

# COMMITTEE ON PUBLIC UNDERTAKING (1967-68)

TENTH REPORT  
(FOURTH LOK SABHA)

NATIONAL COAL DEVELOPMENT  
CORPORATION LTD.

Paras. in Section III of Audit Report (Commercial), 1967

MINISTRY OF STEEL, MINES & METALS  
(DEPARTMENT OF MINES & METALS)



PARLIAMENTARY PUBLICATIONS  
(Lithography & Printing)  
Government of India  
Acc. No. R 29268  
Date. 11-4-68

LOK SABHA SECRETARIAT  
NEW DELHI

April, 1968

Chaitra, 1890 (Saka)

Price Rs. 1.50

18.374A

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	8	13.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
2.	G. R. Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	<b>RAJASTHAN</b>		
			14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
<b>ASSAM</b>					
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
<b>BIHAR</b>					
4.	Amas Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.]	37	16.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	17.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63	18.	W. Newman & Company, Ltd., 3, Old Court House Street, Calcutta.	44
			19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akkur Lane, Calcutta-12.	82
<b>MADHYA PRADESH</b>					
7.	Modern Book House, Shiv Vilas Palace, Indore City.	13	<b>DELHI</b>		
<b>MAHARASHTRA</b>					
8.	M/s. Sunderdas Gianchand, 601, Girgaum Road, near Princess Street, Bombay-2.	6	20.	Jain Book Agency, Connaught Place, New Delhi.	1
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
	The International Book Service, Deccan Gymkhana, Poona-4.	26	22.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9
11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30	23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
	he Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60	24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
			25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
			26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23

# CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
<b>I. INTRODUCTORY</b>	<b>I</b>
A. Transfer of assets	I
B. Capital structure	I
<b>II. PRODUCTION PERFORMANCE</b>	<b>2</b>
A. Temporary closure of the collieries	2
B. Non-finalisation of agreements with Electricity Boards	5
C. Short-fall in production	6
D. Loss on pit-head stocks	9
E. Giridih collieries	10
F. Impact of short-fall in production on the cost of production	10
<b>III. WASHERIES</b>	<b>11</b>
A. Kargali washery	11
(i) Bi-cable Ropeway	17
(ii) Filter Plant	17
B. Kargali Expansion	18
C. Delay in setting up new washeries	19
D. New Washeries	20
<b>IV. CIVIL WORKS</b>	<b>22</b>
A. Defective estimates	22
B. Construction of quarters on the basis of inadequate data	22
C. Central Repair Workshop	25
D. Construction of a Railway Siding	26
<b>V. PERSONNEL</b>	<b>27</b>
A. Man Power Analysis	27
B. Idle Capacity	34
<b>VI. SALES PERFORMANCE</b>	<b>35</b>
A. Securing the Services of middlemen	35
B. Financial arrangement with middlemen	40
C. Levy of interest	45
D. Bad and doubtful debts	46
<b>VII. COSTING</b>	<b>50</b>

	PAGE
VIII. STORES . . . . .	53
A. Stores and spares inventory . . . . .	53
B. Surplus and unserviceable tyres retreading materials . . . . .	59
IX. PLANT AND MACHINERY . . . . .	61
A. Surplus and unutilised equipment . . . . .	61
B. Loss on the disposal of surplus equipment and scrap materials . . . . .	64
X. INDIVIDUAL PERFORMANCE OF THE REVENUE COLLIERIES . . . . .	66
XI. FINANCIAL RESULTS . . . . .	
XII. OTHER TOPICS OF INTEREST . . . . .	75
A. Demurrage . . . . .	77
(i) Payment of demurrage and wharfage charges to the Railways . . . . .	77
(ii) Non-recovery of demurrage charges from the contractors . . . . .	79
(iii) Avoidable payment of port demurrage . . . . .	81
B. Failure to utilise a dragline purchased from a foreign country . . . . .	82
C. Purchase of loaders . . . . .	84
D. Loss by fire . . . . .	86
E. Import of defective equipment . . . . .	87
F. Delay in installation and commissioning of a weigh bridge . . . . .	88
G. Non-realisation of claims . . . . .	91
H. Non-recovery of dues . . . . .	92
I. Failure to load the correct quantity of coal . . . . .	93
J. Loss due to re-booking of materials . . . . .	94
XIII. CONCLUSION . . . . .	97
APPENDIX	
Summary of Conclusions/Recommendations . . . . .	99



# COMMITTEE ON PUBLIC UNDERTAKINGS

(1967-68)

## CHAIRMAN

Pandit D. N. Tiwary

## MEMBERS

2. Shri C. C. Desai
3. Shri Surendranath Dwivedy
4. Shri S. S. Kothari
5. Shrimati T. Lakshmi Kanthamma
6. Shri Krishnan Manoharan
7. Shri Manubhai Patel
8. Shri S. N. Shukla
9. Shri Prem Chand Verma
10. Shri Chandrajeet Yadava
11. Shri Arjun Arora
12. Shri Vimalkumar M. Chordia\*
13. Shri Banka Behary Das
14. Miss M. L. Mary Naidu
15. Shri Awadheshwar Prasad Sinha.

## SECRETARIAT

Shri A. L. Rai—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

---

\* Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha w.e.f. 2-4-1968.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Tenth Report on National Coal Development Corporation Ltd.

2. This Report is based on the examination of audit paras relating to the National Coal Development Corporation Ltd. contained in Section III of the Audit Report (Commercial) 1967. The Committee took the evidence of the representatives of National Coal Development Corporation Ltd. and the Ministry of Steel, Mines and Metals (Department of Mines and Metals) on the 6th October, 1967.

3. The Report was considered and adopted by the Committee on the 3rd April, 1968.

4. The Committee wish to express their thanks to the officers of the Ministry of Steel, Mines and Metals (Department of Mines and Metals) and the National Coal Development Corporation Ltd. for placing before them the material and information that they wanted in connection with their examination.

5. The Committee also place on record their appreciation of the assistance rendered to them in this connection by the Comptroller and Auditor General of India.

D. N. TIWARY,  
*Chairman,*

NEW DELHI;

April 3, 1968

*Committee on Public Undertakings.*

Chaitra 14, 1890(S).

# I

## INTRODUCTORY

The National Coal Development Corporation Limited was incorporated on 5th September, 1956 as a wholly-owned Government Company to organise and carry on the production of coal and associated activities.

### A. Transfer of Assets

*Para 1, Page 95*

2. On 1st October, 1956 the net assets aggregating Rs. 8.14 crores of the ex-State collieries were provisionally transferred to the Company. In 1963-64 Government, however, decided to transfer net assets worth Rs. 6.30 crores only after excluding the value of book debts and liabilities. The formal deed for the transfer of net assets worth Rs. 5.54 crores was executed in November, 1963 and the transfer of the remaining assets worth Rs. 0.76 crore was under finalisation till July, 1966.

3. **The Committee feel that execution of the transfer deed of the remaining assets worth Rs. 0.76 crore has been inordinately delayed and hope that this transfer would be finalised early.**

### B. Capital Structure

*Para 2, Page 96*

4. On 31st March, 1966 the authorised capital of the Company was Rs. 65 crores and the paid-up capital, wholly subscribed by Government, amounted to Rs. 61.32 crores. In addition, Government had from time to time granted long-term unsecured loans which stood at Rs. 66.23 crores as on 31st March, 1966.

5. The Company had also obtained cash credit facilities from the State Bank of India to the extent of Rs. 7.45 crores against hypothecation of book debts, stores and spare parts and stock of coal. The full amount of credit was availed of as on 31st March, 1966. The debt equity ratio in 1965-66 was 1.08:1.

6. **The Committee consider that the debts of the Company are on the high side and the total debts of the Company should normally not exceed the amount of paid-up capital.**

## II

### PRODUCTION PERFORMANCE

#### A. Temporary closure of the collieries

Para 3(a) pages 96—99

7. The Company's share in the Third Five Year Plan target of 97 million tons of raw coal per annum to be achieved by the end of 1965-66 was fixed at 30.5 million tons. This constituted an increase of 17 million tons per annum over the Second Plan target of 13.5 million tons. The Company planned for the development of 27 new collieries during the Third Plan period with a total target output of 22.45 million M. tons. As against the planned development of 27 collieries, the Company developed only 16 collieries, out of which as many as 7 collieries were temporarily closed down owing to slump in coal market and one colliery was finally closed on 31st March, 1965. The particulars regarding the estimated cost of the 16 collieries as per Project Reports, the up-to-date actual expenditure, annual target production as per Project Reports and the actual production for 1965-66 were as follows:—

Sl. No.	Region	Colliery	Total estimated cost as per Project Report (Rs. in lakhs)	Actual expenditure up to the end of 1965-66	Annual target production as per Project Report (Million tons)	Actual production for 1965-66 (Million tons)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Madhya Pradesh	Duman Hill . . .	320	157.19	0.71	0.008
2		Sonawani . . .	306	85.54	0.56	Closed (April, '65)
3		Jamuna . . .	487	214.47	1.00	0.071 (O.C. Unit closed from June, '64)
4		Bijuri . . .	206	67.31	0.36	Closed (November, 1964)
5		Katkona . . .	300	47.60	0.50]	Closed (November, 1964)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
6		Bhaskarpara	309	9.09	0.50	Closed (July, 1964)
7		Singrauli	1,530	174.21	3.05	Closed finally (March, 1965)
8		Churcha	361	73.70	0.60	0.09
9	Korba	Banki . . .	370	324.86	0.60	0.023
10		Surakachar	658	386.18	1.10	0.033
11		Manikpur . . .	393	153.99	1.00	
12		Silewara Pilot Mine	17.96	51.21	0.063	..
13		Patherkhera . . .	217	83.84	0.45	0.021
14		Umrer . . .	438	202.12	1.01	0.066
15	Orissa . . .	Nandira . . .	14	21.31	0.05	Closed (Decem- ber, 1964)
16		Jagannath . . .	356	41.95	1.01	Closed (Novem- ber, 1964)

8. The Projects at Serial Nos. 7, 11, 12, 13, 14 and 16 were taken up as captive Projects to meet the requirements of Thermal Power Stations in Uttar Pradesh, Madhya Pradesh, Maharashtra and Orissa States. No long-term agreements were however, executed with the respective State Electricity Boards except Maharashtra State Electricity Board as regards the quantity of coal to be supplied, the price to be charged and the date of commencement of supplies:

9. In this connection, the Ministry had stated to the Audit (February, 1967) as follows:—

“As regards long-term agreements with the various State Electricity Boards for the coal to be supplied, we have an understanding to supply coal to Korba and Satpura power houses in Madhya Pradesh, to Obra power house in Uttar Pradesh and Talcher power house in Orissa..... In case of Madhya Pradesh Electricity Board, there have been protracted negotiations with the Electricity Board and we have not yet been able to finalise the agreement. In the case of Uttar Pradesh State Electricity Board again, there have been negotiations and

we feel that the Uttar Pradesh State Electricity Board has been offering a comparatively very low price. In the case of Talcher power house in Orissa we had taken up development of Jagannath colliery but eventually we had closed down this project temporarily because no agreement was arrived at with the Electricity Board."

10. During evidence, the representative of the Ministry stated that the development of 27 collieries was phased on the basis of anticipated demand of 90 million tons which was fixed in consultation with various Ministries, Planning Commission and other major and smaller consumers. N.C.D.C. itself did not make any examination of the demand estimates communicated to it by the Central Government but now they were probing into the matter periodically. It was stated that the development of 16 collieries instead of 27 was due to the reason that the industrial development did not come up to expectation and as the demand for coal was a derived demand the actual production had to be limited to the effective demand.

11. The Committee regret to note that initially N.C.D.C. did not make any independent assessment of the country's demand for coal. However, N.C.D.C. has now started reviewing the estimates periodically. The Committee would recommend that in order to avoid losses and in the interest of efficient and smooth working, the Corporation should itself independently estimate the demand for coal and try to reconcile with the targets fixed by the Government.

12. The Committee were informed that the investment made on collieries temporarily closed had not been entirely wasted because these collieries were likely to be worked in the Fourth or Fifth Five Year Plan periods. However, none of these collieries had yet been reopened. It is unfortunate that a huge sum of Rs. 6 crores has been blocked in these collieries and would result in loss by way of deterioration of plant and machinery and unremunerative investment of money for quite a long period. All efforts should be made to find market for the output of these collieries as early as possible.

13. As regards the closure of Singrauli Colliery finally, the representative of N.C.D.C. stated that Singrauli consisted of two mines—Singrauli I and II and only Singrauli I had been temporarily closed. It was, however, pointed out that this position was not explained in detail to Audit.

14. It was stated by the representative of the Ministry during evidence that Singrauli I would be reopened when Obra Power Station, which at present got coal from Bihar and Bengal, would

not be able to get its supplies from there after 1969-70 because Railways will not then be in a position to move coal from Bengal and Bihar towards U.P. The transportation by Railways was easier at present and since Railways had certain limitations and a rationalisation scheme under which they had fixed certain loads on certain lines they just would not be able to take any more traffic when the load exceeded. It was added by the representative of N.C.D.C. that Singrauli had a freight advantage for U.P. Even though the U.P. Electricity Board and power stations could get coal from Bengal and Bihar at cheaper rate of Rs. 12 or Rs. 14 per ton, this saving in price they would lose on the freight.

15. In reply to question relating to the Singrauli Katni Railway line the Ministry have stated that this line would be utilised to an adequate extent only when the demand for coal in the Western and Central India increased beyond the capacity of the outlying coal fields there.

16. The Committee feel that the Ministry and the undertaking are working on assumption without any basic evidence to prove that conditions would be really propitious for reopening of Singrauli I in 1969-70. There is no reason to believe that the Railways would not be able to move coal from Bihar and Bengal towards U.P. after 1969-70.

17. The Committee would therefore recommend that instead of only hoping for favourable conditions in 1969-70, the undertaking should make an earnest effort to reduce their cost of production and enter the coal market on a competitive basis. They should be able to attract the purchasers near the collieries by quoting competitive prices and not depend on creation of conditions which would make them the sole supplier in that area. It is regrettable that private collieries lying hundreds of kilometres away from place of consumption are able to underbid under it in an area around its pit-head. It only shows how uneconomical is its working. The equipment on those mines which are not likely to be reopened in the near future should be shifted and utilised at other mines.

#### **B. Non-finalisation of agreements with Electricity Boards**

18. As regards the non-finalisation of agreements with Uttar Pradesh, Madhya Pradesh and Orissa State Electricity Boards, the representative of N.C.D.C. stated that they largely relied on the good sense of the various Electricity Boards. The representative of the Ministry stated that N.C.D.C. had made endeavours to enter into firm commitments but the main difficulty experienced was the fixation of price and this work had now been entrusted to one

of the Secretaries of the Government. In case of Madhya Pradesh Electricity Board, the matter was under arbitration.

19. The Committee are not happy with the manner in which the matter has been dealt with by N.C.D.C. Had the Ministry and N.C.D.C. entered into firm commitments with the Electricity Boards before commencing supply of coal to them, this unfortunate situation would not have arisen. The Committee hope that the matter would be settled early.

### **C. Short fall in production**

*Para 3(b), pages 99—101.*

20. The percentage of shortfall in production targets fixed for the Third Five Year Plan and those fixed by the Company from year to year was as follows:—



Year	Third Plan Target fixed by the Company		Actual production		Shortfall (-) or excess(+) in % in 5 to 2)	Shortfall (-) or excess(+) in % in 8 to 2)	Shortfall (-) or excess(+) in % in 8 to 5)			
	Coking coal (Figures in Million M. tons)	Non-coking coal (Figures in Million M. tons)	Coking coal (Figures in Million M. tons)	Non-coking coal (Figures in Million M. tons)				Total	Total	
	2	3	4	5	6	7	8	9	10	11
1961-62	7.53	3.062	2.895	5.958	3.133	2.917	6.050	(-)22.12	(-)20.92	(+) 1.54
1962-63	12.71	4.528	8.08	12.608	3.177	5.248	8.425	(-) 2.36	(-)34.76	(-)33.18
1963-64	14.60	4.712	9.61	14.322	3.197	5.807	9.004	(-) 3.45	(-)39.30	(-)37.13
1964-65	18.76	3.832	11.88	15.712	2.910	5.343	8.253	(-)17.57	(-)56.70	(-)47.47
1965-66	33.59	3.36	7.84	11.20	2.816	6.868	9.684	(-)67.18	(-)71.62	(-)13.54

target  
(figures in million tons) (after making provision for cushion to take care of possible short-fall in production in individual collieries)

21. According to the Management, the shortfall in the production of coking coal during the years 1962-63 to 1965-66 was mainly due to the non-existence of washing facilities for the coal raised from the Kathara colliery and exhaustion of the reserves of Giridih collieries. The shortfall in production in non-coking coal was due to slump in the coal market and the Company's deliberate policy of under production on account of huge accumulation of pit head stocks from 1961-62 onwards.

22. The non-achievement of target production of 30.5 million tons by the end of 1965-66 resulted in machines, buildings and man power remaining idle to the extent of 68.2 per cent. Besides, the accumulation of pit head stocks entailed losses due to re-handling, deterioration in the quality of coal, spontaneous combustion, etc., amounting to Rs. 96,47,179 during the quinquennium ending 31st March, 1966.

23. The representative of N.C.D.C. stated during evidence that in the Third Five Year Plan the targets were determined centrally and communicated to N.C.D.C. but as a result of mid-term appraisal by Planning Commission in 1963, the targets were brought down to 22.5 million Metric tons and the actual production was pegged to the level of effective demand.

24. The Committee noted that there was variation between the yearly targets fixed by N.C.D.C. and the actual production. Explaining the reasons the Managing Director, N.C.D.C. stated that these yearly targets were fixed on the basis of effective demand during the year and the actual production was regulated on the basis of the volume of orders received or expected to be received. It was added that the stock at the end of each year was taken into consideration while regulating the production. The following was the position of pit-head stock at the end of each year since 1961-62 as compared to the targets fixed and actual production:—

Year	Target fixed by the Company	Total production.	Stock as on 31st March.	% of Col. 4. to Col. 3.
(1)	(2)	(3)	(4)	(5)
1961-62	5.958	6.05	0.58	9.6
1962-63	12.608	8.43	0.58	6.8
1963-64	14.322	9.00	0.63	7.0
1964-65	15.712	8.25	0.81	9.8
1965-66	11.20	9.68	0.99	10.2
1966-67	..	9.49	1.07	11.3

(Million M. tons).

25. It is thus observed that the stock at the end of each year has been increasing since 1962-63 while the production has varied from 6 to 9 million M. tons annually.

26. The Committee feel that the increase of stocks at pit-head did not justify raising of the targets during the years 1962-63 to 1964-65. It appears that all the factors were not taken into consideration while fixing annual targets. The Committee regret to note that the targets were revised frequently and even these revised targets were not near the mark. The Committee hope that in future realistic targets would be fixed to ensure that there are little or no variations between the actual production and the targets fixed.

(D) Loss on pit-head stocks

27. During evidence, the representative of N.C.D.C. stated that the loss of Rs. 96,47,179 on pit-head stocks was on two accounts—rehandling and deterioration. It was stated that the loss on rehandling was not a loss in the strict sense because some rehandling was inevitable for purposes of production. The loss on deterioration was also different from actual loss because it was due to revaluation of stocks which deteriorated while lying in the open and exposed to atmospheric conditions or got mixed up with other goods. It was added that it was insignificant and inevitable in any organisation of the size of N.C.D.C. Also these losses had accumulated over many years and were written off only in the year 1965-66. In reply to a question it was stated that no standards had been fixed by N.C.D.C. to make allowance for such losses.

28. The Committee are unable to accept the interpretation put forward by the representative of N.C.D.C. on the "loss on pit-head stocks." Though the Committee agree that the losses were for the quinquennium ending 31st March, 1966, they can not agree that these losses were not business losses in the strict sense but were only cases of avoidable expenditure. The Committee are of the view that as far as N.C.D.C. is concerned, these were actual losses and major portion of these losses could have been eliminated if accurate estimates of demand had been made or production limited to sale or efforts made to minimise losses by proper care at the pit-head. They would urge that while steps should be taken to minimise the loss on rehandling as far as possible, the loss on account of deterioration should be eliminated altogether.

29. The Committee feel that in order to determine the true profits of the Corporation every year, it is necessary to make an allowance for loss due to inevitable rehandling. The Committee hope that standards will not be fixed for such loss after ascertaining the position in this regard in the private-sector.

### E. Giridih Collieries

30. During evidence, it was stated that though the resources of Giridih collieries were nearing exhaustion, a directive was issued in 1960 by the Government to N.C.D.C. to work these mines, because they contained the best coal.

31. It was accepted by the Managing Director N.C.D.C. during evidence that N.C.D.C. had suffered a loss of Rs. 40 to 62 lakhs annually on the working of these collieries. The loss in 1964-65 was as high as Rs. 74.9 lakhs.

**32. The Committee would recommend that the Government should review the position keeping in view the huge losses suffered by N.C.D.C. and decide whether it would be advisable to close down these collieries or to lease them out. In case Government want the N.C.D.C. to continue to run these collieries the Corporation should be subsidised to the extent of the losses suffered by it.**

#### F. Impact of shortfall in production on the cost of production

33. The capacity built up by N.C.D.C. at the end of Third Five Year Plan was about 15 million tonnes as against the target of 30.5 million tons. This included production from units which had not been developed fully. Increase in cost of production on account of low production was roughly estimated at Rs. 4 per tonne, during the year 1965-66, for which a target of 11.2 million tonnes production had been fixed initially but had to be brought down later due to the continuing low level of demand. On a similar computation, the effect of shortfall in production (and demand) on the cost of production per tonne for the years 1962-63 to 1964-65 had been roughly computed as follows:

*Approximate increase in cost on account of shortfall in production envisaged*

1962-63	Rs. 2.68 per tonne.
1963-64	Rs. 3.24 per tonne.
1964-65	Rs. 8.38 per tonne.

34. It has been stated that if demand improved sufficiently and production was raised by 12.6 million tonnes then the cost of production would go down by Rs. 4/- per tonne with reference to the existing cost of production.

**35. It will be seen that the cost of production per tonne has sharply increased during 1962-63 to 1965-66. The Committee feel that in order to improve the sales performance and profitability of the Corporation it is necessary to reduce the cost of production of Coal. They hope that every endeavour would be made to achieve this objective.**

### **III**

#### **WASHERIES**

36. In order to meet the increase in demand of washed coal during the Third Five Year Plan the Company decided in February, 1962 to expand the capacity of the existing Kargali washery and to set up three new washeries at Kathara, Sawang and Gidi.

