to

subject the estimates of design and cost, to as strict a scrutiny as possible. (Paragraphs 153-154).

[Ministry of Industry & Supply, O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

COMMENTS OF THE COMMITTEE

The question of costs of factory buildings has been dealt with in paras 112—115 of the 8th Report of the Committee on Public Undertakings on Township & Factory Buildings of Public Undertakings. The Committee would, therefore, like to pursue the matter in their Action Taken Report on the 8th Report.

Recommendation (Serial No. 69)

The financial review for the quarter ending 31st March, 1961, was submitted, on 13th January 1962, i.e. after nine months. The reviews for the two quarters ending 31st December, 1961 and 31st March, 1962 were submitted on 28th August, 1962, i.e. after seven months and four months respectively. The three subsequent reviews relating to the quarters ending 30th June, 30th September and 31st December, 1962 have not been submitted to the Government as yet. The Committee regret the abnormal delays in the submission of these reviews which serve as an instrument of financial control. They would recommend that greater attention should be paid to the timely preparation and submission of these reviews. (Paragraphs 173-174).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply, O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Please furnish dates of submission of Quarterly financial reviews for 1964-65 by Heavy Electricals (India) Ltd., to Government.

[L.S.S. O.M. No. 14-Pu/64 dated the 28th November, 1965].

FURTHER REPLY OF GOVERNMENT

Dates of submission of Quarterly financial reviews for 1964-65 to Government are given below:—

<i>Quarter ending</i>	<i>Date of submission to Government</i>
30-6-1964	19-10-1964
30-9-1964	9-1-1965
31-12-1964	16-3-1965
31-3-1965	26-10-1965
30-6-1965	26-11-1965
30-9-1965	14-12-1965
31-12-1965	3-3-1966

COMMENTS OF THE COMMITTEE

(Please see para 10—12 of Chapter I)

Recommendation (Serial No. 76)

The responsibilities of Boards in the Public Undertakings are very onerous. Apart from providing the necessary leadership and direction to the undertaking they have to ensure that the management of the various projects under their charge is sound and effective. The right choice of members of the Board is, therefore, of prime importance. The Committee suggest that Government might lay down the qualifications and the nature of experience expected of persons who will be appointed as members of the Board of Directors of industrial undertakings. The Statutes relating to the setting up of public undertakings in the U.K. specify such qualifications and experience. (Paragraph 185).

REPLY OF GOVERNMENT

This has been examined in detail. According to the existing practice the Boards consist of a representative of the administrative Ministry, a representative of the Finance Ministry, one or two Government Directors representing the consumer department/ Advisory Bodies like D.G.S.&D./or D.G.T.D. and a few non-official directors. A person well-versed in labour matters and closely associated with All India Trade Unions is also nominated by the Ministry of Labour and Employment. In the circumstances, any qualification can, by their very nature, be made applicable only to non-official directors. The non-official directors are chosen on the basis of their knowledge of industry and the position occupied by them in public life and only such persons whose presence on the Board will contribute to the successful functioning of the Company

are appointed to the Board. As such, it is not considered necessary to prescribe any minimum qualifications in this regard.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

COMMENTS OF THE COMMITTEE

The Committee are not convinced by the arguments advanced by the Ministry. The Committee feel that although it may not be possible to fix any uniform qualifications/experience for all the directors, different sets of qualifications/experience may be specified for representatives of different sections of Public/Ministry/Government Departments. They feel that at least qualifications for non-official Directors ought to be laid down. They, therefore, reiterate the recommendation.

Recommendation (Serial No. 86)

The Committee suggest that model Articles of Association for Government Companies might be framed by Government, providing for matters of common application, and circulated to all the Ministries of Government for their guidance. (Paragraph 206).

REPLY OF GOVERNMENT

For Government Companies of varying sizes and engaged in diverse industries it is not possible to draw up a model Articles of Association. The common matters that should find place in the Articles of Association are already indicated in Schedule I of the Companies Act, 1956, which is a sufficient guide for the Administrative Ministries floating new companies. Moreover, the Articles of Association of Government Companies are always vetted by the Department of Company Law which gives the required guidance to the Administrative Ministries.

[Ministry of Industry & Supply, O.M. No. 21/1/63-HECHE, dated, the 6th Feb., 1965].

COMMENTS OF THE COMMITTEE

The Estimates Committee had in para 206 of its 35th Report on HEL noted that as a result of Government decisions, instructions are issued from time to time to the Public Undertakings for incorporating certain provisions in their Articles of Association so as to bring about a uniform pattern. The Committee feel that it would be desirable to consolidate these instructions in one place. The provisions of the Companies Act or vetting by the Department of

Company Law would not be adequate for the purpose in view. The Committee, therefore, reiterate the recommendation.