##### **A. Kargali Washery**

*Para 4(a) (i)—Pages 101—103.*

37. Kargali washery with a rated capacity of 1.30 lakh M. tons of washed coal per month was commissioned on 1st November, 1958 (i.e., 10 months after the period stipulated in the contract with a foreign firm) to meet the washed coal requirements of Rourkela and Bhilai Steel Plants and the middling requirements of the Bokaro Thermal Power Station of the Damodar Valley Corporation. It had not attained the rated capacity till July 1966 as would be seen from the data given below:—

Year	Raw coal input (M. tons)	Clean coal output (M. tons)	Percentage of clean coal to total input		Middlings output (M. tons)	Percentage of middlings to total input		Rejects (M. tons)	Percentage of rejects to total input	
			As per contract	Actual		As per contract	Actual		As per contract	Actual
1	2	3	4	5	6	7	8	9	10	11
1959-60	11,31,722	7,99,579	73.26	70.65	1,58,016	17.40	13.96	1,74,127	9.34	15.39
1960-61	10,70,662	7,64,463	"	71.40	1,46,933	"	13.72	1,59,266	"	14.88
1961-62	14,74,369	10,51,225	"	71.30	2,00,662	"	13.61	2,22,482	"	15.09
1962-63	15,61,394	10,81,284	"	69.25	2,24,551	"	14.38	2,55,559	"	46.37
1963-64	17,97,173	12,79,408	"	71.19	2,38,305	"	13.26	2,79,460	"	15.55
1964-65	16,82,715	12,00,090	"	71.32	1,76,790	"	10.50	3,05,835	"	18.18
1965-66	17,72,118	12,51,837	"	70.64	2,16,087	"	12.19	3,04,194	"	17.17

38. The shortfall was attributed by the Management to the following factors:—

- (1) Reduction in capacity due to excessive size degradation of coal supplied to the washery.
- (2) Low utilisation of the capacity of the Bi-cable Ropeway due to its unsatisfactory performance. The Ropeway was abandoned with effect from 22nd July, 1963 and thereafter alternative arrangement for transportation of coal from Bokaro Colliery by means of trucks and Railway wagons was resorted to. The extra expenditure involved in the change in transportation system had not been assessed by the Company.
- (3) Inability to make full use of the raw coal conveyor due to non-delivery of sufficient quantity of raw coal at the take-off point.
- (4) Excessive production of coal dust.
- (5) Reduction in the number of working hours from 16 (envisaged in the Project Report) to 13.

39. As regards the steps taken to eliminate the factors responsible for shortfall in production so as to restore production to full capacity, the representative of N.C.D.C. stated during evidence that the defects in the working of some of their own machines had been mostly rectified. Damodar Valley Corporation had agreed to have supplies by road in case the ropeway was unable to take all the middlings and the supply of empty railway wagons had also improved.

40. The Government have submitted figures for loss in production/despatch due to non-availability of wagons from January, 1967 to June 1967, which are as follows:—

## Statement showing loss in production/despatch due to

Area	January, 1967			February, 1967			March, 1967		
	Indent	Supply	Short-fall	Indent	Supply	Short-fall	Indent	Supply	
B & K . . .	7649	7646	83	8610	7246	1364	9273	7939	
Karanpura . . .	11804	11124	680	12457	11744	713	14234	11281	
Giridih . . .	576	922	+346	606	1078	+472	701	875	
Orissa . . .	3007	2740	267	2347	2147	200	3096	2592	
Korba . . .	745	713	32	668	573	95	845	701	
Bisrampur . . .	6752	3862	2890	5154	2754	2400	7153	3487	
Kurasia . . .	7249	4871	2373	6069	4135	1934	6671	4949	
Nagpur . . .	1210	632	578	1150	753	397	1320	608	
<b>TOTAL . . .</b>	<b>38992</b>	<b>32510</b>	<b>6482</b>	<b>37061</b>	<b>30430</b>	<b>6631</b>	<b>43293</b>	<b>32432</b>	

Total loss in production/despatch due to non-availability of wagons during the last 6

NOTE :—1 Wagon (four wheeler)=22.5 tonnes.



non-availability of wagons.

Short-fall	April, 1967			May, 1967			June, 1967		
	Indent	Supply	Short-fall	Indent	Supply	Short-fall	Indent	Supply	Short-fall
1334	8702	7665	1027	9114	7263	1851	9083	7697	1386
2953	13869	11601	2268	11430	9756	1674	10784	8557	2227
+ 174	473	327	146	2042	798	1244	2148	838	1310
504	2222	2083	139	2894	2249	645	3057	2353	704
144	892	764	128	994	835	159	1113	1028	85
3666	7227	3368	3859	8315	3605	4710	8052	2819	5233
1722	6770	4258	2512	6921	5062	1859	6646	4505	2141
712	1260	607	653	1350	599	751	1300	485	815
10861	41415	30673	10742	43060	30167	12893	42183	28282	13901

months = 1,384,475 tonnes.

41. It is thus observed that while the indent for the wagons during the 6 month period from January to June 1967 has varied from 37000 to 43000 wagons, the supply has never touched the figure of 33,000. In this connection, the Committee would invite attention to para 128 of the 32nd report of Estimates Committee (Third Lok Sabha) on N.C.D.C., in which it was reported that "the representative of the Ministry also assured the Committee that whatever might have happened in the Second Plan, the coal programme in the Third Plan had been completely integrated with transport and the Railways had undertaken to supply the required number of wagons".

42. **The Committee regret to note that inspite of such an assurance, there was lack of coordination in regard to supply of wagons for transport of coal during the Third Five Year Plan. They trust that efforts would be made by the Corporation and Ministry of Railways to overcome such transport bottlenecks, which hamper production.**

43. It was stated that Kargali Washery was the first washery established in the country and that they had little knowledge of the working of a washery at that time. It was added that it was not possible to operate the washery for more than 14 hours in two operational shifts as against 16 hours contemplated in the Project Report. The effective annual raw coal input capacity of the washery based on the 14 operational hours came to 1.94 million tons against the designed capacity of 2.23 million tons based on 1.6 operational hours per day.

44. **Although the Committee agree that some teething troubles were inevitable in view of its being the first washery in the country, they are unable to understand why it has not been possible for the Corporation to achieve the rated capacity even after 8 years of its commissioning. N.C.D.C. should by now have acquired sufficient experience in the establishment and functioning of such washeries and the Committee hope that the Management would be able to achieve the rated capacity at an early date. The Committee regret that the washery has not been able to work even for 14 operational hours. The Committee desire that the Government should examine as to why 16 hours working was envisaged in the Project Report and why N.C.D.C. has not been able to work the washery even for 14 operational hours. They recommend that effective steps should be taken to increase the working hours of the washery from the present 13 hours to at least 14 hours.**

45. It is seen from the table given in the audit para that there has been an increase in the percentage of rejects with corresponding reduction in the percentage of clean coal and middlings.

46. During evidence the representative of N.C.D.C., while explaining the reasons, stated that they had to adjust the specific gravity of the heavy media so that the yield of washed clean coal which came to 70 per cent as against 73.26 per cent contracted for, might suit the requirements of Hindustan Steel Ltd.

47. Even if this contention of the Corporation is accepted and the difference of 3.26 per cent in respect of clean coal is added to the contracted percentage of 9.34, the total would come to 12.60 per cent whereas the actual rejects compared to the total input varied from 14.88 per cent to 18.18 per cent.

48. The Committee feel that there is no reasonable explanation for this excessive percentage of rejects to the total input. The Committee recommend that the Corporation should make an earnest effort to see that the percentage of rejects is brought down to a reasonable level. The Committee are very unhappy that the washery has not attained the rated capacity so far.

#### *Bi-cable Ropeway*

49. As regards the unsatisfactory performance of Bi-cable Ropeway, which was also responsible for low production of the washery, it was stated that buckets were coming out and accidents were taking place which resulted in heavy loss to the washery and therefore it had to be discarded on 22nd July, 1963. As a result of the abandonment of the Ropeway, alternative arrangements were made for transportation of coal from Bokaro colliery by means of trucks and Railway wagons.

50. The Committee were not informed of the extra expenditure involved in the change of transportation system. They desire that the Corporation should work out this extra expenditure involved and intimate it to the Committee.

#### *Filter Plant: Para 4(a) (ii), page 103*

51. A filter plant forming part of the washery was installed in 1958 to recover coal fines mixed with water in the process of washing. Owing to the unsatisfactory performance of the filter, a part of the slurry had to be recovered manually from January, 1964, onwards. From January, 1965, the filter plant completely stopped working and since then the coal fines were being recovered wholly by manual operations. During the period from January, 1964 to February, 1966 a total quantity of 1,75,000 M. tons (approximately) of slurry was recovered manually through contractors and the Company had to incur an expenditure of Rs. 7 lakhs (approx.) in this connection. The Ministry had stated to Audit in February, 1967 that "the percentage of fine coal is more than 2 per cent as envisaged in

the design of filter Plant. This accounts for the unsatisfactory performance of the Plant."

52. During evidence, the representative of N.C.D.C. stated that at the time of construction of washery by the Japanese, the percentage of fine coal was estimated at 1.99 per cent but later in the course of mining operations it was found to be from 2 per cent to 9 per cent. The filters which were supplied with the plants were not capable of taking that extra fine coal. It was added that total savings as a result of the manual recovery of slurry came to about Rs. 80 lakhs as against Rs. 7 lakhs spent for that purpose.

53. The Committee feel that had the filter plant been designed after making proper assessment of fine coal, expenditure incurred on manual recovery of slurry as a result of unsatisfactory performance of the filter plant could have been avoided.

54. The Committee were informed that with the expansion scheme, more filters were being added. They hope that these filter plants would be designed after taking into account the actual percentage of fines present in the coal.

### **B. Kargall Expansion**

*Page 4(b), pages 103-104*

55. The contract for the expansion of the washery from 2.22 million M. tons of raw coal per annum to 2.72 million M. tons per annum was awarded to a foreign firm on 19th April, 1963 at a total cost of Rs. 1.57 crores (including foreign exchange component of Rs. 48.90 lakhs). It has been pointed out by Audit that under clause 23 of the contract, the foreign firm was responsible for arranging the supply of necessary quantities of cement. It was further stipulated that, in the event of the supply being made by the Company from its own stock, such supplies would be charged at the rate of Rs. 140 per ton at site, although the Company had decided on 29th/30th June, 1962 that the supplies of cement were to be made at Rs. 155 per ton at site with effect from 1st July, 1962. The failure of the Company to incorporate the correct rate of Rs. 155 per ton at site resulted in a loss of Rs. 45,000 on the supply of 3,000 tons of cement to the contractor upto December, 1964. The Management had stated to Audit (June, 1965) that the recovery rate had been revised to Rs. 155 per ton at site for future supplies.

56. The Committee were informed during evidence that no responsibility had so far been fixed for the failure to incorporate the correct rate in the contract. The Committee are of the view that in such matters there must be no delay in fixing the responsibility and they urge that responsibility in this case should be fixed at an early date and recovery made to the extent of the loss.

### C. Delay in setting up new washeries

Para 4(c), Pages 104-105

57. The following table indicates the progress made in the setting up of the three new washeries along with their target capacity, estimates of expenditure and actuals there against, etc:—

(M. Tons in millions & Rupees in crores)

Name of the washery	Target capacity (in terms of raw coal in-put) (M. Tons)	Target capacity (in terms of clean coal out-put) (M. tons)	Cost as per Project Report Rs.	Actual expenditure upto 1965-66 Rs.	Scheduled date of commissioning	Remarks
1	2	3	4	5	6	7
Kathara	3	1.5	8.05	4.62	End of 1965.	Upto July, 1966 only 70-75 per cent of the work was done and the Project was likely to be commissioned by the 3rd quarter of 1967. Delay in completion had resulted in an extension of the period of retention of foreign specialist by another 42 man-months at an additional cost of Rs. 1.26 lakhs.
Gidi	2.84	1.8	8.36	4.55	31st December, 1964.	The contractors had been given extension of time upto 30th June, 1966 mainly on grounds of delay in the procurement of iron and steel materials. The project was likely to be commissioned in June, 1967.
Sawang	0.75	0.5	3.27	0.80	..	The project was likely to be commissioned in April, 1968.

58. During evidence, the Managing Director of N.C.D.C. stated that the delay was partly attributable to contractors and largely to the various circumstances which arose *viz.*, incomplete estimates of civil works, additions of items, labour troubles, provision of magnetite preparation plant at Gidi washery, lack of know-how and introduction of new technologies with which N.C.D.C. staff were not fully conversant. When enquired if any action was taken against the contractor for delay on his part, the Committee were informed that the contractor had also certain grievances against

the Management and there was an arbitration which was not accepted by the contractor, although the arbitrator was appointed with the consent of the contractor. The contractor then went to the civil court and got an injunction which was recently vacated. The contractor had withdrawn the suit and the work had been restarted after settling the matter by mutual discussions.

59. The Committee are surprised to learn that the arbitration was not accepted by the contractor although the arbitrator was appointed after obtaining the consent of the contractor. Since the award given by an arbitrator is always binding on both the parties, the conclusion is inevitable that the matter was not taken very seriously by NCDC authorities. The process of arbitration put the corporation under further loss by delaying the work. The Committee hope that such lapses will not be allowed to occur in future and that expeditious action will be taken against the contractors whenever they are found responsible for any delay or loss to the Corporation.

60. It was stated that Gidi washery was likely to be completed by September, 1968 and Kathara by October/December, 1968. Efforts were now being made to complete Gidi washery by May, 1968.

61. The Committee are unhappy to note that there have been delays in almost all cases. The Estimates Committee in para 51 of their 32nd Report (3rd Lok Sabha) on NCDC while commenting upon the delay in commissioning of Kargali washery, had hoped that there would be no recurrence of such delays in future. The Committee regret to note that no action has been taken on the above observation. In the light of experience gained by N.C.D.C. the Committee expect that all future projects will be commissioned by it within the scheduled period.

#### D. New Washeries

62. During evidence, it was stated by the Managing Director, N.C.D.C. that 3 more washeries were under construction. He expressed the fear that except in the case of Kathara and Sawang where they have coking coal, it was doubtful whether they would be able to sell the coal washed by them. It is observed that the Corporation proposed to set up 5 more washeries at Sudamdih, Monidih, Ramgarh-I, Ramgarh-II and Gobindpur.

63. The Committee regret to note that the development of washeries was taken up without assessing the effective demand of washed coal. It shows that there was lack of proper planning as regards the development of washeries. Had the Ministry acted with proper care, expenditure incurred on these washeries could have been saved from being rendered infructuous. The Committee recommend that an exhaustive survey should be immediately made to assess the demand of washed coal which should be reviewed periodically and only on that basis the setting up of new washeries should be planned.

## IV

### CIVIL WORKS

#### A. Defective estimates

*Para 5(i), page 106.*

64. The Company had been preparing its estimates for civil construction works on the basis of Schedule of Rates approved in August, 1960. The Schedule of Rates provided that 'these rates will remain in vogue for 1960-61 after which they will be reviewed for modification, if any'. Although the estimates so prepared were found by the Management to be very much lower than the current market rates, no action appears to have been taken to review the schedule of Rates till September, 1966.

65. **The Committee feel that the Schedule of Rates must be reviewed periodically for modification if any, to keep the rates comparable with those prevailing in the market. They regret to note that no steps had been taken till September 1966 to revise the schedule of Rates approved in August 1960 even when the Management had found them to be very much lower than the current market rates.**

#### B. Construction of quarters on the basis of inadequate data

*Para 5(ii), page 106.*

66. On 4th October, 1962 the Company awarded the work of construction of 889 quarters at a capital cost of Rs. 69.53 lakhs at Singrauli in pursuance of the master plan prepared by it. When the construction was in progress, the drilling reports received in March, 1963 from the Indian Bureau of Mines showed that the area allotted for the construction of quarters was workable for open cast mining. Consequently, further construction of quarters was stopped in July, 1963, but 743 quarters, which had already come up to various stages of completion, were allowed to be completed and the remaining 146 quarters were decided to be constructed at a new site. In May, 1963 the Superintending Engineer suggested the stoppage of work till a new site was chosen for the purpose as coal seams 50' thick with an average overburden of 150' were present in the existing area and any vibration caused by blast in the vicinity would affect the buildings. Accordingly, instructions for the stoppage of works were issued by the Chief Engineer on 19th May, 1963 and the works were actually stopped with effect from July,



1963. In spite of this, all the 743 quarters were completed by 15th August, 1964 along with some other civil works.

67. The construction of the quarters in the absence of proper survey and complete drilling reports thus lacked justification.

68. In this connection, the Ministry had stated to Audit (February, 1967) as follows:—

“Singrauli coalfield is a very vast coalfield with large reserves of coal. But it was very difficult to find out a suitable place for the construction of a colony outside the coalfield nearer to the proposed block of the coal reserve, as surrounding area were mostly hilly. These quarters will be required for the continued exploitation of the vast coal reserves”.

69. During evidence, the representatives of NCDC admitted that proper soil investigation was not done before taking up the construction of quarters. The Committee were further informed that the expenditure incurred on the construction of these buildings had not been infructuous or wasteful because Singrauli was a very extensive coal field with vast reserves of coal and the area occupied by the quarters was in one corner of the field. It has been added by the Ministry in their written reply that 81 per cent\* of the quarters were already occupied and the remaining 140 quarters would be occupied shortly with further progress of the work of Singrauli II.

70. It is seen that, after the receipt of the report of Indian Bureau of Mines in 1963 that coal seams of 50' thickness with an overburden of 150' thickness existed in the area, it was felt that exploitation of coal at that depth through deep blasting would affect the buildings through vibration. During evidence the Jt. Secretary of the Ministry also stated that these buildings would not last for more than 40 or 50 years.

71. In view of this position, the Committee are not convinced with the argument that the expenditure incurred had not been infructuous. They consider that if further construction of buildings had been stopped in March, 1963 on receipt of report from Indian Bureau of Mines, instead of waiting till July, 1963 much of the infructuous expense could have been saved. The Committee regret the leisurely way in which matters are dealt with by N.C.D.C.

---

\*Changed from 90% to 81% on the basis of Audit comments.

72. The Committee enquired as to way the work was continued even after the issue of orders by the Chief Engineer on 19th May for the stoppage of work. The Managing Director of N.C.D.C. stated that many of the houses had been completed two-thirds, three-fourths or four-fifths and so all the 743 quarters were completed along with some other civil works. The Committee drew the attention of the witnesses to the letter dated 19th September, 1963 of the Superintending Engineer to the Chief Engineer which stated:—

“As early as on 13th May, 1963, I had pointed out the proximity to coal, the likely effect on buildings and also to carry out topographic survey for the new area where buildings are to be located and clear instructions were given by you on 19th May, 1963. From detailed scrutiny of report and enquiries I find that between that date to 1st July, 1963, a total of 133 units were hurriedly laid out.”

73. As regards hurriedly laying out the foundations of 133 units, the Ministry have submitted that the Senior Executive Engineer sent a letter to the Deputy Superintendent of Collieries, Singrauli on 14th May, 1963, on inspection of civil works Singrauli, in the course of which he stated as follows:—

“While examining the buildings of Shri Ramchandra Singh it was noticed that this appeared to be in the quarriable area. In case it is considered that the amplitude of vibrations at any time will not exceed 18 to 16 thousandth of an inch the buildings may be sited here. Otherwise I would advise that further construction in the area should be stopped as damage and cracks to the buildings are likely if the blast vibrations at any further date reaches that limit.”

74. In his reply dated 25th May, 1963, the Deputy Superintendent of Collieries requested the Senior Executive Engineer (Civil) to attend to the various points raised by him in his letter himself “except about the location of some quarters which may or may not fall within the quarriable area.”

75. The Chief Engineer (Civil) also visited the area on 19th May, 1963, and gave certain instructions on the spot but no record note of these instructions was available. The Chief Engineer subse-

quently wrote to the Director of Planning on 21st May, 1963 in which he stated that:—

“Further building work beyond those which have been taken in hand will be located in the new area marked for building. Those which are already under construction will have to be constructed in their present position.”

76. Orders were finally issued by Dy. Supdt. of Collieries on 1st July, 1963 to the concerned contractor saying that the buildings not already under construction would be located elsewhere as shown in a revised plan. The Superintending Engineer (Civil) who was earlier Senior Executive Engineer (Civil) in May, 1963 reported to the Chief Engineer (Civil) on 19th September, 1963 that, from detailed scrutiny of reports and enquiries he found that “between 19th May and 1st July, 1963 when officially works were stopped by the Deputy Superintendent of Collieries, a total of 41 plus 92 is equal to 133 units were hurriedly laid out.”

77. It would appear, *prima facie*, from the above report that the Deputy Superintendent of Collieries disregarded the advice of the Executive Engineer and also that there was delay in the issue of orders to the contractors asking them to stop further construction of buildings at this site. The situation under which this happened called for a through investigation.

78. The Committee take a serious view of the whole matter and recommend that a thorough investigation of the whole affair must be undertaken with a view to fix responsibility. The Corporation had appointed a Committee to examine the matter in closer detail and to fix responsibility for the lapses, if any. The Committee was being asked to report within a month and the report of that Committee would be furnished as soon as available. The Committee would like to be informed of the final outcome of the investigations made.

### C. Central Repair Workshop

Para 6(i), page 107.

79. It has been pointed out by audit that no physical targets had been laid down for the Workshop, nor had any standard been fixed for permissible wastage in the manufacturing process.

80. The Committee feel that in the absence of physical targets and standards of permissible wastage in the manufacturing process, it is not possible to judge the efficiency of a workshop and to bring about further improvements. Laying of such norms is very necessary in order to ensure the efficient running of the workshop. They

would, therefore, recommend that targets and standards for permissible wastage in the manufacturing process should be immediately laid down after making studies of norms laid down in industries maintaining similar workshops. The Corporation should then compare their present physical targets and wastage with the norms so laid and make efforts to bring them down to the minimum possible level.

#### D. Construction of a Railway Siding

Para 6(ii), page 107.

81. The Project Report provided for construction of a railway siding at an estimated cost of Rs. 13 lakhs to cater to the requirements of Central Stores and Central Workshop. With the completion of the Railway siding, the expenditure on road transportation of materials as well as wharfage charges were to be completely eliminated. Though the Workshop and the Stores had been in existence for five years, the Railway siding had not been completed till October, 1966 with the result that transportation charges and wharfage charges were being incurred by the Management.

82. Upto 1963-64 the work of transportation of materials from Railway siding to Central Stores and Central Workshop was done departmentally. In 1964-65 a rate contract was entered into with a firm for handling and transporting stores and an amount of Rs.1.45 lakhs was paid to the contractor during that year. The contract had been extended up to 31st August, 1966.

83. The Ministry had stated to Audit (February, 1967) that "it is a fact that the Railway siding for Central Workshop and Central Stores, Barkakana has not yet been completed. This is on account of the fact that a dispute has been going on between the Eastern Railway and ourselves as to whether we should deposit any further funds for the construction of this siding separately in addition to what was once deposited as an *ad hoc* payment for all the sidings of the Projects in Karanpura area and Central Workshop and Stores, Barkakana and Kathara Colliery". During evidence, however the Managing Director of N.C.D.C. stated that the dispute with the Railways had been settled.

84. The Committee regret the inordinate delay of over six years in construction of the railway siding. They consider that it was mostly due to the failure of Management of N.C.D.C. to pursue the matter with the Railways. The Committee hope that the construction of the railway siding would be taken up immediately and completed as early as possible so as to save expenses on transportation and wharfage.

## PERSONNEL

## A. Man power analysis

Para 7, pages 107-108

85. The table below indicates the total number of men engaged during the years 1963-64, 1964-65 and 1965-66 in respect of some of the revenue-earning collieries and the estimated requirement of personnel as mentioned in the respective Project Reports:—

Name of the Colliery	Strength as per Project Report when full production is achieved	Actual strength		
		1963-64	1964-65	1965-66
(1)	(2)	(3)	(4)	(5)
Kurasia . . . . .	1,847	3,452	3,287	3,240
Korba . . . . .	1,619	3,301	2,959	2,988
Saunda . . . . .	2,679	3,257	2,870	2,758
Sayal 'D' . . . . .	1,431	2,240	2,266	2,306
Gidi 'A' . . . . .	3,376	3,818	4,030	3,858

86. It would be seen that the strength of the staff employed from year to year in the above revenue-earning collieries, which had not so far attained full production, was far in excess of that provided in the respective Project Reports.

87. In order to reduce the surplus personnel the Company had extended voluntary retirement benefit to its staff. Up to January, 1967, 4,209 persons were retired on payment of a total retrenchment compensation of Rs. 32.34 lakhs. A ban on recruitment had been imposed and it had further been decided by the Company in March, 1965 to forward the applications of surplus personnel to the new Projects being set up in the Public Sector.

88. The Ministry had stated to Audit (February, 1967) that "the Project Report provided for lump sum amounts in monetary terms for certain additional staff for operations like overburden removal, quarry coal face and maintenance. The strength of staff required for these operations has not been indicated in the Project Reports in terms of number of men. Consequently, it is not correct to compare the actual strength with the strength as per Project Report without allowing for the number of men required for the above operations under the lump sum monetary provisions."

89. The number of personnel employed on the operations for which lump sum provision has been made had not, however, been stated by the Ministry to Audit.

90. In reply to a question, the Ministry have furnished the following statement showing the present working strength in the various collieries as on 1-4-64, 1-4-65, 1-4-66 and 1-4-67 as well as the Project Report provision:

	No. of persons provided in the Project Report	Strength as on 1-4-64	Strength as on 1-4-65	Strength as on 1-4-66	Strength as on 1-4-67
	1	2	3	4	5
<b>SAUNDA:</b>					
Officers . . . . .	41	29	29	29	29
Monthly Paid Staff . . . . .	465	353	325	325	344
Daily-rated Workers . . . . .	2093	1548	1500	1452	1409
Piece-rated Workers . . . . .	80	1337	1096	928	884
No. of persons after conversion to lump sum provision . . . . .	180	..	..	..	..
Casual Workers . . . . .	..	..	..	7	..
<b>TOTAL</b> . . . . .	<b>2859</b>	<b>3267</b>	<b>2950</b>	<b>2741</b>	<b>2666</b>
<b>KORBA (BOTH OPENCAST &amp; UNDERGROUND)</b>					
Officers . . . . .	1619	29	27	22	18
Monthly Paid Staff . . . . .	..	309	301	266	263
Daily-rated Workers . . . . .	..	1310	1247	1242	1193
Piece-rated Workers . . . . .	..	1637	1417	1277	1226
No. of persons after conversion of lump sum provision . . . . .	152	..	..	..	..
Casual Workers . . . . .	..	18	16	15	27
<b>TOTAL</b> . . . . .	<b>1771</b>	<b>3303</b>	<b>3008</b>	<b>2822</b>	<b>2727</b>

	1	2	3	4	5
<b>KURASIA :</b>					
Officers . . . . .	33	26	26	30	27
Monthly paid staff . . . . .	311	458	447	420	418
Daily-rated workers . . . . .	1323	2185	2142	2067	1999
Piece-rated workers . . . . .	160	751	733	679	654
No. of persons after conversion to lumpsum provision	34	..	..	..	..
Casual workers . . . . .	..	..	..	384	119
<b>TOTAL . . . . .</b>	<b>1861*</b>	<b>3420</b>	<b>3348</b>	<b>3580</b>	<b>3217</b>
<b>SAYAL 'D'</b>					
Officers . . . . .	16	21	21	25	24
Monthly paid staff . . . . .	247	192	183	202	219
Daily-rated workers . . . . .	1167	753	823	894	961
Piece-rated workers . . . . .	..	1141	1141	1172	1210
No. of persons after conversion to lumpsum provision	171	..	..	..	..
Casual Workers . . . . .	..	..	..	88	..
<b>TOTAL . . . . .</b>	<b>1601</b>	<b>2107</b>	<b>2168</b>	<b>2381</b>	<b>2414</b>
<b>GIDI 'A'</b>					
Officers . . . . .	37	40	40	38	34
Monthly paid staff . . . . .	509	405	373	393	430
Daily rated workers . . . . .	2770	1948	1917	1906	1832
Piece-rated workers . . . . .	60	1139	1268	1322	1201
No. of persons after conversion to lump sum provision.	285	..	..	..	..
Casual workers . . . . .	..	..	..	117	91
<b>TOTAL . . . . .</b>	<b>3661</b>	<b>3532</b>	<b>3598</b>	<b>3776</b>	<b>3588</b>

\*The figures are based on the information furnished by the Ministry. The Audit have, however, pointed out that in Kurasia colliery the number of persons provided in the Project Report (excluding the number of persons after conversion to lump sum provision) should be 1847 as against 1827 given in the table above.

91. The Ministry have submitted the following reasons for employment of excessive staff as compared with the provision made in the Project reports:—

*Saunda*.—There had been increase from the Project Report provision for the piece-rated workers only employed for underground coal loading. The reason was that mechanical loading of underground pull was envisaged in the Project Report. Actually loading was being done manually which had resulted in the increase in number of piece-rated loaders and corresponding saving in the number of mechanical loaders deployed.

*Korba*.—Detailed break-up of total strength shown in the project Report viz. 1619 was not available. Here again manual coal loading had been resorted to in the underground mine due to change in the method of working from longwall to board and pillar, as severe disturbances like fault, rolls (uneven floor) and thinning out of seam had been encountered. About 600 persons were engaged on breaking of quarry coal and wagon loading in Korba for which no provision existed in the Project Report.

*Kurasia*.—It was an old colliery; and on 1-10-1956, it had a strength of 1948. This figure was not included in the strength as per project Report for the reorganisation of Kurasia Colliery. If the original strength as existed on 1-10-1956 was taken into account the actual strength in 1965-66 viz. 3240\* would be less than the origin strength (1640) plus the recommended strength for the new Project as per Project Report (1847) making a total of 3487.

*Sayal 'D' and Gidi 'A'*.—Manual loading of coal was being done whereas in the Project Report mechanical loading was envisaged. If the piece-rated workers numbering 1210 for which no provision was made in the Project Report in Sayal 'D' colliery and if number of piece-rated workers employed as underground coal loaders were excluded, the total strength was well within the Project Report provision.

92. It has been further added that if the number of piece-rated workers employed on coal loading is excluded the actual strength was within the Project Report provision in the case of all the collieries.

93. The Committee note that in almost all these collieries manual loading was resorted to even though the project report had envisaged mechanical loading of underground pull. Except in the case of

---

\*The figures has to be reconciled by Audit.



**Korba no reasons have been given for change over to manual loading in other collieries. The Committee recommend that it should be investigated by an independent authority as to why these collieries had to resort to manual loading when specific provision for mechanical loading had been made in the Project reports.**

94. The Ministry have submitted the following figures as personnel employed on operations for which strength of staff had not been indicated in the project reports:—

---

Saunda . . . . .	180
Korba (both opencast and underground) .	152
Kurasia . . . . .	334*
Sayal 'D' . . . . .	171
Gidi 'A' . . . . .	285
	1122

---

95. In this connection Audit have stated that the number of persons shown as having been employed on operations for which strength of staff had not been indicated in the Project Reports, do not represent the actual numbers employed, but only the personnel required on the basis of the lump sum amounts in monetary terms provided for additional staff in the Project Reports.

96. The surplus in different collieries was assessed on 30.9.1967 as 391 persons only. A recent study carried out with the help of the Administrative Staff College Hyderabad indicated also a surplus of 96 persons in the headquarters establishment. This report was stated to be under examination of the Management.

97. The Committee note that if the number of personnel employed on operations for which strength of staff had not been indicated

---

\*The figure has to be reconciled by Audit.

in the project reports were added to the number of persons provided in the project reports the position would be as follows:—

	No. of persons provided in the project reports.	No. of persons not provided in the Project Reports.	Total strength of the staff at the achievement of full production	Staff strength as on 1-4-1967
Saunda . . . . .	2679	180	2859	2666
Korba (both opencast and underground) . . . . .	1619	152	1771	2727
Kurasia. . . . .	1847	334*	2181	3217
Sayal 'D' . . . . .	1431	171	1602	2414
Gidi 'A' . . . . .	3376	285	3661	3588
	10952	1122	12074	14612

98. The Committee thus observe that the strength of staff as on 1.4.1967 exceeded the total strength of staff required for full production. At the time of full production the staff strength in all these collieries should be 12074, whereas even before reaching that stage 14612 persons had been employed. These collieries had thus been overstaffed by 2538 persons. Since none of the mines had reached the targetted capacity of production, the figures are not exactly comparable. If the figures are adjusted on the basis of production achieved, the present strength of staff would be very much on the high side. The Committee are unable to understand as to how the management assessed the surplus staff at 391 persons only on 30.9.1967.

99. It was pointed out to the Managing Director during evidence that the trade unions in the collieries had represented to N.C.D.C. and other proprietors that a very large section of unskilled labour was employed in the houses of persons and they never worked in the pits. The Managing Director explained that in the coal fields there was the prevalent practice of officially allowing one, two or three servants to officers at different levels. He had now requested the Area General Managers and the Deputy General Managers (Technical) to give fresh thought to it and see whether they could organise this system on a basis which could be more acceptable to the public.

\*The figure has to be reconciled by Audit.

100. The Committee are surprised to note that unskilled workers who are ostensibly employed by N.C.D.C. to work in the collieries are officially made to work as private servants of officers at various levels. The Committee strongly deprecate this practice. Whereas the undertaking bears the expenditure on these labourers, they are engaged in private work of officers and do no productive work for N.C.D.C. It adds to the cost of production. The Committee recommend that this system of allotting unskilled labourers to officers should be stopped forthwith.

101. It has been reported that the fact regarding the building up of the staff strength in excess of that provided in the project reports was not brought to the notice of the Government or top Management from time to time.

102. In reply to a question the Ministry have stated that the Area General Managers reviewed the working strength in various categories in the collieries under their jurisdiction and any surplus staff, due to some reason or other was transferred to developing projects.

103. The Ministry have further stated that since 1964 all recruitment had been stopped except where suitable persons were not available for the vacant post. Over and above voluntary retiring scheme had been introduced as a result of which it had been possible to bring down the strength by 4598 in a period of 4½ years by this scheme only. The Corporation had paid substantial amount by way of retrenchment compensation to the persons for their retirement under the scheme.

104. The Committee regret that an important matter like building up the staff strength in excess of that provided in the Project Reports which involved financial drain on the resources of the Undertaking was not brought to the notice of the Ministry or top Management from time to time. The Committee can understand the Ministry's failure to notice it but they cannot visualise how the top Management missed the huge excess in staff strength.

105. The Committee feel unhappy that the staff in collieries was increased without due regard to the needs of the projects and heavy amounts had to be paid as compensation for compulsory retirement to normalize the heavy overstaffing. The Committee recommend that the Ministry should exercise suitable checks on the staffing of the Undertaking so that there is no idle manpower in the Undertaking and the operational costs are brought down.

### B. Idle Capacity

106. The overall idle capacity of plant, machinery and men in the Corporation during the years 1959-60 to 1962-63 was as follows:—

Year	Production capacity (on the basis of deployment of men and machinery)	Actual Production	Idle capacity in per-centage
	(Lakh tons)	(Lakh tons)	
1959-60 . . . . .	57.56	48.56	15.6%
1960-61 . . . . .	111.31	80.50	27.7%
1961-62 . . . . .	135.00	60.50	55.1%
1962-63 (first six months). . . . .	61.70	36.10	41.5%

107. The Estimates Committee in their 32nd Report (Third Lok Sabha) on NCDC had recommended that an expert study should be made into the causes of idle capacity both of men and machines and effective measures be taken to secure optimum utilisation of the installed capacity. (para 100).

108. It has been pointed out in the Audit Report that the non-achievement of target production of 30.5 million tons by the end of 1965-66 resulted in machines, buildings and man power remaining idle to the extent of 68.2 per cent. The Committee deprecate the failure of the Management to take measures to implement the recommendation of the Estimates Committee. The Committee hope that the Management would now bring the entire resources of men and material into full use.

## VI

### SALES PERFORMANCE

#### A. Securing the services of middlemen

Para 8(a) pages 108-109.

109. The following table indicates the volume of production and despatches together with value thereof for the years 1963-64 to 1965-66:—

(Quantity in Million M. tons and value in Crores of Rs.)

	1963-64		1964-65		1965-66	
	Quantity	Value	Quantity	Value	Quantity	Value
Production.	8.5	19.95	7.7	18.27	9.2	23.29
Despatches.	8.5	19.52	7.5	17.76	9.0	22.67

*Note:* The figures are exclusive of the figures of non revenue collieries.

110. An analysis of the despatch statements showed that 80 per cent of the total sales was made to Government or Government controlled organisations and the remaining 20 per cent to private parties. For sales in the Private Sector and in certain cases, in the Public Sector (excluding Railways) the services of middlemen were secured at the rate of commission prescribed under the Colliery Control Order 1944 and also at negotiated rates without calling for tenders. The table below indicates the quantum of commission or rebate paid during the last three years:—

(Rupees in lakhs).

Year	Total amount paid	Amount applicable to the sales made to the Public Sector undertakings and Government Departments
1963-64	5.33	5.24
1964-65	4.96	1.47
1965-66	6.95	1.76

111. There were 39 middlemen doing business with the Company as on 31st March, 1966, but no formal agreements defining specifically the terms and conditions applicable to each of them had been executed till September, 1966.

112. In this connection, the Ministry had stated to Audit in February, 1967 as follows:—

- (i) ".....it is the patronage of middlemen by the Public Sector Undertakings that forces the National Coal Development Corporation to avail the services of middlemen".
- (ii) While it may be desirable to have...an agreement, it is not obligatory as the scope and functions of middlemen are fairly well known and under the Contract Act the relationship between the National Coal Development Corporation and the middlemen is that of a principal and agent".

113. The Committee enquired as to why it was necessary to have any middlemen between NCDC and other public sector undertakings. The Managing Director stated that in the coal industry there was a long standing institution of coal merchants or middlemen. The collieries did not have their offices in different districts in the country but the different middlemen had their offices and they acted as agents of the consumers and brought the consumers and the producers together. The producer paid a commission of six annas per tonne and the consumer one rupee per tonne for coal, Rs. 1.50 per tonne for soft coke and Rs. 2.50 per tonne for hard coke. So far as the public sector was concerned their sales through middlemen were only for some of the power works and DVC.

114. The Ministry have in a written reply further stated that under the Colliery Control Order, it was open to the producer as well as the consumer to appoint separate middleman or the same person as middleman for sale and purchase of coal. In a buyer's market, however, it was the consumer who had the final say in the matter of appointment of a middleman. Consequently, in order to supply coal to such consumers there was no other alternative for N.C.D.C. but to offer supplies through the consumer's authorised middlemen. Most of the big buyers including some public sector undertakings, such as, Electricity Boards, Cement Factories etc. chose to avail of the services of the middleman in procuring their coal requirements.

115. The Ministry were asked whether N.C.D.C. ever approached the public sector industries consuming coal for direct deals. The Ministry have stated that numerous attempts were made by the

N.C.D.C. for direct deals between sister Government Undertakings but these attempts had borne no fruit and cited the following specific cases as illustrations:—

- (i) "N.C.D.C. succeeded in obtaining contracts for supply of coal to Sohwal and Gorakhpur Power Stations of U.P. Electricity Board in 1959-60. These were the days when NCDC's Karanpura field Collieries were not equipped with screening plants and raised and despatched only R.O.M. coal without picking for screening. Largely through the intervention of the middlemen who were competing with NCDC as suppliers to these and other Power Houses, NCDC were thrown out. It took NCDC a year to get the order back, this time with the help of M/s S. K. Kahansons & Company and M/s K. C. Thapar & Bros, even though the conditions at the loading points did not change appreciably and no serious complaints arose thereafter.
- (ii) The efforts of the two Managing Directors having failed to ensure direct supplies to DVC without loss to NCDC, NCDC were forced by their policy of open tendering to sell them their coal through a syndicate of Private middlemen and colliery owners who kept on undercutting NCDC until NCDC joined hands with them at the *rate much higher than the rate at which they actually* supplied their coal to DVC. Further more, the responsibility for the complaints was entirely that of the Syndicate. When NCDC supplied the same coal to DVC direct against an *ad hoc* order, NCDC suffered heavy deductions.
- (iii) There were many Electricity Boards, who stipulated conditions which made it impossible for NCDC to supply coal direct to them. DVC (Waria) to whom NCDC supplied coal years ago and Barauni Thermal Power Station to whom N.C.D.C. supplied coal for two successive years stipulated in their tender that suppliers should have to deliver coal at the destinations stack it, wet it, maintain labour on the premises, take responsibility for demurrage and wharfage at the destination, shortage in quantity and the quality of coal. In both these cases, the decision taken by the Management was to supply coal through middlemen.
- (iv) In the case of Patratu even after the deal was completely closed between the Chairman, Bihar State Electricity Board, and NCDC and minutes were drawn up confirming their purchase of coal exclusively and directly from NCDC

collieries at an agreed rate, 50% of their orders were placed without any specific reason with middlemen and market collieries.

- (v) NCDC were supplying to the Government Cement Factory, Churk, 5 grade rakes out of their total quota of 6 two years ago through M/s S. K. Kahansons & Company. As a result of NCDC's liabilities with these middlemen increasing beyond all proportions, NCDC took the decision of cutting them out altogether and making direct bid for supplies although this was against the convention of the trade. This was done by forming a consumer's Co-operative Society Ltd. in the Churk Factory itself comprising of the Churk Factory staff and officers. On NCDC's advice, this Co-operative Society acted as the middlemen and accepted 37 paise per tonne from NCDC. In actual practice this body did nothing to deserve the middlemen's commission and all work was done by NCDC. It would be interesting to note that in the recent tender decided a couple of months ago, NCDC's share had been reduced to 3 rakes only, out of which 1 was Sel. B, while 2 rakes were supplied from Sayal Gr. I Colliery. All other Collieries had been rejected on the basis of recurring complaints.
- (vi) In the case of Gujarat Electricity Board where N.C.D.C. had to negotiate with the then Chairman, Shri H. M. Patel, NCDC were forced to go through middlemen because the Board made it obligatory for NCDC to accept quality complaints at the destination. This was virtually impossible as the coal was routed through transshipment point at Viramgam Dump where the arrangements made it impossible for coal of any grade passing through the dump without getting mixed up with supplies from other collieries and other grades. In the course of negotiation of the subsequent tender the Gujarat Electricity Board desired the suppliers to offer Gr. I coal at a ceiling price in contravention of the Colliery Control order.
- (vii) NCDC's endeavour to supply coal directly to Bargarh Cement Factory under the Government of Orissa did not meet with success despite the fact that the proximity of NCDC Collieries made it possible for NCDC to meet their requirements at the most competitive price. NCDC's direct tender was turned down on the plea of delay that NCDC made in setting claims arising out of wharfage/demurrage charges levied by the Railways and their order had gone to a private middleman.



116. The Management have not, however, till January 1968 made available to Audit documents in support of certain statements contained in instances No. (i), (ii), (iii) and (vi) cited above.

117. The Committee are unhappy to learn that even the Public Sector Undertakings make their purchases through middlemen and do not encourage direct purchases from N.C.D.C. resulting in avoidable expenditure on the payment of Commission to the middlemen both by the buyers and sellers. During evidence, the Committee were informed that the public sector undertaking did not give any preference to N.C.D.C. in regard to purchase of coal. They feel that it would enable N.C.D.C. to tide over its difficulties if public sector undertakings make their purchases of coal direct from N.C.D.C., except in cases where N.C.D.C. is not in a position to make supplies of the quality and quantity required. The Committee recommend that the Government should issue a directive that the public undertakings should not make their purchases of coal through middlemen but direct from N.C.D.C. At the same time N.C.D.C. should also streamline its production, delivery and accounting procedures with a view to eliminate all causes of complaints and make efforts to win over the confidence of consumers of coal particularly in the public sector. If any public sector undertaking has any grievance in connection with its dealings with N.C.D.C. the matter should be brought to the notice of its administrative Ministry, which in consultation with the Ministry in charge of N.C.D.C. should settle the matter amicably.

118. It has also been pointed out by Audit that the services of middlemen had been secured at negotiated rates without calling for tenders. In this connection the Ministry have stated that there were no negotiations for fixing the commission payable to the middlemen for coal sales. In all cases the Commission allowed was at the rate permitted under the Colliery Contract Order. It was added that apart from the commission payable to the middlemen in the case of coals for which there was only a ceiling price, the sales Manager was authorised to allow a rebate not exceeding Rs. 2.50 per tonne considering the market conditions. In the opinion of the Ministry the objection raised by Audit that the middlemen's services were secured at negotiated rates without calling for tenders related to these rebates. Obviously there was no question of calling for tenders for determining the quantum of rebate payable in buyer's market. This was a matter of policy and they were not aware of any objections having been taken by Audit concurrently where the rebates were allowed on transactions from time to time. The Audit have however stated that these facts had not been brought to their notice by the Ministry while furnishing their reply to the Review.

119. The Committee enquired if it was not prudent for the Management to have final agreements with the middlemen in order to eliminate any dispute likely to arise in the course of dealings. In reply the Ministry have stated that controlled grades of coal-Gr. I and above, have been decontrolled with effect from 24th July 1967. In such cases letters of consent issued by the Sales Department constituted an agreement. In the case of de-controlled grades of coal (Gr. II and below) agreements were duly executed.

120. The Audit have reported that out of 39 middlemen, agreements with 5 parties and letters of consent with 9 parties only were shown to Audit.

121. The Committee regret to observe that at first the Ministry intimated to audit in February 1967 that they did not consider it obligatory to have an agreement as the scope and functions of middlemen were fairly well known and under the Contract Act, the relationship between the National Coal Development Corporation Limited and the middlemen was that of a principal and agent. Subsequently in October 1967, however, the Ministry have stated in their written reply that agreements existed in respect of all the middlemen. The Committee would desire that the Management should produce all the agreement to Audit.

#### B. Financial arrangements with middlemen

Para 8(b)(i) pages 109-110.

122. The table below indicates the amount of bank guarantee/letter of credit secured from the middlemen or selling agents and the total amount outstanding as on 31st March, 1966 against them together with the percentage of the excess of outstandings over the bank guarantee/letter of credit:—

(Rupees in Lakhs)

Name of the middlemen or selling agent	Amount of bank guarantee/letter of credit.	Total amount outstanding as on 31-3-66	Percentage of excess of outstanding bills over bank guarantee, letter of credit, etc.
(1)	(2)	(3)	(4)
A . . . . .	5.00	62.91	1,158
B . . . . .	4.00	37.68	842
C . . . . .	3.50	12.78	265
D . . . . .	1.50	12.93	762
E . . . . .	1.75	17.54	902
F . . . . .	3.00	6.36	112
G . . . . .	nil.	9.55	..

123. In respect of firm 'A' it was proposed to obtain other modes of coverage such as hypothecation of assets, but the enquiries made in 1965-66 in regard to the assets of the firm showed that its assets, some of which were encumbered, were not adequate to cover the outstanding dues. The matter was brought to the notice of the Board of Directors in February, 1966 who decided in June 1966 that the present level of sales through this firm might be maintained, but that the Sales Manager should keep a vigilant eye on the dues in order to ensure that arrears beyond the credit period were not allowed to accumulate. The Board further decided in August, 1966 that the outstandings against the firm should be brought down to the level of Rs. 15 lakhs immediately even at the cost of loss of orders for slack coal from Karanpura and steps should also be taken to see that the total business with this firm in any quarter did not exceed Rs. 15 lakhs unless the firm was willing to give additional bank guarantee or arrange for direct payment of the bills by the consumers to the Company.

124. During evidence, the Committee were informed that the credit period allowed to firm 'A' was 90 days. The outstandings of Rs. 62.91 lakhs included Rs. 38.38 lakhs within the credit period and Rs. 24.53 lakhs outside the credit period. It was also added that the total outstandings as on 31st August 1967 amounted to Rs. 54.47 lakhs—Rs. 26 lakhs within the credit period and Rs. 28 lakhs beyond it. The Ministry have stated that "the outstandings appear to have been allowed to increase for fear of loss of business otherwise".