Recommendation (Serial No. 121)

It would be seen that even at present the cost of township at Bhopal is disproportionately high and works out to as much as 18.0 per cent of the total investment on the project as against 6 to 9 per cent at the three Steel Plants. This high ratio may be considerably worsened should the revised programme for an additional outlay of Rs. 7.40 crores on township be taken up. During their visit to Bhopal the Study Group of the Committee gathered the impression that the Bhopal township was very sprawling and lacked compactness. It is very essential that the cost of the township is kept to the absolute minimum. It should also bear a reasonable proportion to the total cost of the Project. The Committee recommend that utmost economy should be exercised in this regard. (Paragraph 280).

REPLY OF GOVERNMENT

Noted. It may, however, be stated that in the case of Steel Projects, the capital cost is comparatively very high and the ratio of township cost to the total cost would work out less. Also the proportion of workers to the total cost will be less in the case of Steel Plants as compared a Heavy Electrical Plant.

[Ministry of Industry and Supply O.M. No. 21/1/63-HECHE, dated the 6th February, 1965].

COMMENTS OF THE COMMITTEE

The question of expenditure on township has been dealt with in Paras 6—13 of the 8th Report of the Committee on Public Undertakings on Township and Factory Buildings. They would, therefore, like to pursue this matter in their Action Taken Report on the 8th Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 73)

The representative of the Ministry of Finance on the Board of HEL was serving on the Boards of as many as nine other public undertakings. It was admitted by him that it was heavy load of work for him. In fact, the officer had resigned from five of these public undertakings recently. The Committee have noticed similar cases in certain other undertakings also. They note that Government have recently decided that "no officer who is also assigned ordinary Secretariat duties should be appointed Director in more than three or four companies at the maximum. Finance Officers should be selected as Directors only from such officers, who though working in the Ministry, will not be over-burdened with other duties and will devote mainly to serving as Directors of public undertakings". They hope that these decisions would be implemented at an early date. (Paragraph 181).

REPLY OF GOVERNMENT

Noted.

[Ministry of Industry & Supply O. M. No. 21/1/63-HECHE,, dated the 6th Feb., 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the recommendation has been implemented.

[L.S.S. O.M. No. 14-Pu/64, dated 6th Sept., 1966].

FURTHER REPLY OF GOVERNMENT

".....the required information" being collected and will be sent to that Secretariat in due course. As the information is to be collected from a large number of Ministries, it may not be possible to furnish the same by 20th September, 1966. It will, however, be supplied to the Lok Sabha Secretariat as soon as it becomes available.

[Ministry of Industry O.M. No. Pr.C.16(8)/64, dated, 17th Sept., 1966].

APPENDIX I

(vide reply to recommendation at Serial Nos. 11 & 12 in Chapter II)

No. F. 33 (23)-E.G.I./60

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Expenditure)

New Delhi, the 27th September, 1960.

OFFICE MEMORANDUM

SUBJECT:—Principles for fixing remuneration payable to Consultants.

The Estimates Committee, in para 32 of their 8th Report (1957-58) on the Naval Dockyard, Bombay, have recommended that Government should review the present position in regard to the fixation of fees for the consultants engaged by them in connection with the execution of various projects and should lay down principles on which remuneration should be paid to such consultants in future contracts. As the types of work for which consultancy arrangements are entered into vary from project to project (the following are some of the types viz. (i) Preparation of a preliminary project report; (ii) Preparation of a detailed project report; (iii) Preparation of detailed drawings and designs for the plant or the works; (iv) Supervision of the installation of machinery, construction of plant and works with an attendant responsibility for stipulated performance; (v) service in respect of specific problems), it is difficult to lay down any hard and fast criteria on which the quantum of remuneration can be assessed or to lay down a schedule of rates. However, certain factors/principles have been listed below for the guidance of the Ministry, etc. who may have to enter into such arrangements in future. The items listed in the annexure should not be treated as an exhaustive code but as points for guidance only. As the nature of work for which consultancy agreements become necessary vary from project to project and as much will depend on what is acceptable to the consultants who would be interested in a particular job, each case will have to be considered on merits.

2. A copy of the reply sent to the Estimates Committee in this regard is enclosed.

Sd./-

(C. R. KRISHNAMURTHY),
Deputy Secretary to the Govt. of India.

To

All the Ministries of the Govt. of India, etc.