125. When the Committee enquired if the outstandings were brought to the level of Rs. 15 lakhs as resolved by the Board in August, 1966, they were informed that the outstandings had not been brought to that level. The firm had expressed its inability to pay up the overdues before a period of 5 years and had also offered to mortgage or hypothecate its assets as security. However the properties offered as securities had not been found acceptable. It was added that had recourse been taken against the party there would have been no assets to lay hands upon.

126. In reply to a question it was stated that at one time outstandings beyond the credit period had gone upto Rs. 34 lakhs. These came down to Rs. 25 lakhs and again went up to Rs. 32 lakhs and then stood at Rs. 28 lakhs on 31st August 1967. A Committee was appointed in May 1967 to explore ways and means for realising the outstandings and its report was awaited.

127. As regards the continuance of sales through firm 'A' even when it was unable to pay the outstandings the Managing Director,

N.C.D.C. stated that in case of stoppage of dealings with the firm, the losses would have been higher than otherwise. The percentage of outstandings against Government agencies were much higher than those against private agencies.

128. The Ministry have stated in reply to a question that the financial coverage for the outstandings within the credit period had since been augmented by Rs. 2 lakhs from June 1967 bringing the total amount of the bank guarantee to Rs. 7 lakhs. Arrangements had also been made for direct payment of bills by the Harduaganj Power Houses to N.C.D.C. with effect from the second fortnight of February 1967, though the arrangements were still to be given a legal form. During evidence, it was stated that within the credit period, the amount of business being done through the party was still very substantial.

129. Audit have reported that the Management could not show even a single case where the firm 'A' had cleared the bills within a credit period of 90 days.

130. It is thus seen that even after the Board had directed in August 1966 that prompt steps should be taken to bring down outstandings against firm 'A' to Rs. 15 lakhs, the arrangements for direct payment by Harduaganj Power Houses were made only in the middle of February 1967 and the Bank guarantee was increased as late as June 1967. The outstandings were again allowed to increase to Rs. 32 lakhs even after they had come down to Rs. 25 lakhs which shows that prompt and resolute efforts have not been made to bring down the outstandings.

131. The Committee regret to note that the outstandings against firm 'A' had been allowed to increase to a high level, even though the firm had always defaulted in clearing the outstandings within the credit period. The Committee recommend that immediate arrangements must be made to recover the outstandings directly from all the parties to whom coal was supplied through firm 'A' and if it is decided to continue dealing with the firm, its security amount should also be increased.

132. The Committee also regret to note that in spite of the fact that the Corporation were aware that the assets of the firm were encumbered and adequate security could not be obtained by way of hypothecation of these assets, the outstandings against this firm were allowed to increase to Rs. 34 lakhs at one stage and were left at Rs. 28 lakhs even as late as 31st August, 1967. The Committee recommend that the firm should be asked to offer unencumbered

assets as security and the outstandings should also be brought down to a safe limit as speedily as possible.

133. As regards outstandings against other firms mentioned in the Audit para, the Ministry have furnished the following table showing outstandings as on 31st August, 1967:—

(Figures in lakhs of Rs.)

Party	Amount outstanding as per Audit Report (31-3-65)	Amount outstanding as on 31-8-67*		Total	Bank Guarantee on 31-8-67
		Within the credit period	Beyond the credit period		
(1)	(2)	(3)	(4)	(5)	(6)
B. M/s. K. C. Thaper & Bros..	37.68	14.44	2.60	17.04	4.00
C. M/s. S. D. Sethia & Co. .	12.78	11.42	7.50	18.92	3.50
D. M/s. Ikra Nandi Coal Co. .	12.93	15.04	5.72	20.76	1.50
E. M/s. Natwarlal Shamaldas & Co. . . . .	17.54	1.57	5.18	6.75	4.25
F. M/s. Sivaram Singh & Co..	6.36	Nil.	2.15	2.15	Nil.
G. M/s. U. P. Cooperative Federation Ltd. . . . .	9.55	3.47	2.36	5.83	Nil.

134. The Ministry have stated that the permissible limit of coal sales on credit in these cases was twice the amount of bank guarantee given by these parties.

135. The Audit have however reported that the Management had not shown orders of the competent authority under which the permissible limit of coal sales on credit was to be reckoned as twice the amount of Bank guarantee.

\*The figures are based on the information furnished by the Ministry. The Audit, have, however, pointed out that there are certain variations between the figures given by the Ministry and those compiled by the Chief Auditor, Commercial Accounts, Eastern Region, Ranchi which are as follows:—

Name of the party	Amount outstanding as on 31-8-1967	
	With credit period	Beyond credit period
B. M/s. K.C. Thapar & Bros.	Rs. 14.24 lakhs	Rs. 2.59 lakhs
C. M/s. S.D. Sethia & Co.	Rs. 10.95 "	Rs. 7.50 "
D. M/s. Ikra Nandi Coal Co.	Rs. 15.30 "	Rs. 5.68 "
E. M/s. Natwar Lal Shamal Das & Co.	Rs. 2.00 "	Rs. 5.17 "
F. M/s. Sivaram Singh & Co.	Rs. Nil "	Rs. 2.15 "
G. M/s. U.P. Cooperative Federation	Rs. 3.01 "	Rs. 2.44 "

136. It will be seen from the above table that the bank guarantees, where taken have been exceeded in all the cases. What is still worse is that the outstandings as on 31st August 1967 in cases of firm 'C' and 'D' have risen since 31st August 1966, instead of gradually going down. Besides the bank guarantee/letter of credit of firm 'F' was allowed to become 'Nil' on 31st August 1967 from Rs. 3 lakhs as on 31st March 1966, though the outstandings against the firm had not been entirely liquidated.

137. The Government have stated that it was the Sales Manager's responsibility to obtain the approval of the competent authority for extension of credit period beyond permissible limits.

138. The position of other parties where outstandings exceeded the bank guarantee was as follows:—

Total No. of other parties . . . . .	37
Total amount outstanding (both within and beyond the credit period) . . . . .	Rs. 60.74 lakhs
Total financial coverage . . . . .	Rs. 19.86 „

139. The Committee were informed by Audit that the break-up of the outstandings amounting to Rs. 60.74 lakhs was not shown to Audit.

140. From the foregoing paragraphs it would appear that no efforts were made to keep the outstandings within the credit period. The Committee recommend that a thorough investigation should be made into these cases to fix responsibility for allowing the outstandings to increase beyond the amount of security and extension of credit period without approval of competent authority. The Committee further recommend that effective steps be taken to obviate the recurrence of such cases in future.

141. In reply to a question whether the Corporation had resorted to legal action against any of the firms for the recovery of outstandings the Ministry have stated that it was decided in January 1967 to serve legal notice on a firm (M/s. Ramjidadass Sharma & Bros.) against whom a sum of Rs. 1,41,442.80 was outstanding for coal sales made in 1965 and 1966. The party had issued post-dated cheques which had been dishonoured by the bank. The suit against the firm has not been filed so far because the necessary legal formalities for filing a suit have still to be completed.

142. The Committee are unhappy to note that no action was taken against this firm for issuing cheques which were not honoured. The Committee are unable to understand why supplies to this firm have not been discontinued by terminating the contract. The Committee

**recommend that it should be examined whether criminal proceedings can be instituted against this firm for issuing post-dated cheques which were dishonoured by the bank.**

143. The Committee are surprised to note that although it was decided in January 1967, to serve legal notice on the firm, N.C.D.C. have not been able to complete legal formalities for filing the suit even after a lapse of one year. Such delay in taking legal action against defaulting parties is unhealthy as it creates an impression that middlemen can default on payments with impunity. Besides this, other firms against whom there are larger outstandings no legal action appears to have been initiated. The Committee recommend that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantees and in future outstandings should not be allowed to exceed the amount of total financial coverage. Where a firm does not liquidate its outstandings within a stipulated period immediate legal action must be taken to recover the outstandings.

### C. Levy of interest

*Para 8(b) (ii) page 110*

144. The Board of Directors of N.C.D.C. decided in June, 1960 to levy interest at 7 per cent on all bills for supplies of coal made on or after 1st July, 1960 and remaining unpaid for 60 days or more. No interest was however, charged/recovered till September, 1966 in respect of any of the amounts outstanding beyond the period of credit.

145. Explaining the circumstances in which the decision to levy interest was not implemented, the Ministry have stated that in accordance with the decision of the Board the matter was brought to the notice of the debtors separately in respect of old bills.

On receipt of these notices some of the Railways objected to the introduction of this condition on the ground that it had not been mutually agreed upon. They further desired that this condition should not be included in the future bills issued by the Corporation.

146. The Financial Controller N.C.D.C., in his report for the year ended 31st March, 1961 submitted to the Board alongwith the accounts for that year, had stated that the supplies to the private parties were made either against deposits or against bank guarantees for payment within 60/90 days and accordingly there were no bills relating to private parties beyond 90 days. It had also been stated that the outstanding bills related to the Railways, Government Departments and Government Undertakings. The Railways having already intimated that they were not prepared to pay the interest, it was not unlikely that the State Governments and Government undertakings would also adopt the same attitude. It had, therefore, been

stated by the Financial Controller in his report that it was the intention to collect full facts and figures and thereafter submit the matter to the Board of Directors for further orders and in the meanwhile, since the interest charges were disputed, no adjustment had been carried out in the accounts for 1960-61 to show these amounts as accrued income.

147. As regards charging of interest from private parties, the Sales Manager had stated in July 1964 that their terms and conditions of supply were infinitely more stringent than those of private parties. For instance no market collieries sold coal to middlemen or private parties against securities and bank guarantees. The insistence by N.C.D.C. on realising 7 per cent interest from their customers was liable to bring down their sales substantially. As such interest had not been charged in accordance with the above Board's resolution.

148. Subsequently in April 1965 the matter had been again considered by the Financial Controller and the Managing Director when it was felt that, on account of the fact that the Railways had been paying promptly when bills were complete and no disputes existed in regard to the quality and quantity, inclusion of this clause for charging of interest would only create bitterness without any benefit. However, the matter was placed before the Board of Directors only on 20th May 1967, who then decided to remit the matter for examination by a Committee presided over by one of the Directors.

149. It is surprising that the matter of charging interest on large outstandings due mainly from Railways was not placed before the Board of Directors till 1967 even though the reactions of all the parties were available to N.C.D.C. as far back as in 1965. The interest foregone for only one year i.e., 1965-66 worked out to Rs. 18.19 lakhs.

150. During evidence the Committee were informed that most of the private collieries charged interest from the purchasers of coal for outstandings beyond the credit period. In view of this, the Committee would recommend that the question of levying interest should be re-examined in the light of recommendations of the Committee appointed by the Board of Directors, and positive steps should be taken to prevent accumulation of outstandings with middlemen and others.

#### **D. Bad and doubtful debts**

151. The following table shows the provision for bad and doubtful debts in respect of sale of coal made by the Company during the three



years from 1963-64 to 1965-66:—

Year	Provision for bad and doubtful debts	
	Government	Private parties
	Rs.	Rs.
1963-64	24,49,723	17,395
1964-65	38,15,038	9,574
1965-66	20,52,979	7,021

152. The partywise analysis of the bad debts written off (Government and private parties) during 1965-66 together with the various reasons for which the loss had been sustained is given below:—

Amount written off		
Government	Private Parties	Reasons
1	2	3
Rs.	Rs.	
4,315.75	..	Excess claimed
643.83	..	Errors in calculation
3,44,954.23	..	Inferior quality
6,38,144.44	417.35	Underloading of wagons
65,575.24	..	Difference in rates
15,992.37	..	Difference in quality
44.00	..	Misgraded coal
15,669.42	..	Shunting engine charges
22,672.02	..	Other reasons
8,09,352.85	894.23	Reasons not known
12,790.42	..	Demurrage
723.59	..	Wharfage
443.43	..	Missing wagons
<u>19,31,321.59</u>	<u>1,311.58</u>	

153. The Audit have pointed out that most of the defects enumerated above could have been eliminated if the sales organisation had acted according to the requirements of the customers as specified in the terms and conditions of sale orders.

154. Explaining the reasons, the Ministry have stated that "the amounts could not be realised from Government Departments because of the protracted correspondence and controversy between the consumer, the Sales Department/Coal Sale A/c and the Collieries about the validity of the deduction and insufficient attention paid to the matter".

155. The Committee enquired about the reasons for a loss of Rs. 10 lakhs approximately due to supply of inferior quality of coal and underloading. In reply it has been submitted that the description "underloading of wagons" was imprecise. The write off was not because of any compensation paid for underloading of wagons but it was on account of freight paid for wagons not loaded to full carrying capacity.

156. A few wagons in the rake were often allowed to go though underloaded as further detention of the entire rake for ensuring full loading of all wagons would have involved payment of heavy demurrage. There were also cases of underloading arising in one or two collieries for want of weighbridge at the point.

157. During evidence, the Managing Director of N.C.D.C. stated that even at collieries where N.C.D.C. had got their own weighbridges, the Corporation was losing by way of demurrage instead of earning rebate because these collieries did not get additional time for weighment which was allowed to private collieries or collieries which did not have weighbridges. It was added that they had as many complaints in regard to weighment where they had got weighbridges as in respect of collieries where there were no weighbridges.

158. It has however been reported by Audit that no case had come to their notice where the company had examined the economics of delaying the wagons and paying the demurrage charges vis-a-vis the underloading charges. Further, the Ministry had not replied to the following points:—

- (i) The details of cases where underloading of wagons was necessary to avoid demurrage.
- (ii) Whether the fact of underloading to avoid incurring of demurrage was recorded at the time of loading and put up to the competent authority.

159. The Committee regret that the Management have not substantiated their statements by making documents etc. available to Audit. This should be done now.

160. The Committee are of the view that the corporation cannot be absolved of its responsibility for loss due to underloading of

wagons. They, therefore, recommend that weighbridges should be provided at all the collieries, so that the disputes and losses arising out of underloading of wagons may as far as possible be eliminated. The responsibility for supplying inferior quality coal lies on the Corporation. The cases where inferior quality coal had been supplied should be investigated and individual responsibility fixed.

161. As regards the loss of Rs. 8,09,352.85 P., against the item 'Reasons not known' the Financial Controller of NCDC admitted during evidence that the matter had not been adequately investigated. The procedure for finding out the reasons was not pursued as thoroughly as it should have been done. It was added that they were continuing efforts to recover from the consumers the amounts written off.

162. Explaining the reasons for writing off the amount, the Ministry have stated that the management decided to write off the amount chiefly on the consideration that the amounts in dispute were more than three years old and no headway had been made in settling the disputes. The prospects of NCDC's ability to challenge the deductions rather appeared remote; and from the point of view of correct accounting it was considered desirable to make a realistic provision for bad and doubtful debts. These amounts were accordingly written off in July, 1965 from the books of account.

163. The Committee regret to note that no positive steps were taken by N.C.D.C. to find out the reasons for losses amounting to over Rs. 8 lakhs. Instead of making efforts to find out reasons and realising the amounts from customers before they became time-barred, N.C.D.C. merely wrote-off this amount as bad debts from their books. The Committee recommend that investigation should be made into the causes of such losses, so that there may not be such recurrence.

## VII

### COSTING

Para 9, pages 112-113

164. *System.*—The Company followed the uniform system of costing as adopted by the Indian Mining Association for collieries suitably amended to meet the local requirements. No manual of costing procedure had, however, been prepared by the Company till September, 1966. Besides, no periodical reconciliation between cost and financial accounts was done.

165. *Actual cost.*—The cost of production of coal from the revenue collieries during the last three years *vis-a-vis* the Project Report cost is indicated below colliery-wise:—

Name of the colliery	Cost per ton as per Project Report	Actual cost per M. ton			
		1963-64	1964-65	1965-66	
1	2	3	4	5	
	Rs.	Rs.	Rs.	Rs.	
1. Kurhurbaree		32.92	43.32	40.39	
2. Serampur		34.98	56.47	61.63	
3. Kargali	} No project reports were prepared, as these were old collieries.	29.20	33.41	31.93	
4. Bokaro		21.74	22.31	22.73	
5. Jarangadih		29.79	29.43	25.17	
6. Sawang		27.77	31.55	24.01	
7. Argada		37.19			
8. Talcher		34.97	28.20	28.42	
9. Deulbera		26.29	24.59	32.45	
10. Bhurkunda		15.27	18.86	20.86	23.11
11. Kurasia		17.58	27.76	25.28	21.38
12. Sayal 'D'	15.52	20.28	26.84	25.23	

1	2	3	4	5
13. Saunda	16·17	25·01	27·19	25·73
14. Bachra.	15·33	27·46	39·33	27·40
15. Gidi 'A'	14·58	18·06	21·22	20·75
16. Gidi 'C'	14·95	19·76	24·40	22·12
17. Korba .	14·04	18·05	16·84	17·16
18. Korea	16·62	29·90	40·19	24·44
19. Churcha.	17·81	..	..	28·84
20. Bistrampur. .	18·29	..	..	27·78
21. South Balanda	15·89	19·05	30·91	27·56
22. Kathara.	14·32	19·01	20·49	20·36

166. In respect of collieries at Serial Nos. 1 to 9 for which there were no Project Reports, the cost has gone up in some collieries. In reply to a question the Ministry have stated that no estimates of cost were drawn up in respect of these collieries.

167. In respect of collieries at Serial Nos. 10 to 22, the actual cost of production of coal per ton has exceeded the Project Report cost each year.

169. The Committee regret to note that the Ministry/Undertakings had not fixed any estimates of cost of coal production for nine projects, which were very necessary for assessing how the actual costs of these projects compared with the estimates. The need for preparing such estimates cannot be overemphasised, in view of the fact that the costs have gone up from year to year in some collieries. The Committee recommend that estimates of costs should be prepared in such cases, so that the actual costs can be restricted to the estimates.

169. It has been stated that the actual cost of production per tonne had gone up as compared to the estimates in the Project Reports because of factors, which were not operative at the time when the Project Reports were prepared. There had been substantial increases in wages and cost of stores, plant and equipment. There had also been substantial increases in expenditure on amenities for the workers and safety measures. In some cases, costs were higher than those originally envisaged in the project report as mining conditions had been found to be more difficult than what

was anticipated in the project report on the basis of available geological and drilling data. The actual output during these years had also been much less as compared with the Project Report targets.

170. When enquired about the measures taken by the Management for bringing down the actual costs to those given in the Project Reports, it has been stated that the need to keep the costs as low as possible was always kept in view while incurring expenditure. It has been added that endeavours were being made to cut down per tonne cost by raising the quantum of production where this was justified by the current demand. Attention was also being given to measures (a) for raising productivity, and (b) for effecting suitable economies in expenditure. The cost of production in different collieries was reviewed monthly for taking necessary remedial steps.

171. The Committee feel that one of the reasons for increase in the cost of production as compared with that indicated in the Project Report is the employment of more staff than envisaged in the Project Report. They recommend that the impact of over-staffing on the cost of production may be worked out and necessary remedial measures taken.

**VIII**  
**STORES**

**A. Stores and Spares Inventory**

Para 10 (a) Pages 113-114

172. The table below indicates the breakup of stores inventory at the end of the last three years:—

(Rupees in lakhs).

Items	1963-64	1964-65	1965-66
(i) Stores and Spare parts . . . . .	925.77	1,206.78	1,414.87
(ii) Plant and machinery in stores . . . . .	560.00	984.27	1,833.80
(iii) Others (iron and steel materials, etc.) . . . . .	111.00	130.00	Merged with Item (i)
	1,596.77	2,321.05	3,248.67

173. An analysis of the stores holding of 12 collieries including **Central Stores** carried out by the Company during the period from December, 1963 to February, 1966 disclosed the following features:—

Sl. No.	Particulars	No. of items	Value (Rs. in lakhs)	
1.	Items of which stocks were held over and above 1 years consumption in respect of general stores and 2 years consumption in respect of spare parts	(i) General consum- able stores.	2,477	86.80
		(ii) Spare parts	1,129	48.74
2.	Items of which there had been no consumption during the last three years.	(i) General consum- able stores	3,708	13.74
		(ii) Spare parts	9,474	43.91
3.	Items of which there had been no consumption at all	(i) General consum- able stores.	2,600	11.61
		(ii) Spare parts	12,689	63.67

174. It will be seen that the stores and spares were procured by the Company without proper assessment of actual requirements. The Company had also not fixed maximum and minimum limits in respect of each item of stores.

175. The Ministry had stated to Audit (February 1967) that the materials included in item 1 above were working stocks of current items and that though their holdings were relatively large, they could not be termed as surplus. The remaining items included a large percentage of insurance items which would have to be retained.

Only items valued at Rs. 13.12 lakhs were reckoned as dead surplus items. Action was being taken to circulate lists thereof to other public undertakings to ascertain their requirements.

176. During evidence, the Managing Director, N.C.D.C. stated that in 1962 N.C.D.C.'s target was fixed at 30.5 million tons of coal during the Third Five-Year Plan—an additional production of 18.5 million tons. N.C.D.C. was expected to open at that time 16 or 17 mines and orders were placed for machinery as soon as these projects were cleared by the Government and the Planning Commission on the basis of an overall assessment of the national demand of coal at the end of Third Five Year Plan with the result that the investment on the purchase of equipment did not bear any relationship to the current level of production. When the Committee enquired as to why the orders were not cancelled when the target of production was reduced, it was stated that after the agreement had been entered into, there was difficulty in cancelling these orders. It was also added that the investment had not been entirely infructuous although it would have very little impact on the Corporation's earnings until the end of the Fourth Plan and possibly no significant effect until the third or fourth year of the Fifth Five Year Plan.

177. The Committee are unhappy to note that due to unrealistic purchases of stores and equipment a huge amount of money has been blocked without any prospects of returns therefrom till the end of the Fourth Plan. The Committee recommend that the stores and equipment surplus with N.C.D.C. should be utilized in the collieries where these can be put to use profitably and the Corporation should exercise greater caution in making further purchases of stores.

178. In their written reply to a question furnished to the Committee the Ministry have stated that the comparison made between the value of plant and equipment in stores at the end of 1963-64 viz. Rs. 560 lakhs with that at the end of 1965-66 viz. Rs. 1833.80 lakhs was not fair. The value of plant and equipment in stores at the end of 1964-65 was Rs. 984.27 lakhs. Sp, if the value of plant and equip-



ment in stores at the end of 1965-66 was compared with the value of plant and equipment at the end of 1964-65, the rise was less marked as compared with 1963-64.

179. The Committee are surprised at the comparison suggested by the Ministry. The fact that the value of stores had gone up from Rs. 560 lakhs to Rs. 1833.80 lakhs within two years' time i.e. from 1963-64 to 1965-66 was patent. Even if the year-wise increase is taken into consideration, the rise is 75.8 per cent in 1964-65 over the figures of 1963-64 and 86.3 per cent in 1965-66 over those of 1964-65. The Committee are constrained to observe that the Ministry are worried about the method of comparison but have given enough attention to the progressive rise in the value of plant and equipments.

180. The Ministry have further stated that the plant and equipment of the value of Rs. 6.91 crores (including stores worth Rs. 36 lakhs only) acquired during 1962-63 and 1963-64 were actually accounted for in 1965-66. The circumstances in which these were not accounted for as and when received were that in the first instance the debits were not raised in accordance with the prescribed procedure by the A.G.C.R. and, therefore, these were rejected. Subsequently these were not accounted for due to nonavailability of funds. The Ministry have submitted figures of the total value of orders placed for purchase of plant and equipment either directly by N.C.D.C. or as part of the collaboration agreements during 1962-63 to 1966-67 which are as follows:—

Year	Value of the orders in crores of rupees
1962-63	11.28
1963-64	12.15
1964-65	2.61
1965-66	4.69
1966-67	2.40

181. During evidence the Committee were informed that no re-assessment or critical review of stores was made at the commencement of the Third Plan.

182. After the mid-plan appraisal in 1963 orders for plant and equipment were subjected to screening and only those items which could not be met out of the items declared surplus were ordered. Further to the mid-term appraisal, a Committee was appointed in March, 1964 to review the Third Five Year Plan Production targets and this Committee had kept the Plan and Machinery question also in view and had made recommendations. The position was reviewed in detail and the excess plant and equipment were utilised according to needs, and action was taken to offer surplus equipment to sister organisations. Similar assessment was also made of equipment for open cast mines and it was found that by and large there was no surplus. In addition, appraisal was also undertaken by N.C.D.C. to assess the production in view of the market condition, and as a result of this it was decided to close down certain mines temporarily. The equipment that was considered to be surplus was planned to be deployed against replacement. Hence the question of cancelling the orders already placed did not arise. However the relevant papers indicating the review made by the Management of the requirements of plant and equipment after the mid-term appraisal had not been furnished by the Management to the Audit till January 1968.

183. During the course of evidence the Managing Director had stated in the context of revised target of production that it was difficult to cancel contracts for stores and equipment as the orders had already been placed and contracts entered into. The Ministry in their reply have however, stated that the question of cancelling the orders already placed did not arise as the equipment that was considered to be surplus was planned to be deployed against replacement.

184. The Committee feel that no serious effort was made by N.C.D.C. to cancel the contracts with the result that a huge amount was blocked up as investment on surplus and unremunerative stores and equipment. The Committee recommend that the Government should look into the matter closely and fix responsibility for not cancelling these contracts.

185. When the Committee pointed out that had NCDC not imported the machinery, it could have been supplied, when required by the Coal Mining Machinery Manufacturing Plant at Durgapur and thus foreign exchange could have been saved, the representative of the Ministry stated that they had placed orders on the Coal Mining Machinery Manufacturing Plant but they had their own difficulties. It was added that it would take some time for the plant to make supplies.

186. There is a huge stock of imported plants, machinery, stores and spares which is not going to be utilised for a number of years. Before they are put to use the manufacture of these items would have commenced in India. Thus ordering of the machines far in excess of requirements has led to the blocking of precious foreign exchange. Besides the machinery will deteriorate during the years while awaiting utilisation.

187. The Committee noted that the acquisition of stores without proper assessment of actual requirements and non-fixation of the maximum and minimum limits in respect of each item of stores indicated that the inventory control was non-existent in the corporation and enquired why NCDC could not organise its stores on sound lines even after a lapse of 11 years from the date of formation of the company. In reply the Ministry have stated that the eleven Railway Collieries, management of which was passed over to NCDC on its formation in 1956 were following the Indian Railway Stores Code in respect of Inventory Control. Provision of material was made on the basis of past consumption, quantity on indent/order and the quantity held in stock which information was duly incorporated on every indent by the Depot Officer and further counter-checked at higher levels. The system generally continued with the formation of the Corporation as at that stage it was considered to provide adequate control on provisioning and planning of materials. The stores had been acquired with reference to indents duly checked by the associated finance.

188. With the formation of the Corporation, intensive mechanisation both of underground and open cast mines was undertaken and in consequence the range of items of spare parts and other consumable stores increased considerably. Most of these items were substantially different from those in use in the Railways and consequently difficulties in respect of nomenclature and proper codification were increasingly felt. Very soon the need for re-classification, standardisation and codification of all items of stores and spare parts was strongly felt and in 1960 this exercise was started.

189. The 1st Vocabulary of Colliery Stores pertaining to general consumable stores comprising approximately of 7,000 items was published in August, 1964. The 2nd Volume comprising of 11,000 items of spare parts for underground mining machinery followed in 1966. The final volume of 25,000 items pertaining to spare parts for Heavy Earth Moving Machinery would be out in two parts. The first part comprising of approximately 15,000 items was under print and the second part was expected to be out by June, 1968.

190. After re-codification, items now generally followed a 7-digit numerical code making it possible to maintain visual indexing system for better inventory control.

191. Whereas the principles of fixing the minima and maxima had been laid down, for various reasons it had been possible so far to fix the Inventory Levels, Economic Order Points and Economic Order quantities in respect of 1,400 items in one Area only, namely Bokaro-Kargali region. Similar work in respect of general consumable stores would be completed by the end of December, 1967. At other projects the progress had not been satisfactory.

192. Periodical ABC—XYZ analysis of stock holdings was being carried out as an aid towards better inventory control, liquidation of surpluses and obsolete items. The Ministry have thus claimed that sound principles of inventory control had been laid down and at least some progress made in their implementation.

193. Although results of ABC—XYZ analysis in respect of 13 colliery stores and the Central Stores at Barkakana were made available quite sometime ago, the quantum of surplus stores in all the collieries had not so far been assessed.

194. It will be observed from the above that the Corporation has not been able to establish a satisfactory system of inventory control even after the lapse of eleven years from the date of its formation. As already admitted by the Ministry, they have been able to fix Inventory Levels, Economic Order Points and Economic Order Quantities only in one area. The Committee are not satisfied with the slow progress made by the Corporation in the establishment of proper inventory control system. They recommend that reorganization of the inventory control system should be completed as expeditiously as possible.

195. As regards the steps taken for the disposal of the items worth Rs. 13.12 lakhs found surplus to the requirements at Central Stores, Barkakana the Ministry have stated that a further scrutiny was carried out, as a result of which stores valued at Rs. 5.39 lakhs were found usable in Corporation's projects and consequently had been diverted to these places. The remaining 7.73 lakhs of stores had been recommended for ultimate disposal.

196. These dead surplus items comprised of 3,684 items of spares relating to 33 different machines. Already 7 lists of parts had been circulated to other Public Sector Undertakings and the remaining lists would be circulated in a month or so. Arrangement for disposal by auction/public tender of such items, which still remained would be taken by January, 1968.

197. It is observed from the table given in the audit para that items valued at Rs. 132.93 lakhs had not moved at all or were having no consumption over a period of last 3 years preceding the date of analysis. The Ministry have stated that out of Rs. 132.93 lakhs, items worth Rs. 43.47 lakhs were held in Central Stores, Barkakana comprising of 5,746 items. Of these, 881 items valued at Rs. 30.35 lakhs had been categorised as insurance items and the remaining 4,865 as non-insurable items valued at Rs. 13.12 lakhs. Further use had been found for stores valued at Rs. 5.39 lakhs in other projects of the Corporation and stores diverted there. The balance stores valued at Rs. 7.73 lakhs representing dead surplus were being put up for disposal. The remaining items were under scrutiny.

198. From the replies furnished by the Ministry the Committee can only conclude that a complete and detailed analysis was not conducted by NCDC to find out the stores which are usable and which are surplus and hence required to be disposed of. Stores once declared surplus have been found to be usable on subsequent analysis. The Committee can only come to the conclusion that either the first scrutiny was superficial or on second scrutiny lots of stores earlier declared surplus have been categorised as usable in order to save the Management from being blamed as extravagant. The Committee urge that a proper assessment of the stores and spares must be made and the surplus stores disposed of early. For this the Corporation may consider the advisability of availing the services of private organisations which are experts in raw materials and spares inventory control—a suggestion with which the Managing Director of the Corporation seemed to agree during evidence.

#### **B. Surplus and unserviceable tyre—retreading materials**

*Para 10(b), page 114.*

199. In April, 1961 the Company set up a Tyre Retreading Shop at the Central Workshop, Barkakana to undertake repairs of tyres departmentally. Owing to incorrect estimates of the requirements of tyre retreading and repair materials, a total quantity of materials worth Rs. 1.64 lakhs procured between June, 1962 and August 1964 was rendered surplus. In addition, tyre retreading materials worth Rs. 70,502.21 were also rendered unserviceable as their normal life had expired. It was decided by the Management in February, 1966 that these materials should be disposed of by calling tenders. When tenders were invited in March, 1966 there was no response. It was subsequently decided (May, 1966) to dispose of the materials by auction.

200. Asked if any responsibility had been fixed for the preparation of incorrect estimates for the acquisition of the tyre retreading

and repair materials, the Ministry have stated that the basis on which the requirement of retreading material was originally estimated and procured could not be ascertained from the available records. The estimates of requirements of tyre retreading material appear to have been made on the assumption of full utilisation of earth moving equipment (2400 hours in a year for Dumper and Coal Haulers) procured before 1962 and after. Due to slow growth of coal demand, and non-availability of spares for dumpers, coal haulers, which had broken down, the percentage utilisation of the capacity of the tyre retreading shop remained low. In other words, a smaller number of tyres were retreaded than appear to have been allowed for in the original estimates.

201. It has been submitted that the Corporation also lacked storage experience at that time. Corrective steps had since been taken for phased supply and air conditioned storage.

202. The Ministry have contended that the question of fixing responsibility for the preparation of incorrect estimates for the acquisition of the tyre retreading and repair materials did not appear to arise.

203. The Committee are surprised to note that the basis on which the requirements of retreading material were originally estimated and procured cannot be ascertained by the Ministry from available records. The Committee hope that in future such mistakes would not recur.

204. The Ministry have stated that the surplus and unserviceable materials valued at Rs. 2.35 lakhs had been disposed of for Rs. 34,750 in the two tenders put out one on 3rd June 1966 and the other on 3rd April, 1967.

205. The Committee desired to know the reasons for not disposing of the materials earlier when they were not required and have been informed that this could not be done as in the first instance, efforts were made to persuade the supplier to take back the material. When this failed, some time was lost in observing the formalities in the disposal of surplus materials. The Committee regret to note that expeditious action was not taken by the Corporation in this matter. Efforts to persuade the suppliers to take back the material and observance of formalities for disposal of surplus material could have been taken simultaneously. Due to lack of positive action the matter was allowed to drag on for a considerable time which resulted in the materials becoming unserviceable. Had steps been taken earlier for disposal of this material it could have fetched a higher price in auction.

## IX

### PLANT AND MACHINERY

#### A. Surplus and unutilised equipment—

*Para 11(a) page 114*

206. Out of the basic equipment valued at Rs. 1,055.538 lakhs purchased by the Company for the underground mines during the Second and Third Five Year Plan periods, equipment valued at Rs. 181.319 lakhs remained unutilised (as on 1st December, 1966) on account of closure of some mines as a result of glut in the coal market. In addition, equipment of the value of Rs. 131.90 lakhs was surplus to requirements and awaiting disposal as on January, 1967. The value of the equipment rendered surplus or remaining unutilised relating to the open cast mines had not been assessed by the Company till September, 1966.

207. In their written reply the Ministry have stated that for the Second Five Year Plan projects the Corporation was required in 1958 to achieve an additional production capacity of about 10.5 million tonnes in a span of 3 years by the end of Second Plan period. It was therefore necessary to take simultaneous action for procurement of Plant and Machinery along with preparation of Project Reports in respect of each individual project. For this purpose a list of conventional underground coal mining equipment like coal cutters, rotary drills, scraper chain conveyors, belt conveyors and haulages based on a production of 0.25 million tonne per annum for each mine was prepared for 17 to 22 mines. Later a team of Senior Mining and Electrical and Mechanical Engineers went to USA in 1958 to study and report on performance of trackless mining equipment. Based on the report of this team a list of equipment was drawn up to include items of shuttle cars, loaders etc. A master list of Plant and Equipment was then prepared covering the requirement of various mines likely to be opened and this was approved by the Board of Directors. The procurement action was then undertaken on the basis of the master list.

208. The project reports for some of the Third Five Year Plan projects were prepared and based on these approved project reports, equipment was indented keeping in view the phased requirements of these projects.

209. It was further stated that in order to avoid delay in procurement of equipment in the case of underground projects for which the project reports were not ready, such equipment as had to be imported together with indigenously available equipment was listed for six projects for advance action. Procurement action was taken after the Board of Directors had authorised the Managing Director to take action for advance purchase of standard equipment of underground machinery for the Third Plan, in their meeting held on 1st November, 1961.

210. The Committee desired to know if the excess acquisition was the result of unrealistic targets of production which did not materialise. The Ministry have stated that in January 1964 they had requested the Corporation to gear itself in such a way that production of 22.45 million tonnes per annum could materialise at a short notice, even though there was lack of demand for coal. Due to want of sufficient off-take of coal, some projects were deferred and there was curtailment in production in some other projects, thereby resulting in certain equipment becoming surplus.

211. Asked if it was not possible to restrict the procurement of Plant and Equipment to the actual level of production the Ministry have stated that the lead time taken for procurement of Plant and Equipment to be imported was from 12 to 18 months and as such it was not possible to restrict the procurement to the actual level of production which was to come two years from the date of indents for equipment. It was also difficult to forecast the duration of slump in the coal market.

212. The Committee regret to note that in spite of the Ministry being aware of the lack of demand for coal in 1964 due to slump in the market, the Corporation was advised to procure plant and machinery for the target of production, which NCDC has not been able to achieve even now. The Committee are of the opinion that if proper care had been taken, the procurement of Plant and Machinery could have been restricted, more or less, to the requirement of actual production.

213. The Committee enquired if the provision for Plant and Equipment in the project reports was itself excessive with reference to actual utilisation. The Ministry have stated that this had not been examined specifically. It is observed that in several projects deployment of plant and machinery was in excess of project report provision which was made under the following circumstances:—

- (1) Extensive sickness of existing equipment due to want of sufficient spares.



- (ii) From the experience gained in working, it was found that the project report had not provided for certain equipments which were needed for working. It has been mentioned that many facts were revealed after the collieries had started working which were not available or could not be envisaged at the stage of preparation of the original project report.
- (iii) Additional equipment beyond project report provision was given to Korba Pilot Quarry to meet the additional demand of coal from Madhya Pradesh Electricity Board Power House.

214. The Audit have informed the Committee that neither a list of projects where the equipment actually allotted or deployed was in excess of provisions made therefor in the original project reports, nor the list of plants and equipments as revised (after taking into account the geological conditions) subsequent to the preparation of the project report was furnished by the Management to the Audit till January 1968.

215. The Committee do not see any reason why the Management could not furnish the above lists to the Audit even by January 1968. They cannot help feeling that perhaps these lists are not being maintained properly.

216. The Committee are unhappy to note that the project reports were prepared without undertaking adequate survey and recommend that proper geological investigation of the area where a colliery is to be opened should be done before project reports are prepared, so that they do not require any major change later.

217. During evidence, the Committee were informed that the unutilised equipment valued at Rs. 181.319 lakhs now stood at Rs. 165 lakhs. NCDC had carried out a detailed survey in respect of both the underground and open cast machinery lying in stock and had isolated certain items which were likely to be needed by their collieries in the course of next 3 to 4 years. The remaining surplus items were being disposed of but the progress was very slow. It was added that after passing on the items which other projects need immediately, NCDC will be left with a substantial stock of machinery which they will not be able to dispose of. Although State Governments were interested in items like drills etc., they were not taking them from N.C.D.C.

218. The Committee regret to note that the Corporation had blocked a huge sum in equipment remaining unutilised or awaiting disposal which the Corporation was finding difficult to dispose of.

The Corporation is not only losing interest on the sum blocked but also with the passage of time the equipment is likely to deteriorate or become obsolete and hence fetch much less price than its value. The Committee recommend that Corporation should take immediate steps to dispose of the 'dead' surplus as early as possible. The Government before releasing foreign exchange for import of plant and machinery from abroad for other Public or private undertakings should ensure that similar items of plant and machinery are not lying surplus with any public undertaking or concern for disposal.

218. During evidence the Committee also drew attention of the officials of the Ministry and N.C.D.C. to the recommendation made by the Estimates Committee in para 257 of their 32nd report (Third Lok Sabha) on NCDC regarding steps to be taken to reduce inventories and to obviate any unnecessary accumulation of stores by changing the procurement procedure. The Committee were informed that NCDC had partially implemented the recommendations in respect of codification and that the recommendations were being constantly examined by NCDC. It is regrettable that although more than 4 years have elapsed since the Estimates Committee made the recommendations (i.e. in 1963-64). NCDC has not been able to implement them to the full extent. The Committee suggest that the recommendations of a Parliamentary Committee should be implemented speedily so that the Corporation may reap benefits early.

**8. Loss on the disposal of surplus equipment and scrap materials—  
Para 11(b) page 113.**

220. Surplus equipment and scrap materials valued at Rs. 38.19 lakhs were disposed of by the Company during the years 1962-63 to 1964-65 at a net loss of Rs. 2.13 lakhs and obsolete machinery valued at Rs. 6.87 lakhs was written off in the accounts for 1965-66.

221. The Ministry have stated that the machinery valued at Rs. 6.87 lakhs written off in the Accounts for 1965-66 related to the write off arising from the dismantling of the Kargali Washery Ropeway. Explaining the circumstances in which the ropeway was dismantled it has been stated that during the initial period of working of the Kargali Washery, raw coal was being transported to the Washery by means of a bi-cable ropeway. During the course of operation of the ropeway, it was observed that the fixed rope used to move slightly on the pulleys with the result that pulleys were getting badly worn out. At the same time, the buckets were coming off the rope causing accidents.

222. For these reasons which were adversely affecting the quantum of coal transported to the Washery and also because it was deemed

necessary to extract the coal locked up below the rope way trestles, it was decided to discard the ropeway and use alternative method of transportation. Accordingly, the ropeways were dismantled in the year 1964-65 and some portion was disposed of by auction. The net loss of Rs. 6,87,228 has been written off with the approval of the Board.

223. Kargali Washery went into operation in November, 1958. The Ministry have stated that during the initial stages raw coal was being transported to the washery by means of the ropeway. During operations the defects in the ropeway were noticed and the Corporation decided to discard it. The Corporation had provided in the contract for performance guarantee in respect of individual units and sections of plant and equipment. It is curious that the Corporation did not take any action for the repair and replacement of defective machinery and decided to dismantle the ropeway.

224. Another reason put forward for discarding the ropeway is that it was deemed necessary to extract the coal locked up below the ropeway trestles. The Committee regret to note that a proper survey of the ground was not made initially when the ropeway was installed to ensure that the ropeway trestles did not block rich coal deposit. It is also surprising that within a short span of six years it became unavoidable for the Corporation to mine the coal below the trestles. This becomes all the more surprising in view of the fact that in 1961-62 the actual output of the washery was only 62 per cent of its rated capacity.

225. The Committee feel that the ropeway was installed without proper survey and it was discarded without proper assessment of alternatives for repair of the ropeway. It is not known whether performance of the ropeway was checked within the guarantee period. The entire matter seems to have been handled casually with the result that an amount of Rs. 6.87 lakhs had to be written off on this account alone. The Committee recommend that this matter may be probed into to fix responsibility for this dead loss to the Corporation.

**X**

**INDIVIDUAL PERFORMANCE OF THE REVENUE COLLIERIES**

*Para No. 12, pages 115-116*

226. The table below indicates the profit or loss earned/incurred by the revenue collieries during the last three years:—

(Rupees in lakhs)

Name of the colliery	1963-64	1964-65	1965-66
<i>B. &amp; K Region</i>			
1. Bokaro*	(+14·84	(+21·64	(+48·63
2. Kuzali*	(-)32·05	(-)51·06	(-)27·60
3. Jangalih*	(-)8·44	(-)8·03	(+0·76
4. Kathara .	(+6·87	(-)8·80	(+5·74
5. Sawang*	(-)5·64	(-)12·57	(+0·77
<i>Giridih Region</i>			
6. Kurlumbaree*	(-)17·02	(-)39·78	(-)26·60
7. Serampur*	(-)24·50	(-)43·83	(-)31·75
<i>Orissa Region</i>			
8. Talcher*	(-)19·07	(-)5·38	(-)3·63
9. Deulbera*	(-)1·69	(+6·79	(-)12·52
10. South Balanda .	(+23·11	(-)9·65	(-)1·20
<i>Karampura Region</i>			
11. Bachra .	(-)12·33	(-)23·01	(-)7·11
12. Bhurkunda*	(+33·59	(+19·24	(+9·68
13. Saunda .	(-)13·41	(-)20·15	(-)8·15
14. Gidi 'A'	(+48·32	(+18·05	(+35·49
15. Gidi 'C'	(+6·49	(-)1·93	(+5·75
16. Sayal-D .	(+13·87	(-)5·69	(+3·48

(Rupees in Lakhs)

Name of the colliery	1963-64	1964-65	1965-66
<i>Madhya Pradesh Region</i>			
17. Kurasia*	(-)13.50	(+)2.64	(+)39.81
18. Korea .	(-)8.72	(-)18.25	(+)5.87
19. Bisrampur .	..	..	(-)6.43
20. Churcha .	..	..	(+)0.33
21. Korba .	(+)12.61	(+)13.55	(+)14.20

NOTE.—The collieries marked\* are State collieries taken over by the Company on its formation.

227. It will be seen that out of 21 collieries as on 31st March, 1966, 9 collieries incurred losses in 1965-66.

228. Explaining the principal factors responsible for the incurrance of losses in revenue collieries, viz., Kargali, Kurhurbaree and Serampur, Bisrampur, Bachra and Saunda, Talcher, Deulbera, South Balanda, the Ministry have submitted the following:—

(i) *Kargali*:

This was one of the collieries taken over from the ex-State Railway collieries in October, 1956. Prior to NCDC taking over this colliery, the removal of overburden and extraction of coal were being done manually. In 1955-56, coal overburden ratio was 1:2.09 and it was found that with this coal overburden ratio, which would become progressively higher, the time required for exposure of coal would progressively increase. To meet the urgent requirements of coking coal it was therefore considered necessary to mechanise this quarry which was undertaken during 1956—58. Simultaneously, however, the labour force employed for manual operations was not reduced in the interest of maintaining industrial peace. This was one of the main reasons for increased cost of production. The Corporation introduced a voluntary retirement scheme so that the labour force could be reduced as far as possible and by the end of 1966, 1507 persons (in B&K Area) had been retired voluntarily. The number of surplus labour on roll in August 1967 was about 600.

The coal overburden ratio had progressively increased and in 1965-66 it was 1:2.94. This had also led to increased cost of production which had been approximately assessed at about Rs. 3/- per ton as impact on coal production of the wage levels of 1955-56.

During this period, there had been increases in wages and prices of stores which had not been fully offset by the increases in

prices of coal. NCDC had also to make additional investment for labour welfare amenities like housing, water supply, etc.

As a result of mechanisation, though the exposure of coal could be stepped up, yet there was widespread sickness of equipments for want of spare parts which had added avoidably to the cost of production in the shape of interest and depreciation charges.

Production from Kargali as also from other coking coal mines was restricted to the current requirements of the Steel Plants because of the policy of conservation adopted by the Government of India which was not in vogue prior to 1956. In consequence, the cost of production had also gone up.

In the interest of conservation, the Coal Board had agreed to grant subsidy at the rate of Rs. 2.50 per tonne for open cast mining at Kargali because of the adverse coal overburden ratio. In open cast mining NCDC could extract coal to the extent of 90 per cent whereas in the underground mining which might be economical, the extraction was only about 50 per cent. NCDC had represented to the Coal Board to give that subsidy with effect from 1st April 1962, instead of 1st April 1966. If the subsidy was received from 1st April 1962, the amount of loss from 1962-63 to 1965-66 would have been substantially reduced.

(ii) *Kurhurbaree and Serampur:*

Giridih Collieries were taken over by the Corporation at a time when they were already sustaining heavy loss. The high cost of Giridih coal was due to:

- (i) Special wage rates to pick miners who were paid Rs. 5.66 against an industry rate of Rs. 4.02 per tonne of coal produced.
- (ii) Low productivity of miners which was about half a tonne against one tonne in the industry due to difficult working condition.
- (iii) Abnormally high percentage of absenteeism among workers as the labour was drawn from local villages engaged in agriculture.
- (iv) The mines being very old, the extraction of coal was confined to small patches concentrated over a vast area. This did not give proper concentration of the operations and effective supervision, thereby resulting in uneconomic working.