Factors/Principles to be taken into account while entering into consultancy arrangements in future

(i) Some of the items of work may have to be done in the country, while others may have to be done outside. It is necessary, therefore, that a clear indication in regard to both should be available so as to determine the quantum of remuneration. It would also be useful to include in the agreement a list of staff that would be posted within the country so that no confusion or dispute arises at a later stage.

(ii) Certain facilities may have to be made available to the consultants in regard to residential and office accommodation, travelling allowances both from the parent country to India and within India, provision of vehicles, equipment, medical facilities, etc. When assessing the remuneration, the incidence of such facilities should be clearly borne in mind.

(iii) There should be a clause for premature determination of a consultancy agreement in case the work is found to be unsatisfactory or not suitable, and there should be an indication in regard to the payment involved in case of such a contingency arising. As far as possible, the quantum of remuneration should approximate to the quantum of work actually done and legitimate expenses incurred by the consultants. It should also be clearly laid down that whatever work has been done by the consultants shall be the property of the employer and all papers, drawings and designs etc. should be secured in suitable form before final payments are made.

(iv) The consultancy agreement should also provide a safeguard to the employer in the contingent of any infringement of patent rights during their employment or in future and the consultants must be required to guarantee indemnification for all time.

(v) The taxation aspects in respect of the remuneration, salaries etc. paid should be kept in mind and not left open, as otherwise foreign consultants are likely to claim tax remissions later.

(vi) In the case of certain consultancy agreements, utilisation of some patent rights may be involved, which may require payment of royalty or fees for several years to come. As far as practicable, such perpetual payments should be avoided unless justified on financial grounds.

(vii) The foreign exchange aspects should also be kept in view, and as far as possible the consultants should be required to work within India with the help of local personnel so as to reduce payments in foreign currency.

(viii) When payments are to be made in foreign currency it would be better to deposit the rupee equivalent in a bank in India nominated by the Consultants and remittance facility allowed.

(ix) A penalty clause should be provided (in addition to the right to determine the agreement) in case of delay in execution or unsatisfactory performance and also a right to postpone the payment of every instalment in such a situation should be secured.

(x) Remuneration for consultancy service:

(a) Fixation of remuneration as a percentage of the total cost of the project or as a percentage of the cost of plants and machinery, is open to objection as the incentive for economy in designing is lost thereby. Secondly, it would be difficult to know in advance what the commitments on account of the consultants' fees would be. Thirdly, it might result in unintended benefit on account of the increase in cost of work due to extraneous reasons like contractors' delays and failures. In order to avoid these difficulties, the fees as far as possible when based on a percentage, should be calculated on the basis of the estimated cost and expressed in the consultancy agreement as a definite figure. If necessary, provision may be made for varying the figure by negotiation if the scope of the project is changed and, as a result, a substantial change occurs in the actual cost.

(b) Where a fixed fee payable either in lump sum or in instalments is agreed to and where the consultants require a portion of the fee within a few days of the agreement being signed, it would be necessary to limit the payment to as small an amount as practicable. The payment of the remaining amounts may be fixed in instalments, e.g., at

the submission of the project reports, at the submission of the drawings and designs, during erection period and when the plant has gone into production and given satisfactory performance. It would be necessary that the last instalment should be as substantial as possible, as in case of a serious defect or failure, it would be possible to withhold the last instalment. The quantum of the instalments, as far as practicable, should be based on the amount of work done.

- (c) In regard to fee for patented rights and processes, it should be considered whether it would be advantageous to buy such rights outright or to make payments on yearly basis.
- (d) In all cases, the interests of the projects should be suitably safeguarded.

APPENDIX II

(vide reply to recommendation at serial No. 57 in Chapter II)
No. 41-Adv.(c)/Cir-16/67

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Bureau of Public Enterprises)

Dated 20th Jan., 1967.

OFFICE MEMORANDUM

The Committee on Public Undertakings has observed that it would be possible to effect considerable economy in the construction cost of factory buildings, if an independent check is exercised over the plans, designs, and specifications proposed by the consultants. It would also have the additional advantage of our acquiring the technical know-how.

2. The Ministry of Industry etc. are requested to advise the Public Enterprises under their charge the desirability of conducting an independent scrutiny on the plans, designs and specifications suggested by the consultants and to effect changes wherever necessary to suit indigenous requirements, availability of local materials and climatic conditions.

Sd./-

(R. C. DUTT),

Secretary to the Govt. of India and
Director General, Bureau of
Public Enterprises

To

All Ministries/Departments of Govt. of India.

All FAs in the Deptt. of Expenditure.