- (v) **Heavy pumping cost due to abnormal water conditions.** Approximately 100 tonnes of water were being pumped for every tonne of coal extracted.
- (vi) **Existence of large surplus labour:** The labour force had been reduced by about 4209 upto January 1967 with the introduction of the voluntary retirement scheme.

As the colliery was producing prime coking coal, NCDC had been directed by the Government to work these collieries.

**(iii) Talcher:**

This was also one of the units taken over from the ex-State Railway Collieries. The peculiar feature of this colliery was that a majority of the workers were monthly paid workers and enjoyed more privileges in terms of leave etc. which resulted in absenteeism and higher wage cost. This colliery being an old one where the development had not been on an organised basis, the number of workers employed was heavy and the productivity remained low. The abnormal loss in 1963-64 was due to fire and consequent partial closure of the mine and extra expenditure on controlling fire. The losses of this colliery were brought down in 1965-66 to Rs. 3.63 lakhs as compared with Rs. 5.38 lakhs in 1964-65 and Rs. 19.07 lakhs in 1963-64. The reasons for continued losses in 1965-66 were as follows:—

- (1) Increase in Welfare expenses.
- (2) Increased incidence of salaries and wages mainly due to increase in the Dearness Allowance which has not been fully off-set by increase in price of coal due to the existence of large labour force.
- (3) Increase in stores and repair cost.

However, with a view to open certain areas in the same mine, development works were taken up and it was expected that the economics of this mine would improve with increase in output.

**(iv) Deulbera:**

This was also one of the collieries taken over from the ex-State Railway Collieries and the conditions of work, labour service conditions etc. were practically similar to those obtaining in the neighbouring Talcher field. Further, the special reasons for the loss incurred in 1965-66 was on account of the steep increase in the cost per tonne by Rs. 7.86.

**Expenditure had increased under the following heads:**

- (a) Wages and salaries due to increase in Dearness Allowance etc. which were not fully off-set by increases in the price of coal.
- (b) Increase in stores, repairs, timber, power—Rs. 2.29 lakhs.
- (c) Increase in sand stowing cost—Rs. 1.33 lakhs.
- (d) Increase in depreciation and interest Rs. 1.63 lakhs.

With a view to increase the production and improving the economics of this mine, development works in the underground workings beyond geologically disturbed area were taken up and it was expected that the economics of this mine would improve during the financial year 1968-69.

(v) *Bisrampur* :

This was a new colliery brought on to revenue account during 1965-66 and this was the first year of its revenue period. The project had been started for a targetted production of 2.7 million tonnes per year and the production during 1965-66 was only 0.66 million tonnes, even though a major portion of the capital expenditure had already been incurred on the project. The production had not come up to the expected level on account of:

- (i) Marketing difficulties and consequent restriction in production.
- (ii) As against 2 Draglines of 28 and 39 Cu. yards capacity respectively, only one Dragline had been commissioned there and the other was under erection. The production in the opencast mine, which was expected to produce 1.7 million tonnes of coal, had not touched the break even level.
- (iii) The development of the underground mine, of which the target had been fixed at 1 million tonnes in the project report was still incomplete.

While underground workings were in the development stage, the overall production and economics of this mine could be considerably improved and profit earned if there was substantial increase in the market demand.

(vi) *Vachra* :

The losses in this colliery came down from about Rs. 23.01 lakhs in 1964-65 to about Rs. 7.11 lakhs in 1965-66. The colliery had been



running at loss on account of the fact that 2 pairs of inclines which had been driven for coal production had to be closed down in May, 1963 on account of the extremely low grade of coal they were producing and there was difficulty in marketing of the same.

The colliery was planned for a production of 0.6 million tonnes per year and the capital investment had been incurred practically to the full extent as provided for in the project report, whereas the actual production had not come upto the expected level. The mine had been demechanised to a considerable extent resulting in the need to employ more labour and lowering of output per manshift (OMS). With the increase in the rates of Dearness Allowance being paid from time to time and a low OMS, the cost of production was high.

The break even point of this mine was 24,000 tonnes and with the expected improvement in the market demand for this coal, the production of this mine was likely to exceed the figure, thereby giving profit.

(vii) *Saunda:*

The losses in this colliery came down from Rs. 20.15 lakhs in 1964-65 to Rs. 8.15 lakhs in 1965-66 with increase in production by about 57,000 tonnes. This colliery had been initially planned for a production of 1.20 million tons per year. Due to steepness of the seams and disturbed geological conditions which were not foreseen initially, the machines which were projected to be used could not be used effectively and had later to be removed thereby increasing the man-power employed for extraction of coal. Besides, the reserves of coal initially shown in the project report were also not available for extraction. The project report was now being revised in the light of the experience gained. The cost of removal of overburden in the open cast mine was also high which was responsible for high cost of production of coal from this section of the project. Some units of the underground mine were also on fire and this necessitated a large expenditure on safety works.

(viii) *South Balanda:*

The open cast colliery was taken up by NCDC during the Second Plan period with a targetted production of 1.00 million

tonnes per year. The following table showing the overburden removed in cubic yards, coal production in tonnes, cost per tonne and profitability has been submitted for the period 1963-64 to 1965-66.

Year	Overburden Removed	Coal Production	Cost per tonne	Profitability
	lakhs Cu. yds.	lakhs Tonnes	Rs.	Rs. lakhs
1963-64	21.33	3.58	19.05	23.11
1964-65	14.41	2.07	30.91	(- )9.65
1965-66	14.45	2.90	27.56	(- )1.20

The cost had gone up in 1964-65 and in 1965-66 with lower production of coal. Production of coal had to be restricted due to paucity of demand for slack coal from this colliery. Even with limited production, the stocks were over 2 lakh tonnes which were roughly equivalent to about 10 months production requirement. I would be advisable to increase the quantum of production from this mine only after 2 to 3 units of the Talcher Power Stations have been finally commissioned.

In December, 1964 the 'Page dragline' in this colliery ceased to function as a defect was noticed in the central casting of the tub. Dragline was the basic machinery for removal of overburden in South Balanda. This dragline was re-commissioned in February, 1965. Consequently, the removal of overburden suffered considerably in 1964-65. In 1965-66 also, the dragline was not working satisfactorily which resulted in set back to production.

From a comparison of the expenditure on various items during 1963-64, 1964-65 and 1965-66 in South Balanda, it is seen that there was no payment of royalty, leases and cesses in 1963-64 whereas payment amounting to Rs. 3.42 lakhs in 1964-65 and Rs. 4.61 lakhs in 1965-66 was made on this account. Again the value of stores consumed, repairs, power and fuel charges went up substantially, viz. Rs. 6.30 lakhs in 1964-65 as compared with Rs. 3.93 lakhs in 1963-64. Likewise, the depreciation charges in 1965-66 were Rs. 6.40 lakhs as compared with Rs. 3.67 lakhs in 1963-64 and Rs. 3.25 lakhs in 1964-65. These variations had also materially affected the profitability of this colliery in 1964-65 and 1965-66.

229. It will be seen that in most of the collieries, the loss has been attributed to surplus man power, increase in wage rates, stores and repair cost, depreciation, restricted production etc.

230. The Ministry have stated that although Kargali colliery was mechanised yet they had to keep a large labour force at this mine. No satisfactory explanation has been given for the retention of a large number of workers in spite of mechanisation of the mine. The Committee recommend that a detailed study of methods of work should be taken at this mine to ensure proper utilization of men and machines.

231. According to the reply of the Ministry the capital investment had been incurred to the full extent at Bachra colliery, as provided for in the project report. Similarly at Saunda the steepness of seams and disturbed geological conditions had not been foreseen initially. The machines which were projected to be used could not be used effectively and had to be removed subsequently. Besides this the coal reserves initially shown in the project report were not available for extraction.

232. The Committee are of the view that sufficient care was not exercised by the authorities when the project reports for these collieries were prepared. The defective project reports led to purchase of machinery which was not suitable and had to be discarded later on, while man power had to be increased, thus leading to excessive expenditure and consequent losses at these collieries. The Committee hope that sufficient care would be taken by the authorities to safeguard against the repetition of such mistakes in future.

233. The profitability in Bhurkunda Colliery in Karanpura Region is steadily going down. In 1963-64 the Colliery showed a profit of Rs. 33.59 lakhs which came down to Rs. 19.24 lakhs in 1964-65 and further fell down to Rs. 9.68 lakhs in 1965-66. The Committee recommend that the causes of this steep decline in the profits of the colliery should be investigated and effective steps taken to set the matter right.

234. The Audit have informed the Committee that the Management had not till January 1968 furnished the documents in support of the following statements made by them:—

#### **Kargali**

(i) Increase in coal overburden had led to increase in cost of production which had been assessed at about Rs. 3/- per ton approximately (detailed calculation of the figure of Rs. 3/- per ton).

(ii) Production in this colliery as also from other coking coal mines had to be restricted to the present requirements of the steel plants because of the policy of conservation adopted by the Government of India (papers in respect of policy adopted by the Government of India).

**Kurhurbaree and Serampur**

(i) Special wage rates to pick workers (the detailed calculation of the special wage rate).

(ii) Existence of large surplus labour (the figures of surplus labour available in these collieries and how their services were being utilised).

**Duelbera**

Detailed break-up of Rs. 2.29 lakhs, Rs. 1.33 lakhs and Rs. 1.63 lakhs being the increases in stores, repairs, sand stowing cost, depreciation, interest etc.

## XI

### Financial results

Para 13, pages 116-117.

235. The table below summarises the financial position of the Company under headings for the last three years:—

(Rupees in lakhs)

	1963-64	1964-65	1965-66
<i>Liabilities</i>			
(a) Paid-up capital	4,440·22	5,265·01	6,132·29
(b) Reserves and surplus	248·50	228·29	228·29
(c) Borrowings			
(i) from Government	4,305·50	5,205·50	6,623·50
(ii) from Banks	..	701·41	745·00
(d) Trade dues and other current liabilities (including provisions)	1,289·89	1,364·56	2,054·17
(e) Government provident Fund (including interest)	31·31	33·35	34·30
<b>TOTAL</b>	<b>10,315·42</b>	<b>12,798·12</b>	<b>15,817·55</b>
<i>Assets</i>			
(f) Gross block	7,018·69	8,726·67	10,442·43
(g) Less : Depreciation	1,657·93	2,069·54	2,520·05
(h) Net fixed assets	5,360·76	6,657·13	7,922·38
(i) Deferred revenue expenditure (removal of over-burden, etc.)	875·55	1,081·65	1,331·58
(j) Plant and machinery in stores and in transit	560·00	997·51	1,875·04
(k) Current assets, loans and advances (including Korba partnership)	3,390·12	3,726·34	4,350·77
(l) Other assets	87·20	107·10	140·55
(m) Government provident fund investment and interest accrued	30·02	33·45	36·53
(n) Miscellaneous expenditure	11·77	..	..
(o) Loss	..	194·94	160·70
<b>TOTAL</b>	<b>10,315·42</b>	<b>12,798·12</b>	<b>15,817·55</b>
Capital employed	8,336·54	10,100·56	11,550·56
Net Worth	4,676·95	5,298·36	6,199·88

NOTE 1. Capital employed represents net fixed assets plus deferred revenue expenditure plus working capital. Assets relating to the Units under development and non-operating revenue account have not been separated in working out the capital employed.

2. Net worth represents paid-up capital plus reserves less intangible assets.

236. The working results of the Company for the last three years are tabulated below:—

(Rs. in lakhs)			
	1963-64	1964-65	1965-66
(i) Profit before tax	19.54	(—)171.37	64.20
(ii) Tax provision	..	..	
<i>Percentage of Profit</i>			
(i) To sales	1.0		2.9
(ii) To gross fixed assets	0.3		0.6
(iii) To capital employed	0.2		0.6
(iv) To net worth	4.1		1.0
(v) To equity capital	0.4		1.0

237. The cumulative losses of the Corporation stood at Rs. 194.94 lakhs and Rs. 160.70 lakhs as at the end of 1964-65 and 1965-66 respectively. The Estimates Committee in their 32nd report (3rd Lok Sabha) on N.C.D.C. had reported that:

“the estimated profits prior to taxation in respect of collieries on production account, inclusive of Korba partnership project, were anticipated to be Rs. 7.43 crores. Besides this, the total provision for depreciation during the plan period was estimated at Rs. 19.53 crores—thus making a total surplus of Rs. 26.96 crores.” (Para 242).

238. Further, in para 244 of the Report, they had stated:

“During evidence the Managing Director assured the Committee that the estimated surplus (as computed by the Corporation) would be realised.”

239. The Committee regret to note that the above assurance given to the Committee did not come true. Not only did the Corporation not earn profits as estimated, but on the contrary has incurred huge losses. The need for the public undertakings securing a reasonable return on the capital invested in them cannot be too strongly emphasized. The Committee recommend that the Corporation should make strenuous efforts to improve its profitability by increasing efficiency and affecting economy. They hope that the Corporation would be able to attain a rate of net profit equal to that in the private sector when it reaches full production and would thus favourably compare with the performance of the private sector.

## XII

### OTHER TOPICS OF INTEREST

#### A. Demurrage

(i) *Payment of demurrage and wharfage charges to the Railways*  
Para 14(i)(a) pages 117-118.

240. The table below indicates the amounts of demurrage and wharfage paid by the Company to the Railways from 1959-60 onwards:

Year	Amount
	Rs.
1959-60	73,834
1960-61	4,39,256
1961-62	6,79,062
1962-63	6,20,317
1963-64	13,25,574
1964-65	12,98,168
1965-66	8,72,995

241. The Management had assigned to Audit (July, 1965) the following reasons for the payment of demurrage:—

(i) Free loading time prescribed by the Railways was not sufficient.

(ii) Wagons were often placed for loading at untimely hours.

242. In reply to a question, the Ministry have stated that every case of demurrage was reviewed by the officer-in-charge of wagon loading and the reasons were scrutinised.

243. Most of the demurrages appear to have occurred due to the following reasons:—

(i) Insufficient loading time given by the Railways;

- (ii) No separate time given for weighment and adjustment of wagons in collieries equipped with weighbridges;
- (iii) Supply of wagons without prior intimation;
- (iv) Short supplies made good on Sundays and holidays and without advance information; which also renders the maintenance of the coal handling plant difficult;
- (v) Erratic supply of wagons by Railways;
- (vi) Matching wagons for slack loading are not given as a result most of the slack bunkers are overfilled and have to be handled manually which is a costly and time consuming process;
- (vii) Defective process of charging demurrage on the full rake even if one wagon is left un-loaded.

244. Accepting the fact that some demurrage arose because of failure or negligence on the part of N.C.D.C. staff, they have stated that the extent to which this factor was responsible was difficult to be assessed very precisely. It was the duty of the Officer-in-charge of wagon loading to indicate the faults on the part of their own staff which led to delays and incurring of demurrage charges and to take disciplinary action wherever necessary. A Technical Committee consisting of Chief Engineer (E&M) N.C.D.C. and Additional General Manager of Singareni Collieries was appointed to suggest concrete steps for over-coming the difficulties of the coal loading and to avoid demurrage charges incurred by N.C.D.C. collieries. The Committee's report was considered by the Board of Directors at their meeting held on the 27th August, 1965.

245. The Committee reached the conclusion that if rakes of steam and slack coal were supplied at reasonable intervals, the coal handling plants would be able to reach the requisite quantity and suggested that the question of supply of wagons at reasonable intervals and other connected matters should be taken up with the Railways. The Committee also suggested some increase in the staff for maintaining the plants. The Board of Directors considered that the difficulty regarding placement of steam and slack rakes at reasonable intervals might not be resolved satisfactorily by holding discussion with the Railways, and decided that a second Committee consisting of the Chief Engineer (E&M) N.C.D.C. and Assistant Superintendent, Central Engineering and Design Bureau, Hindustan Steel Limited should examine the possibility of increasing the capacity of these plants so as to reduce demurrage.



246. The latter Committee also came to the conclusion that the capacity of conveyors, the layout and the design of the loading arrangements etc. were suitable and there was therefore no need for "basic changes in design". It also felt that as the Gidi Washery to which some of these mines were linked, would be coming up in due course, further investment might not be justified in increasing the capacity of the coal handling plants. It has been reported that some of the steps recommended by this Committee for increasing the loading capacity like installation of a crusher in Sayal, better maintenance etc. without basic changes in the layouts, had been implemented.

247. The report of the second Committee was considered by the Board of Directors at their meeting held on 30th April 1966 and the Board desired that the possibility of installing a second set of storage bunker with another set of loading points in each one of these projects should be examined.

248. This suggestion had been examined in detail by the C.E. (E&M) and AGM(K) who had submitted a report indicating that while the construction of another set of bunkers would not be advisable in Bhurkunda, Saunda & Gidi A, it would be necessary to increase the capacity of the existing bunkers in Sayal and Bachra. These proposals were presently under consideration of the Board.

249. The Committee are concerned to note that in spite of taking the above action the Corporation had incurred demurrage and wharfage charges amounting to Rs. 9.21 lakhs during the year 1966-67. It will thus be seen that the demurrage and wharfage charges which had shown a declining trend since 1963-64, have risen in 1966-67 over the previous year. No concrete results can be achieved unless there is greater cooperation between the Railways and collieries on the one side and between collieries and the sister departments on the other. The Committee recommend that immediate steps be taken to implement the reports and recommendations made by the Committees and officers of the Corporation in order to reduce demurrage charges to the minimum possible extent.

(ii) *Non-recovery of demurrage charges from the Contractors.*

*Para 14(i)(b), page 118.*

250. In collieries where loading of wagons was partially or fully done through contractors, the agreements executed with them provided for the recovery of demurrage paid to the Railways if they failed to complete the loading within the time limit prescribed by the Railways. It was, however, noticed that the Company could not recover the demurrage charges as no records indicating the time of

handing over the wagons to the contractors and their return by them were maintained by the various collieries in order to determine whether the contractors had completed the loading within the prescribed time limit. In the case of one colliery at Bokaro it was noticed by Audit that the demurrage charges for January to December, 1961 which could not be recovered from the contractors due to lack of records amounted to Rs. 32,000. The figures in respect of other collieries had not been worked out by the Management.

251. It has been submitted by the Ministry that collieries in which manual loading by contractors was done, maintenance of records indicating the time of handing over wagons did not arise as the time of supply shown in the Wagon Supply Challans of Railways was taken as the time of handing over wagons to contractors. The contractor was responsible for any demurrages incurred. There were a few collieries in which partly mechanised loading and partly manual loading was done by the contractor. In such cases, it was necessary to maintain records indicating time of handing over the wagons to the contractor and their return by him. It has been accepted by the Ministry that the failure to maintain records indicating the time of handing over of wagons to the contractors and their return in the Bakaro Colliery was a case of lapse or negligence in the discharge of duty.

252. The Committee desired to know if any responsibility was fixed for this lapse or negligence on the part of NCDC staff, and have been informed that as the case related to several past years, there was difficulty in fixing responsibility. This matter was, however, being pursued further.

253. When asked if these records were being maintained now and demurrage charges being recovered from the contractors, it has been stated that it was found on further examination that in collieries such as South Balanda, Kathara, Gidi 'C', Bisrampur etc. where demurrages had occurred due to failure on the part of contractors, the amounts had been recovered from them. The attention of all collieries was once again being drawn to the need for maintenance of proper entries regarding the time of handing over wagons to the contractors and return of the wagons by them.

254. However, Management had not intimated to the Audit till January 1963 the result of further examination of the matter and also the full particulars of the amounts recovered from the contractors due to failure on their part in South Balanda, Kathara, Gidi 'C', Bisrampur etc. collieries.

255. The Committee are not happy with the non-fixation of responsibility for loss which as admitted by the Ministry was due to negligence of the N.C.D.C. staff. They fail to understand why no action was taken by the Corporation to bring to book the persons responsible for such negligence. The Committee recommend that proper action should be taken not only to fix responsibility but also to ensure that in future demurrage charges are not incurred due to negligence of N.C.D.C. staff. They also hope that outstanding demurrage charges would be promptly recovered from the contractors responsible for the delays.

(iii) *Avoidable payment of port demurrage*

Para 14 (i) (c), pages 118-119

256. Owing to delay in the clearance of consignments a total demurrage of Rs. 1.65 lakhs was paid by the Company in the following cases:—

Particulars	Amount of demurrage	Remarks
	Rs.	
(i) 81 packages of shovels received at Calcutta Port on 19th March, 1964, ex. S. S. Sovetsk	68,306.75	Unloading was commenced on 20th March, 1964 and completed on 2nd April, 1964. The consignments were cleared from the wharf on 16th May, 1964. The delay in clearance was attributed by the Director of Shipping, Calcutta to vague/wrong despatch instructions given by the Company.
(ii) 316 packages of electric shovels received at Calcutta Port on 17th April, 1964, ex. S.S. Bevoresk.	97,991.90	Unloading was started on 24th April, 1964 and completed on 25th May, 1964. The consignments were cleared from the wharf on 5th June, 1964. Delay in clearance was attributed by the Director of Shipping, Calcutta to the late receipt of documents from the Company and non-provision of adequate funds by the Company for payment of the customs duty.
TOTAL	1,65,398.65	

The Ministry had stated to Audit (February, 1967) that the matter was under correspondence with the Director of Shipping.

257. In their written reply the Ministry have informed the Committee that they had not accepted the reasons given by the Director of Shipping for payment of demurrage charges and the matter was still under correspondence with him.

258. The Committee regret to note that the matter has not been settled even after a lapse of more than 3 years. The Committee would urge that these cases should be settled without further delay. The Corporation should also streamline their procedure of taking deliveries at the port so that payment of demurrage is avoided in future.

#### **B. Failure to utilise a dragline purchased from a foreign country**

##### *Para 14 (ii), pages 119-120*

259. In June and November, 1963, the Company placed orders for the import of two walking draglines at a cost of Rs. 16,70,000 C.I.F. Calcutta per dragline for use at Jagannath and Jamuna collieries. The draglines were required to be delivered within 10 months and 12 months respectively from the date of placing the orders but were actually delivered in February, 1965.

260. In April, 1964 it was decided not to work the open cast mine at Jagannath Colliery and the dragline meant for this colliery was allotted to Pundi Project. This decision was, however, changed and ultimately it was decided to erect and commission the dragline by the end of 1967 at Jagannath Colliery itself.

261. In reply to an audit query as to why the supply order in respect of the dragline meant for Jagannath Colliery could not be cancelled in view of the fact that the suppliers could not stick to the delivery schedule prescribed in the agreement, the Management had stated in July, 1966 as follows:—

“While it is a fact that a decision was taken not to work the open cast mine of Jagannath Colliery in April, 1964, no action was taken to cancel the order for dragline for the following reasons:

The negotiations for the purchase of these two draglines had been in progress from the middle of 1963 and the formal contract was already signed on the 11th November, 1963. In this connection, it may be stated that the draglines of this type are not stock machines but equipment which

were made to order. Any cancellation would have resulted in payment of compensation to the firm".

262. The Ministry have informed the Committee that on further examination, it was found that there was some confusion regarding facts about the closure of Jamuna and Jagannath Projects arising from the replies given by the Management to Audit. According to the Ministry the facts were as follows:—

"It was decided to close down Jamuna Project in April, 1964. It was not envisaged at that time that the development of the Jagannath Project should also be deferred. It was only in early 1965, that it was decided on the report of a Committee appointed in October, 1964, to defer Jagannath Project because it was a captive mine to Talcher Thermal Power Station and there appeared to be considerable delay in the full commissioning of the Thermal Power Station. The initial requirements of the Talcher Thermal Power Station could be met from South Balanda Colliery.

It was decided in April, 1964 to divert the equipment of Jamuna, to Jhingurda in Singrauli. In February, 1965 when the dragline arrived, it was diverted to Umrer against the project report provision of that project.

No decision regarding the cancellation of the dragline ordered for Jagannath was taken on deferring this project early in 1965. Initially, the idea was to divert the dragline to Pundi and later to Ramgarh but subsequently this was not found possible as these projects were also postponed. It was eventually decided on 7th January 1966 to retain this dragline for Jagannath, and to erect and commission the same there by the end of 1967".

263. Audit have, however, stated in February, 1968 that the Management have not furnished to Audit records in support of their above reply for their scrutiny.

264. It is seen from the reply that the Jagannath colliery will be reopened only when the Talcher power station is fully commissioned. It is thus clear that no use of the dragline has been made since its arrival in India in February 1965. The Committee consider it very unfortunate that machinery which was not required immediately was imported, resulting not only in blocking of huge funds but also loss due to deterioration etc. The Corporation should exercise greater foresight in placing orders for machinery so that such instances do not recur.

265. In reply to a question it has been stated that no penalty clause has been inserted in the contracts entered into with the Russian suppliers to cover delay in the supply of dragline. It has been added that in the latest Agreement entered into with M/s. AVTŌEXPORT MOSCOW for supply of 24 Dumpers for Manikpur and Jhingurda Projects in December, 1966 no penalty clause was incorporated and the agreement was drafted on the lines of Model Agreement drawn up by the Ministry of Irrigation and Power for purchase of Earth-Moving Machinery and construction Equipment from U.S.S.R. under Trade Plans/Deferred Payment terms.

266. The Committee recommend that the Government should examine the question of inclusion of penalty clause for late delivery in the model agreement with all foreign firms.

### C. Purchase of Loaders

*Para 14(iii), page 120*

267. Out of twelve M and C heavy duty gathering type Loaders received at Sayal 'D' Project against the supply order of 12th December, 1960, ten Loaders of the value of Rs. 9.07 lakhs were despatched to Central Stores on 4th November, 1961 as it was noticed after the initial use of two Loaders in the underground mines of the Project that the mining condition prevailing at the Project were not suitable for the utilisation of the Loaders. The ten Loaders sent to the Central Stores were subsequently allocated to the following Projects:—

- (i) Korea 2 nos. (despatched on 17th July, 1963)
- (ii) Churcha 4 nos. (despatched on 6th May, 1964)
- (iii) Patherkhera 4 nos. (despatched on 8th July, 1964).

268. While the Loaders despatched to Korea were commissioned in May, 1964, these despatched to Churcha and Patherkhera had not been put to use till September, 1966. It was stated by the Management in February, 1965 that these Loaders would be commissioned as and when the coal production for Churcha and Patherkhera mines justified their use.

269. The failure to determine the suitability of the equipment in the first instance thus resulted in the blocking up of funds to the extent of Rs. 7.26 lakhs incurred on the acquisition of eight Loaders.

270. The Ministry had stated to Audit (February 1967) that "the machines allotted to Patherkhera are ready for use and will start working as soon as Madhya Pradesh Electricity Board starts taking coal".

271. In a written reply to the Committee the Ministry have stated that in the approved report for Sayal 'D' Project, a provision was made for 12 gathering arm type heavy duty loaders and they were subsequently obtained from U. K. According to the Project Report, the loaders were to operate on a seam gradient of 1 in 4.

272. The purchase order was placed on the basis of gradient of the seams, as was known from the geological data available at that time. It was placed well in advance so that there was no delay in commissioning of the project.

273. One loader was tried in the Simana Seam and other in the Nakari Seam. The performance of these loaders was not upto expectations and efficiency as would have been expected from an equipment of this type because the actual gradient of the seam was found during working to be much steeper (1:3.5). These loaders were, therefore, withdrawn and deployed in other projects.

274. While assessing the requirements of gathering arm type loaders for the Third Plan projects, it was noted that these loaders were surplus and available for use elsewhere, and further purchases were curtailed accordingly.

275. The loaders were subsequently allocated as under:—

1. Korea—2
2. Churcha—4
3. Patherkhera—4

276. Both loaders at Korea had been commissioned. At Patherkhera 2 out of 4 loaders had been commissioned by July, 1967 and the other two were expected to be commissioned during the next 2/3 months. At Churcha M & C heavy duty loaders had given place to 8 BU 18 Joy Loaders, the latter being introduced to match with shuttle cars also manufactured by M/s. Joy Manufacturing Co. These 4 M & C loaders were currently held in regional stores at Bistrampur. They would be diverted to Patherkhera Project after some further development of work there to meet its requirements.

277. The Audit have, however, reported that the Management had not furnished to them the relevant papers in support of the above information furnished to the Committee.

278. The Committee regret to note that the loaders had to be withdrawn from the projects as the gradient of the seam turned out to be steeper than that envisaged in the Project Report. The Committee recommend that the circumstances under which this basic

**fact was wrongly stated in the Project Report should be investigated and responsibility fixed. The Committee hope that full use of the loaders will now be made in the appropriate mines.**

#### **D. Loss by fire**

*Para 14(v) page 121*

279. In an underground mine at Talcher (Orissa), big fire broke out in September, 1963. No departmental enquiry was instituted to investigate the cause of fire, which was reported by the Area General Manager to be due to the installation of a large main ventilator with higher water gauge. The area under fire was completely drowned in water and sealed off, with the result that out of about 4.5 million tons of coal available in the mine, about 1 million tons of coal would not be ultimately recoverable except at a cost which from the present economic standard was stated to be prohibitive. Besides, the depillaring districts were lost and the entire stowing system including the bunker, mixing chamber, water tank, etc. were totally sterilised. An expenditure of Rs. 3,44,440 was incurred for the control of fire, and machines and installations worth Rs. 40,000 (depreciated value) could not be recovered from the sealed off area. The area was likely to be re-opened in stages from 1965-66, but it had not been re-opened till October, 1966.

280. Justifying the circumstances in which no departmental enquiry was held to enquire into the cause of the fire, the Ministry have stated that the circumstances leading to the fire had been set out in the report of the Area General Manager (Orissa). The Director of Production, who was the principal technical officer concerned, visited the colliery when the fire was being dealt with. He did not, however, prepare any report on the causes of the fire. In reply to a question it has been submitted that the installation of a larger main ventilator with higher water gauge was necessitated because the capacity of the old fan did not satisfy the requirements of Chief Inspector of Mines, Circular No. 8 of 1962 dated 3rd March 1962. In March, 1962 the Deputy Chief Inspector of Mines had also pointed out that ventilation was sluggish and advised improvement. A higher capacity fan was eventually installed to fulfil the requirements of the said circular and the instructions given by the Deputy Chief Inspector.

281. It has been added that the fire in the underground mine at Talcher had been isolated and only a part of the area was affected. The mine had been producing regularly from other areas. A scheme for re-opening the area which was affected by fire was under consideration and arrangements for pumping the water from the sealed off fire area which was water logged were being made preparatory



to actual reopening. Explaining the precautionary steps taken to avoid recurrence of such cases in future the Ministry have stated that as the fire had been caused due to leakage of air through old stoppings into the roof area, all old stoppings were strengthened in consultation with the Department of Mines, and all new stoppings were being built as per safety specification of the Department of Mines.

282. The Committee are surprised to note that no regular enquiry was conducted to investigate the causes of fire which resulted in such a huge loss, and the matter was considered closed only on the basis of the report of the Area General Manager. The Committee are surprised to note that even the Principal Technical Officer who visited the colliery when the fire was being dealt with did not make any report on the causes of fire. They are of the view that this failure on the part of the Principal Technical Officer shows his indifference or lack of proper appreciation of the gravity of the matter. The Committee would like to be reassured that the fire was not due to sabotage or negligence on the part of any employee of the Corporation. The Committee recommend that in future a regular Enquiry Committee should invariably be set up to investigate the causes of such accidents and report promptly submitted to the Board of Directors and Government.

#### E. Import of defective equipment

*Para 14(vi), page 121.*

283. In September, 1963 the Company placed an order for the supply of four Stationary Air Compressors together with spares at a total cost of Rs. 2,91,200. The Compressors were received between 3rd September, 1963 and 3rd October, 1963 and payment was made to the supplier. The machines which did not give satisfactory service were lying unutilised till October, 1966 at the Project stores. Although three years had elapsed since the receipt of Compressors, no action had been taken regarding replacement/rectification of the defective Compressors, under the "Warranty" clause of the contract.

284. The Management had stated to Audit (June, 1966) that "Corporation is still considering to take suitable action against the firm, but it has been advised by the Legal Adviser to give some more time to the firm in view of the assurance given by the firm". The Committee have been informed that the Ministry in reply to the Critical Review, had stated "no comments although National Coal Development Corporation Ltd. have reported that some of these compressors are in use in February 1967. Subsequently, however, in a written reply to the committee the Ministry had pointed out that three of the four compressors had been put into operation, and were rendering satisfactory service. There was no defect in their

functioning. Only one Air Compressor was found to be defective in as much as it had a hair-line crack in the cylinder head. This had since been repaired.

285. No complaint was lodged against the supplier because the defect in the compressor was discovered only after the warranty period was over. The compressor was not installed during the warranty period because the project was not ready with all the complementary equipments like switch gears etc.

286. The compressors were not tested on arrival at the project which was then in the initial stage of development and where facilities for such testing were not immediately available.

287. The Committee regret to note that the four Stationary Air Compressors purchased at a cost of Rs. 2,91,200 were not tested within the warranty period. They were also not put to use for three years and one of them had hair line crack. Persons responsible for this should be appropriately dealt with. Wherever there is a warranty clause in the contract it should be availed of within time so that the Corporation is not put to any loss and expenditure on the replacement of parts or rectification of defects in the plant and machinery procured from suppliers.

#### F. Delay in installation and commissioning of a weigh-bridge

*Para 14(vii), pages 121-122.*

288. In order to accommodate box-wagons at Bhurkunda Railway siding, an order for the supply of one 100 ton weigh-bridge was placed with a firm of Calcutta at a cost of Rs. 1,23,000. The packages containing the weigh-bridge parts were received in two wagons at Bhurkunda in April, 1961. No action was taken at this stage to verify that all the packages had been received.

289. At the time of installing the weigh-bridge in August, 1964 (i.e., after a lapse of more than three years), it was noticed by the Project authorities that a package containing 10 parts of the weigh-bridge was missing. Two of the missing parts could not be manufactured indigenously and the Company could not also arrange for the release of foreign exchange of Rs. 437 only required for the import of these parts from U.K. Consequently, the weigh-bridge had not been installed till October, 1966.

290. Owing to the non-installation of the weigh-bridge the Company could not earn a rebate of Rs. 1,52,670 (rebate at the rate of 6 paise per M. ton on the quantity of 25,44,500 M. tons of coal despatched from January, 1963 to March, 1966) from the Railways.

291. The Ministry had stated to Audit (February, 1967) that "necessary spare parts have been imported and the installation of 100 ton Avery weigh-bridge has been completed in December, 1966. The Divisional Superintendent, South Eastern Railway, Dhanbad has been requested for linking up track lines to the weigh-bridge and also testing of the same at an early date".

292. In their reply the Ministry have stated that the package containing the missing part for Bhurkunda Weigh-bridge was a small one, and when in 1964, the weigh-bridge was being installed, the said package was found to be missing. Searches were made at different places where weigh-bridges had been despatched as well as in the Central Stores but it could not be traced. It was not possible to fix the responsibility for this loss on any individual. As large consignments were being received the stores had been moved from place to place, the organisational set up of the stores was incomplete and it also was not properly staffed at that time.

293. When enquired if any claim was made from the Railways or Insurance Company, the Ministry have stated that as the package was found to be missing much later than when it was received, any claim for compensation from the Railways or Insurance Co. would have been fruitless.

294. The Committee consider it regrettable that the stores received by the Corporation were not verified at the time of their receipt. The packages were received in 1961, i.e. 5 years after the establishment of Corporation. It is a matter of surprise that the Corporation was not able to streamline its stores organisation during all this period and have put forward the plea that the organisational set up of stores was incomplete. No effort appears to have been made by the Corporation to find out whether the package containing the missing parts had been actually received or whether it was subsequently pilfered. The Committee regret to note that due care was not exercised by the Corporation on receipt of machines and equipment purchased by it.

295. It has been mentioned that the initial delay in the installation of weigh-bridge was not due to missing package containing precision parts but due to the fact that this issue got linked up with the upgrading of Railway track from 75 lbs. to 90 lbs. rails which was considered necessary by the Railways for the running of box wagons instead of four-wheelers. The Railways asked N.C.D.C. to bear the cost of upgrading the track. On the other hand N.C.D.C. was not agreeable to upgrading the track only as with the coming up of Gidi Washery which was envisaged earlier for completion during the Third Plan period, the whole of the Yard required remodelling and this upgrading of the track was considered fit to be taken up

as an integrated scheme along with remodelling. Meanwhile in 1964, the local authorities at Karanpura Incharge of the installation of the weigh-bridge thought that it was in the interest of N.C.D.C. not to delay the installation of weigh-bridge so that the quantity of coal despatch could be measured accurately. It was in these circumstances, that the action to instal the weigh-bridge was initiated in 1964 and further delay was due to delay in procurement of precision parts. However, till January 1968 the Management had not furnished to the Audit the papers containing correspondence with the Railways for upgrading of Railway track from 75 lbs. to 90 lbs. rails.

296. The reasons put forth by the Ministry for the delay in installation of the weigh-bridge are not convincing. The weigh-bridge had been ordered on the specific decision that it would be installed at Bhurkunda. It was a mistake to have linked its installation with the upgrading of railway track. From the reply of the Ministry it appears that although it has now been installed the linking with the railways is yet to be done. There was thus no bar to the installation of the weigh-bridge pending settlement of the dispute regarding upgrading of railway track and connecting it with the existing lines. The Committee regret that by delaying the installation of the weigh-bridge the Corporation were not able to earn a rebate of Rs. 152,670 on coal despatched from January, 1963 to March, 1966.

297. Explaining the reasons for delay in release of foreign exchange of Rs. 437 only for import of required parts, the Ministry have submitted that in May, 1965 the firm was addressed to supply the missing parts. As it expressed its inability to supply the same for want of foreign exchange, the Ministry was addressed in May, 1966 to arrange for the foreign exchange. The weigh-bridge had since been installed, and linking with the railways was expected shortly.

298. The Committee are surprised to note that it took the Corporation 3 years and four months to discover the loss of the components and 9 months thereafter to address the firm to supply the missing parts and a further period of one year to ask for the release of foreign exchange. The Committee are unhappy at such unjustifiable delays and hope that the Corporation would ensure that such delays do not recur in future. This is another instance where Corporation has suffered loss due to its failure to inspect plant, machinery on receipt. The Committee would suggest that all machinery etc. must be inspected on receipt in order to ensure that it is in accordance with the order placed.

**G. Non-realisation of claims***Para 14(viii)—Page 122*

299. The letter of allotment issued by the Iron and Steel Controller for the supply of steel materials under D.L.F. Scheme at statutory price provided for reimbursement of freight in the case of materials despatched by an importer subject to the consignee furnishing the money receipt for the freight-paid along with complete particulars.

300. In January and February, 1962 the Company submitted claims aggregating Rs. 1.59 lakhs towards reimbursement of freight charges on the supplies made by three firms in 1959-60 and 1960-61. These claims were returned by the Iron and Steel Controller for re-submission along with the money receipts for the freight paid. As payments of freight in these cases were made by the collieries through credit notes instead of money receipts, the Iron and Steel Controller in April, 1963 asked the Management to submit copies of relevant credit notes, Railway consolidated bills covering these credit notes and receipts for payment of the bills. These documents had not been produced to the Iron and Steel Controller till October, 1966. The Company had not, therefore, been able to secure the reimbursement of freight amounting to Rs. 1.59 lakhs.

301. The Ministry had stated to Audit in February, 1967 that "claims to the extent of Rs. 17,800 have been recovered and further claims preferred to the extent of Rs. 85,800. Also putting up of more claims is under consideration in consultation with the Project Officers concerned".

302. Explaining the circumstances in which the documents could not be produced to the Iron and Steel Controller, the Ministry have stated that it was not easy to locate the payments for the freight made on credit notes.

303. The Ministry have stated that the claims worth only Rs. 63,000 were resubmitted after the earlier claims worth Rs. 85,800 were resubmitted. It is thus observed that claims worth Rs. 78,200 Committee have not been informed why claims for a reduced amount were resubmitted. It is thus observed that claims worth Rs. 78,200 still remain to be submitted to the Iron and Steel Controller. It seems that N.C.D.C. is not in a position to get any reimbursement of its claims worth Rs. 1.41 lakhs as the relevant credit notes are not available.

304. The Committee are unhappy to note that important documents like credit notes and consolidated bills are not traceable. This shows that no care was exercised in the maintenance of important records. The Committee recommend that the procedure

**should be streamlined to avoid recurrence of such instances. All efforts should also be made to get the claims paid early.**

#### H. Non-recovery of dues

*Para 14(ix), page 123.*

305. With effect from December, 1963 the Company supplied coal for domestic consumption to the staff and workers of a contractor who was entrusted with the construction of Coal Washery Project at Gidi. Although no agreement was executed with the contractor for the supply of coal to his employees for domestic consumption, coal was issued to them from time to time. Besides, no records of the quantities of coal issued from time to time were maintained by the Company. Up to August, 1965 the Company raised bills aggregating Rs. 1.36 lakhs against the contractor for the supply of coal during the period from December, 1963 to July, 1965 but the contractor refused to accept responsibility for the consumption of coal by his staff. The amount remained unrealised till October, 1966.

306. According to the information furnished by the Ministry to the Committee, the facts of the case were as follows:—

No coal had been issued to any Contractors' employees for domestic use by the Management. It came to the notice of the colliery authorities, however, that employees of the Contractor had been taking coal from the stocks which were spread over a large area in the colliery. A bill for Rs. 1.36 lakhs was therefore raised for use of coal against the Contractor on the presumption that all the employees, whether stationed at the Project or coming from the village had consumed coal at the scale at which coal was issued to the NCDC employees in the collieries. The contractor disputed this claim. A Committee consisting of the Project Officer of the colliery, who had preferred the bill, the Project Officer, Gidi Washery and a Senior Officer of the area was appointed in June, 1966 to investigate. The Committee reached the conclusion that only the regular monthly staff of the contractor who were stationed in the area had been using coal from NCDC stocks. The Contractor had since agreed to the recovery of such amount from his bills.

307. The above facts had also been counterchecked from the production/despatch and stocks records at the colliery. The Ministry have submitted that in view of the above facts, the question of fixing the responsibility for supply of coal did not arise.

308. The Committee feel that N.C.D.C. staff were negligent in allowing outsiders to take away coal from the stocks without authority. It is sad that no records of the quantities of coal issued were being maintained. There was obviously no proper check against pilferage of stocks. In the view of the Committee, responsibility for not maintaining proper records of issues must be fixed. The Committee also hope that the management would now gear up its organisation so as to ensure that stocks of coal and other articles are not pilfered away.

#### I. Failure to load the correct quantity of coal

*Para 14(x), page 123.*

309. A claim for an amount of Rs. 1,23,965.74 was lodged in December, 1962 by a firm towards the cost and freight charges on 2,481.3 M. tons of coal short supplied by the Bachra colliery of the Company during the period from May, 1962 to November, 1962. In a meeting with the firm held in March, 1963 the Management agreed to make the payment of a lump sum of Rs. 1,00,000 towards cost and freight charges on account of underloading subject to the condition that the firm's order on Bachra colliery would be retained and also on the understanding that it would increase its off-take of coal to the extent possible. The amount was adjusted in July, 1963 from the pending coal bills of the firm. The firm took coal from the Company only upto May, 1964 and the total quantity supplied during the period from July, 1963 to May, 1964 was 27,417.5 M. tons only.

310. Had proper care been taken to load the correct quantity of coal at the time of loading the wagons, the Company could have avoided the payment of Rs. 100,000 out of which a sum of Rs. 45,411 represented the freight charges on the underloaded quantity. No action appears to have been taken regarding fixation of responsibility in the matter.

311. The Ministry have stated that the Railway receipts indicated the full quantities of coal for which the price had been charged by the Colliery. The firm however produced certain photographs which showed that at the destination point in Rajasthan, the stack of coal in the wagon was below the loading line indicated in the wagon. The local NCDC authorities at the colliery level urged (i) that the specific gravity of the coal was high and there was full loading according to the rated capacity of the wagon even when the stack of coal was below the loading line and (ii) that the photographs

which had been taken at the destination point did not prove that the wagons had been underloaded in the colliery.

312. It was added that the Management appeared to have decided to accept the claim of the firm to a very substantial extent, having regard to the fact that the firm seemed to be seriously aggrieved over the transaction, and there was at that time no ready outlet for the sale of Bachra coal which was a high volatile and high moisture coal and could not be stored for any length of time without the risk of self-ignition. The question of fixing responsibility for the alleged underloading of wagons did not appear to have received the attention of the Management in March, 1963 when it agreed to a lump sum payment to the firm.

313. It is thus observed that the Management accepted the claim of the firm to a substantial extent even though the charge of underloading was not substantiated. Further, the object with which the claim of the firm was accepted i.e. the firm's order on Bachra Colliery would be retained and also that it would increase its off-take of coal to the extent possible, was not achieved, as the firm took coal only upto May 1964 i.e. for only 14 months after the decision of making the payment was taken. The Management could at least have entered into a firm contract with the firm for the continuance of sale and increased off-take in future, which does not appear to have been done by the Management.

314. The Committee are not satisfied with the manner in which this matter was settled by the Corporation. The Committee are unable to understand how the underloading of wagons which resulted in huge loss to the Corporation did not receive the attention of the Management for the purpose of fixing the responsibility. The reply of the Ministry creates the impressions that such serious matters as underloading of wagons are treated by the Corporation as routine and unimportant. It appears that it was nobody's business to supervise the loading of wagons and things were left to go their own way without any direction and control. The Committee recommend that a thorough enquiry be made into the causes of underloading and responsibility fixed. They also hope that such mistakes would not recur in future.

#### J. Loss due to re-booking of materials

Para 14(xi), pages 123-124.

315. The incoming consignments meant for Bokaro and Kargali group of collieries were first booked to Bermo Railway Station and then re-booked to the colliery siding concerned. During the period



from April, 1962 to March, 1966 the Company incurred total freight charges of Rs. 1,06,420 in respect of re-bookings of the consignments intended for the collieries and washeries located at Kargali and Kathara.

316. Had the suppliers been advised to book the materials direct to the respective colliery Railway siding the Company would have incurred only one-fifth of the above amount, thereby saving an amount of Rs. 85,130.

317. The Ministry had stated to Audit (February, 1967) that "a circular has been issued by the A.G.M., Kargali to all concerned that the suppliers should be instructed to book the full wagon load through the colliery siding of the respective collieries, *vide*, No. AGM/B&K/Inspection/947/65 dated 5th April, 1966."

318. The Ministry have submitted to the Committee that on further examination, it came to notice that one of the considerations on which the incoming consignments were first booked to Bermo Railway Station and then rebooked to Kathara Siding was that, often, the carriage of materials by goods train entailed the risk of damage and pilferage in transit and in case they were to lodge any claims against the Railways, it was necessary to take open delivery of such consignments from the Railway. Under the Railway rules, open delivery was not given at a private siding. As such, it was administratively desirable to book the consignments to the Bermo Railway Station only where it was possible to avail of the facility of having open delivery. It was added that the freight as per the Railway Tariff was applicable only to movement on the Railway system and a separate and additional siding charge for haulage over the private siding was levied by the Railways. It had, therefore, to be examined whether the Railways would charge according to the Railway Tariff even when the consignments were booked through to the private sidings *i.e.* whether NCDC would really gain in freight by asking the suppliers to book the consignments direct to the NCDC sidings instead of the last 'serving' Railway Station. It has been added that the Circular of 5.4.66 instructing the suppliers to book full wagon load through to the colliery sidings was issued by the authority at the area level, *i.e.* by the A.G.M. and the Headquarters had no opportunity to examine this matter.