APPENDIX III

(vide reply to recommendation at Serial No. 115 in Chapter II)

No. F.3(5)-PC/63

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Expenditure)

New Delhi, the 22nd October, 1963.

OFFICE MEMORANDUM

SUBJECT.—Principles regarding nature and extent of foreign collaboration.

The undersigned is directed to enclose a copy of the reply given to paras 79 and 275 of the 32nd Report of the Estimates Committee 1962-63 (Third Lok Sabha) together with the Committee's recommendation in para 266 of their 35th Report on the subject mentioned above. It is requested that the Estimates Committee's recommendations may please be brought to the notice of the various Public Undertakings for information and guidance.

Sd./-

(E. R. K. MENON),

Under Secretary to the Govt. of India.

To

All Ministries/Departments of the Govt. of India.

ANNEXURE & APPENDIX III

Sl. No.	Ref. to Para No.	Summary of Conclusions/Recommendations	Reply of Government
27	79	<p>As various other public undertakings have also sought foreign collaboration, the Committee feels that certain principles which should govern the nature and extent of foreign collaboration in a project should be laid down by Government observance by all concerned. This is necessary to foster indigenous talent and to discourage the tendency to go in for projects on turnkey basis. In this connection they would also invite attention to para 266 of their 35th Report (Third Lok Sabha) on Heavy Electricals (copy reproduced below):—</p>	<p>The general principles underlying recommendation will be followed to the extent feasible. The Ministries are being requested to issue necessary instructions to the Public Undertakings under their administrative control.</p>

“The Committee do not appreciate how foreign consultants would do any work which is not expected of them or for which they are not paid. If H.E.L. itself had prepared and furnished to the consultant the outlines and designs of the auxiliary shops etc. together with the data on which they were based, they do not see what objection they could have taken to it. The initiative should have been taken by H.E.L. That apparently was not done. The Committee consider that the assistance of foreign collaborators should be sought only for planning and designing the main sections of the projects for which ‘know-how’ is not available in the country. For the

Sl. No. Ref. to Para No.

rest the consultants may be asked to indicate their requirements on the basis of which the planning, designing and construction of auxiliary shops etc. could be undertaken by Indians. Besides effecting considerable economy this would reduce the dependence on foreign collaborators and instil the necessary confidence in our men. The Committee hope that Government would issue suitable instructions in this matter for compliance by all undertakings in the public sector. In this connection, a reference is also invited to paras 67-78 of their 32nd Report (3rd Lok Sabha) on N.C.D.C."

- 97 275 The Committee trust that Government would arrange to include a clause regarding training of Indian personnel in designing and other specialised processes wherever necessary in the agreements entered into by public undertakings with foreign countries. Noted.

APPENDIX IV

(*Vide* Introduction)

Analysis of the action taken by Government on the recommendations contained in the Thirty-Fifth Report of the Estimates Committee (Third Lok Sabha).

I. Total Number of recommendations made:	132
II. Recommendations that have been accepted by Government (<i>Vide</i> Sl. Nos. 1, 2, 4, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 (ii), 33, 34, 35, 36, 37, 41, 43, 44, 46, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 59, 60, 61, 62, 63, 64, 65, 67, 68, 69, 70, 72, 74, 75, 77, 78, 79, 81, 82, 83, 85, 87, 88, 90, 93, 94, 95, 97, 98, 99, 100, 102, 106, 107, 114, 115, 116, 119, 120, 122, 123, 124, 125, 127, 128, 129	
Number	89
Percentage to total	67.43%
III. Recommendations which the Committee do not desire to pursue in view of Government reply (<i>Vide</i> Sl. Nos. 5, 10, 20, 21, 32, 39, 40, 42, 45, 47, 66, 71, 80, 84, 89, 91, 92, 96, 101, 103, 104, 108, 109, 110, 111, 112, 113, 117, 118, 126, 130, 131	
Number	32
Percentage to total	24.25%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> Sl. Nos. 3, 6, 31(i), 38, 58, 69, 76, 86, 121)	
Number:	9
Percentage to total	6.81%
V. Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> Sl. Nos. 73, 105)	
Number	2
Percentage to total	1.51

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
18.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44	29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.-1.	68
19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akur Lane, Calcutta-12.	82	30.	Poeple's Publishing House, Rani Jhansi Road, New Delhi.	76
DELHI					
20.	Jain Book Agency, Connaught Place, New Delhi.	1	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	32.	Hind Book House, 82, Janpath, New Delhi.	95
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9			
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	33.	Book well, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	34.	Shri N. Chaob Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27			
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C. -2.	

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