319. The explanation of the Ministry does not appear to be satisfactory particularly in view of the fact that no difficulty has been felt on this score, after the AGM Kargali had issued a circular for

booking material direct to the colliery in April, 1966. As the issue affects all the collieries of NCDC and not only Bokaro-Kargali, the Committee hope that the matter would be examined by N.C.D.C. in detail and suitable instructions issued to all the collieries as early as possible.

## XIII

### CONCLUSION

320. Although this report is not based on general examination of the undertaking but only on the audit paras relating to N.C.D.C. contained in the Audit Report (Commercial), 1967, it has revealed several instances of serious negligence on the part of the management of the Corporation.

321. The Corporation could achieve a production of only 11.20 million M. tons during the year 1965-66 as against a target of 30.5 million tons to be achieved by the end of 1965-66 which was later revised to 22.45 million M. tons. The Corporation developed only 16 collieries as against the planned target of 27 collieries and even out of these 16, as many as 8 collieries had to be closed down. This resulted in machines and man power remaining idle to the extent of 68.2 per cent. On the other hand there was heavy overstaffing in the Corporation and consequently the Corporation had to pay a total retrenchment compensation of Rs. 32.34 lakhs upto January 1967 for the voluntary retirement of 4209 persons. The outstanding of the Corporation remained unrealised for long periods on which interest amounting to Rs. 18.19 lakhs could have been recovered during the year 1965-66, but was not done by the Corporation. In fact the Corporation paid an interest of Rs. 55.14 lakhs to State Bank of India only during that year on loans secured by it. The Corporation had not been able to establish proper inventory control system in all the collieries even after a lapse of all years from the date of its establishment. The value of plant and machinery and stores had risen from Rs. 560 lakhs to Rs. 1833.80 lakhs during 1963-64 to 1965-66. The Corporation had declared surplus equipment and stores to the value of Rs. 131.90 lakhs and Rs. 13.12 lakhs respectively. There were items of stores of the value of Rs. 75.28 lakhs of which there had been no consumption at all and of Rs. 57.65 lakhs of which there had been no consumption during the last 3 years. Out of 21 revenue collieries as on 31st March, 1966, as many as 9 collieries incurred losses. Besides this, the cumulative losses of the Corporation stood at Rs. 194.94 lakhs and Rs. 160.70 lakhs as at the end of 1964-65 and 1965-66 respectively. It is thus seen that the performance of N.C.D.C. is a story of unmitigated inefficiency and mismanagement. The various aspects touched upon in the Audit Report (Commercial) 1967 were examined in detail

by the Committee and their findings in regard thereto are given in the report.

322. The Committee are of the opinion that the responsibility for mismanagement and inefficiency of the Corporation lies on the shoulders of the top management of N.C.D.C. The second line of management is equally to be blamed.

323. The Committee recommend that a high powered Committee assisted by technical persons from outside N.C.D.C. should probe into the affairs of N.C.D.C. in detail and the persons responsible for this sad state of affairs whoever they may be and wherever they may be employed at present should be brought to book.

324. The Committee feel that the Ministry cannot also be absolved of the responsibility in regard to the affairs of N.C.D.C. It is a pity that the Government although aware of the distressing conditions prevailing in N.C.D.C., did not take any effective action all these years to improve matters. The Committee feel that the administrative Ministries must keep a closer watch over the performance of the public undertakings under their control and take remedial action in time.

NEW DELHI

D. N. TIWARY,

April 3, 1968.

Chairman.

Chaitra 14, 1890(S).

Committee on Public Undertakings.

## APPENDIX

*Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report.*

Sl. No.	Ref. to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	3	The Committee feel that execution of the transfer deed of the remaining assets worth Rs. 0.76 crore, has been inordinately delayed and hope that this transfer would be finalised early.
2	6	The Committee consider that the debts of the Company are on the high side and the total debts of the Company should normally not exceed the amount of paid up capital.
3	11	The Committee regret to note that initially N.C.D.C. did not make any independent assessment of the country's demand for coal. However, N.C.D.C. has now started reviewing the estimates periodically. The Committee would recommend that in order to avoid losses and in the interest of efficient and smooth working, the Corporation should itself independently estimate the demand for coal and try to reconcile with the targets fixed by the Government.
4	12	The Committee were informed that the investment made on collieries temporarily closed had not been entirely wasted because these collieries were likely to be worked in the Fourth or Fifth Five Year Plan periods. However, none of these collieries had yet been reopened. It is unfortunate that a huge sum of Rs. 6 crores has been blocked in these collieries and would result in loss by way of deterioration of plant and machinery and unremunerative investment of money for quite a long period. All efforts should be made to find market for the output of these collieries as early as possible.
5	16-17	The Committee feel that the Ministry and the undertaking are working on assumption without any basic evidence to prove that conditions

1

2

3

would be really propitious for reopening of Singrauli I in 1969-70. There is no reason to believe that the Railways would not be able to move coal from Bihar and Bengal towards U.P. after 1969-70.

The Committee would therefore recommend that instead of only hoping for favourable conditions in 1969-70, the undertaking should make an earnest effort to reduce their cost of production and enter the coal market on a competitive basis. They should be able to attract the purchasers near the collieries by quoting competitive prices and not depend on creation of conditions which would make them the sole supplier in that area. It is regrettable that private collieries lying hundreds of kilometres away from place of consumption are able to underbid N.C.D.C. in an area around its pit-head. It only shows how uneconomical is its working. The equipment on those mines which are not likely to be reopened in the near future should be shifted and utilised at other mines.

6

19

The Committee are not happy with the manner in which the matter regarding finalisation of agreements with Electricity Boards has been dealt with by the N.C.D.C. Had the Ministry and N.C.D.C. entered into firm commitments with the Electricity Boards before commencing supply of coal to them, this unfortunate situation would not have arisen. The Committee hope that the matter would be settled early.

7

26

The Committee feel that the increase of stocks at pit-head did not justify raising of the targets during the years 1962-63 to 1964-65. It appears that all the factors were not taken into consideration while fixing annual targets. The Committee regret to note that the targets were revised frequently and even these revised targets were not near the mark. The Committee hope that in future realistic targets would be fixed to ensure that there are little or no variations between the actual production and the targets fixed.

8

28-29

The Committee are unable to accept the interpretation put forward by the representative of N.C.D.C. on the "loss on pithead stocks". Though the Committee agree that the losses were for the quinquennium ending 31st March, 1966,

1

2

3

they cannot agree that these losses were not business losses in the strict sense but were only cases of avoidable expenditure. The Committee are of the view that as far as N.C.D.C. is concerned, these were actual losses and major portion of these losses could have been eliminated if accurate estimates of demand had been made or production limited to sale or efforts made to minimise losses by proper care at the pit-head. They would urge that while steps should be taken to minimise the loss on rehandling as far as possible, the loss on account of deterioration should be eliminated altogether.

The Committee feel that in order to determine the true profits of the Corporation every year, it is necessary to make an allowance for loss due to inevitable rehandling. The Committee hope that standards will now be fixed for such loss after ascertaining the position in this regard in the private-sector.

9

32

The Committee would recommend that the Government should review the position keeping in view the huge losses suffered by N.C.D.C. and decide whether it would be advisable to close down these collieries or to lease them out. In case Government want N.C.D.C. to continue to run these collieries the Corporation should be subsidised to the extent of the losses suffered by it.

10

35

The cost of production per tonne has sharply increased during 1962-63 to 1965-66. The Committee feel that in order to improve the sales performance and profitability of the Corporation it is necessary to reduce the cost of production of Coal. They hope that every endeavour would be made to achieve this objective.

11

42

The Committee regret to note that in spite of an assurance given to the Estimates Committee, there was lack of coordination in regard to supply of wagons for transport of coal during the Third Five Year Plan. They trust that efforts would be made by the Corporation and Ministry of Railways to overcome such transport bottlenecks, which hamper production.

12

44

Although the Committee agree that some teething troubles were inevitable in view of its being the first washery in the country, they are unable to understand why it has not been possible for the Corporation to achieve the rated capacity even after 8 years of its commissioning. N.C.D.C. should by now have acquired sufficient

1

2

3

experience in the establishment and functioning of such washeries and the Committee hope that the management would be able to achieve the rated capacity at an early date. The Committee regret that the washery has not been able to work even for 14 operational hours. The Committee desire that the Government should examine as to why 16 hours working was envisaged in the Project Report and why N.C.D.C. has not been able to work the washery even for 14 operational hours. They recommend that effective steps should be taken to increase the working hours of the washery from the present 13 hours to at least 14 hours.

13

48

The Committee feel that there is no reasonable explanation for excessive percentage of rejects to the total input. The Committee recommend that the Corporation should make an earnest effort to see that the percentage of rejects is brought down to a reasonable level. The Committee are very unhappy that the washery has not attained the rated capacity so far.

14

50

The Committee were not informed of the extra expenditure involved in the change of transportation system. They desire that the Corporation should work out this extra expenditure involved and intimate it to the Committee.

15

53-54

The Committee feel that had the filter plant been designed after making proper assessment of fine coal, expenditure incurred on manual recovery of slurry as a result of unsatisfactory performance of the filter plant could have been avoided.

The Committee were informed that with the expansion scheme, more filters were being added. They hope that these filter plants would be designed after taking into account the actual percentage of fine & present in the coal.

16

56

The Committee were informed during evidence that no responsibility had so far been fixed for the failure to incorporate the correct rate in the contract. The Committee are of the view that in such matters there must be no delay in fixing the responsibility and they urge that responsibility in this case should be fixed at an early date and recovery made to the extent of the loss.



- | 1  | 2  | 3  |
|----|----|--|
| 17 | 59 | <p>The Committee are surprised to learn that the arbitration was not accepted by the contractor although the arbitrator was appointed after obtaining the consent of the contractor. Since the award given by an arbitrator is always binding on both the parties, the conclusion is inevitable that the matter was not taken very seriously by N.C.D.C. authorities. The process of arbitration put the Corporation under further loss by delaying the work. The Committee hope that such lapses will not be allowed to occur in future and that expeditious action will be taken against the contractors whenever they are found responsible for any delay or loss to the Corporation.</p> |
| 18 | 61 | <p>The Committee are unhappy to note that there have been delays in almost all cases. The Estimates Committee in para 51 of their 32nd Report (3rd Lok Sabha) on NCDC while commenting upon the delay in commissioning of Kargali washery had hoped that there would be no recurrence of such delays in future. The Committee regret to note that no action has been taken on the above observation. In the light of experience gained by N.C.D.C. the Committee expect that all future projects will be commissioned by it within the scheduled period.</p>   |
| 19 | 63 | <p>The Committee regret to note that the development of washeries was taken up without assessing the effective demand of washed coal. It shows that there was lack of proper planning as regards the development of washeries. Had the Ministry acted with proper care, expenditure incurred on these washeries could have been saved from being rendered infructuous. The Committee recommend that an exhaustive survey should be immediately made to assess the demand of washed coal which should be reviewed periodically and only on that basis the setting up on new washeries should be planned.</p>  |
| 20 | 65 | <p>The Committee feel that the Schedule of Rates must be reviewed periodically for modification if any, to keep the rates comparable with those prevailing in the market. They regret to note that no steps had been taken till September 1966 to revise the schedule of Rates approved in August 1960 even when the management had found them to be very much lower than the current market rates.</p>  |

1	2	3
21	70-71	<p>After the receipt of the report of Indian Bureau of Mines in 1963 that coal seams of 50' thickness with an overburden of 150' thickness existed in the area, it was felt that exploitation of coal at that depth through deep blasting would affect the buildings through vibration. During evidence the Jt. Secretary of the Ministry also stated that these buildings would not last for more than 40 or 50 years.</p> <p>In view of this position, the Committee are not convinced with the argument that the expenditure incurred had not been infructuous. They consider that if further construction of buildings had been stopped in March, 1963 on receipt of report from Indian Bureau of Mines, instead of waiting till July, 1963 much of the infructuous expense could have been saved. The Committee regret the leisurely way in which matters are dealt with by N.C.D.C.</p>
22	78	<p>The Committee take a serious view of the whole matter and recommend that a thorough investigation of the whole affairs must be undertaken with a view to fix responsibility. The Corporation had appointed a Committee to examine the matter in closer detail and to fix responsibility for the lapses, if any. The Committee was being asked to report within a month and the report of that Committee would be furnished as soon as available. The Committee would like to be informed of the final outcome of the investigations made.</p>
23	80	<p>The Committee feel that in the absence of physical targets and standards of permissible wastage in the manufacturing process, it is not possible to judge the efficiency of a workshop and to bring about further improvements. Laying of such norms is very necessary in order to ensure the efficient running of the workshop. They would, therefore, recommend that targets and standards for permissible wastage in the manufacturing process should be immediately laid down after making studies of norms laid down in industries maintaining similar workshops. The Corporation should then compare their present physical targets and wastage with the norms so laid and make efforts to bring them down to the minimum possible level.</p>
24	84	<p>The Committee regret the inordinate delay over six years in construction of the railway</p>

1

2

3

siding. They consider that it was mostly due to the failure of management of N.C.D.C. to pursue the matter with the Railways. The Committee hope that the construction of the railway siding would be taken up immediately and completed as early as possible so as to save expenses on transportation and wharfage.

25

93

The Committee note that in almost all these collieries manual loading was resorted to even though the project report had envisaged mechanical loading of underground pull. Except in the case of Korba no reasons have been given for change over to manual loading in other collieries. The Committee recommend that it should be investigated by an independent authority as to why these collieries had to resort to manual loading when specific provision for mechanical loading had been made in the Project reports.

26

98

The Committee observe that the strength of staff as on 1-4-1967 exceeded the total strength of staff required for full production. At the time of full production the staff strength in all these collieries should be 12074, whereas even before reaching that stage 14612 persons had been employed. These collieries had thus been over-staffed by 2538 persons. Since none of the mines had reached the targetted capacity of production, the figures are not exactly comparable. If the figures are adjusted on the basis of production achieved, the present strength of staff would be very much on the high side. The Committee are unable to understand as to how the management assessed the surplus staff at 391 persons only on 30-9-1967.

27

100

The Committee are surprised to note that unskilled workers who are ostensibly employed by N.C.D.C. to work in the collieries are officially made to work as private servants of officers at various levels. The Committee strongly deprecate this practice. Whereas the undertaking bears the expenditure on these labourers, they are engaged in private work of officers and do no productive work for N.C.D.C. It adds to the cost of production. The Committee recommend that this system of allotting unskilled labourers to officers should be stopped forthwith.

28

104-105

The Committee regret that an important matter like building up the staff strength beyond the provision of the Project Reports which

1

2

3

involved financial drain on the resources of the undertaking was not brought to the notice of the Ministry or top management from time to time. The Committee can understand the Ministry's failure to notice it but they cannot visualise how the top management missed the huge excess in staff strength.

✓ The Committee feel unhappy that the staff in collieries was increased without due regard to the needs of the projects and heavy amounts had to be paid as compensation for compulsory retirement to normalize the heavy overstaffing. The Committee recommend that the Ministry should exercise suitable checks on the staffing of the undertaking so that there is no idle manpower in the undertaking and the operational costs are brought down.

29

108

It has been pointed out in the Audit Report that the non-achievement of target production of 30.5 million tons by the end of 1965-66 resulted in machines, buildings and man power remaining idle to the extent of 68.2 per cent. The Committee deprecate the failure of the management to take effective measures to implement the recommendation of the Estimates Committee. The Committee hope that the Management would now bring the entire resources of men and material into full use.

30

117

The Committee are unhappy to learn that even the Public Sector Undertaking make their purchases through middlemen and do not encourage direct purchases for NCDC resulting in avoidable expenditure on the payment of commission to the middlemen both by the buyers and sellers. During evidence, the Committee were informed that the public sector undertakings did not give any preference to NCDC in regard to purchase of coal. They feel that it would enable NCDC to tide over its difficulties if public sector undertakings make their purchases of coal direct from NCDC, except in cases where NCDC is not in a position to make supplies of the quality and quantity required. The Committee recommend that the Government should issue a directive that the public undertakings should not make their purchases of coal through middlemen but direct from NCDC. At the same time NCDC

1

2

3

should also streamline its production, delivery and accounting procedures with a view to eliminate all causes of complaints and make efforts to win over the confidence of consumers of coal particularly in the public sector. If any public sector undertaking has any grievance in connection with its dealings with NCDC the matter should be brought to the notice of its administrative Ministry, which in consultation with the Ministry in charge of NCDC should settle the matter amicably.

31

121

The Committee regret to observe that at first the Ministry intimated to audit in February 1967 that they did not consider it obligatory to have an agreement as the scope and functions of middlemen were fairly well known and under the Contract Act, the relationship between the National Coal Development Corporation Limited and the middlemen was that of a principal and agent. Subsequently in October 1967, however, the Ministry have stated in their written reply that agreements existed in respect of all the middlemen. The Committee would desire that the Management should produce all the agreement to Audit.

32

130-131-132

Even after the Board had directed in August 1966 that prompt steps should be taken to bring down outstandings against firm 'A' to Rs. 15 lakhs, the arrangements for direct payment by Hardaganj Power Houses were made only in the middle of February 1967 and the Bank guarantee was increased as late as June 1967. The outstandings were again allowed to increase to Rs. 32 lakhs even after they had come down to Rs. 25 lakhs which shows that prompt and resolute efforts have not been made to bring down the outstandings.

The Committee regret to note that the outstandings against firm 'A' had been allowed to increase to a high level, even though the firm had always defaulted in clearing the outstandings within the credit period. The Committee recommend that immediate arrangements must be made to recover the outstandings directly from all the parties to whom coal was supplied through firm 'A' and if it is decided to continue dealing with the firm, its security amount should also be increased.

1

2

3

The Committee also regret to note that in spite of the fact that the Corporation were aware that the assets of the firm were encumbered and adequate security could not be obtained by way of hypothecation of these assets, the outstandings against this firm were allowed to increase to Rs. 34 lakhs at one stage and were left at Rs. 28 lakhs even as late as 31st August, 1967. The Committee recommend that the firm should be asked to offer unencumbered assets as security and the outstandings should also be brought down to a safe limit as speedily as possible.

33

140

No efforts were made to keep the outstandings within the credit period. The Committee recommend that a thorough investigation should be made into these cases to fix responsibility for allowing the outstandings to increase beyond the amount of security and extension of credit period without approval of competent authority. The Committee further recommend that effective steps be taken to obviate the recurrence of such cases in future.

34

142-143

The Committee are unhappy to note that no action was taken against M/s. Ramjidass Sharma Bros. for issuing cheques which were not honoured. The Committee are unable to understand why supplies to this firm have not been discontinued by terminating the contract. The Committee recommend that it should be examined whether criminal proceedings can be instituted against this firm for issuing post-dated cheques which were dishonoured by the bank.

The Committee are surprised to note that although it was decided in January 1967, to serve legal notice on the firm, NCDC have not been able to complete legal formalities for filing the suit even after a lapse of one year. Such delay in taking action against defaulting parties is unhealthy as it creates an impression that middlemen can default on payments with impunity. Besides this, other firms against whom there are larger outstandings no legal action appears to have been initiated. The Committee recommend that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantees and in future outstandings should not be allowed to exceed the amount of total financial coverage. Where a firm does not liquidate its outstandings within a stipulated period immediate legal action must be taken to recover the outstandings.

1	2	3
35	149-150	<p>It is surprising that the matter of charging interest on large outstandings due mainly from Railways was not placed before the Board of Directors till 1967 even though the reactions of all the parties were available to NCDC as far back as in 1965. The interest foregone for only one year i.e., 1965-66 worked out to Rs. 18.19 lakhs.</p> <p>During evidence the Committee were informed that most of the private collieries charged interest from the purchasers of coal for outstandings beyond the credit period. In view of this, the Committee would recommend that the question of levying interest should be re-examined in the light of recommendations of the Committee appointed by the Board of Directors, and positive steps should be taken to prevent accumulation of outstandings with middlemen and others.</p>
36	159-160	<p>The Committee regret that the Management have not substantiated their statements by making documents etc., available to the Audit. This should be done now.</p> <p>The Committee are of the view that the corporation cannot be absolved of its responsibility for loss due to underloading of wagons. They, therefore, recommend that weighbridges should be provided at all the collieries, so that the disputes and losses arising out of underloading of wagons, may as far as possible be eliminated. The responsibility for supplying inferior quality coal lies on the Corporation. The cases where inferior quality coal had been supplied should be investigated and individual responsibility fixed.</p>
37	163	<p>The Committee regret to note that no positive steps were taken by NCDC to find out the reasons for losses amounting to over Rs. 8 lakhs. Instead of making efforts to find out reasons and realising the amounts from customers before they became time-barred, NCDC merely wrote-off this amount as bad debts from their books. The Committee recommend that investigation should be made into the causes of such losses, so that there may not be such recurrence.</p>
38	168	<p>The Committee regret to note that the Ministry/Undertakings had not fixed any estimates of cost of coal production for nine projects, which were very necessary for assessing how the actual</p>

1

2

3

costs of these projects compared with the estimates. The need for preparing such estimates cannot be overemphasised, in view of the fact that the costs have gone up from year to year in some collieries. The Committee recommend that estimates of costs should be prepared in such cases, so that the actual costs can be restricted to the estimates.

39

171

The Committee feel that one of the reasons for increase in the cost of production as compared with that indicated in the Project Report is the employment of more staff than envisaged in the Project Report. They recommend that the impact of over-staffing on the cost of production may be worked out and necessary remedial measures taken.

40

177

The Committee are unhappy to note that due to unrealistic purchases of stores and equipment a huge amount of money has been blocked without any prospects of returns therefrom till the end of the Fourth Plan. The Committee recommend that the stores and equipment surplus with NCDC should be utilized in the collieries where these can be put to use profitably and the Corporation should exercise greater caution in making further purchases of stores.

41

179

The Committee are surprised at the comparison suggested by the Ministry. The fact that the value of stores had gone up from Rs. 560 lakhs to Rs. 1833.80 lakhs within two years time, i.e., from 1963-64 to 1965-66 was patent.

Even if the year-wise increase is taken into consideration, the rise is 75.8 per cent in 1964-65 over the figures of 1963-64 and 86.3 per cent in 1965-66 over those of 1964-65. The Committee are constrained to observe that the Ministry are worried about the method of comparison but have not given enough the progressive rise in the value of plant and equipments.

42

184

The Committee feel that no serious effort was made by NCDC to cancel the contracts with the result that a huge amount was blocked up as investment in surplus and unremunerative stores and equipment. The Committee recommend that the Government should look into the matter closely and fix responsibility for not cancelling these contracts.



1	2	3
43	186	There is a huge stock of imported plants, machinery, stores and spares which is not going to be utilised for a number of years. Before they are put to use the manufacture of these items would have commenced in India. Thus ordering of the machines far in excess of requirements has led to the blocking of precious foreign exchange. Besides the machinery will deteriorate during the years while awaiting utilisation.
44	194	The Corporation has not been able to establish a satisfactory system of inventory control even after the lapse of eleven years from the date of its formation. As already admitted by the Ministry, they have been able to fix Inventory Levels, Economic Order Points and Economic Order Quantities only in one area. The Committee are not satisfied with the slow progress made by the Corporation in the establishment of proper inventory control system. They recommend that reorganization of the inventory control system should be completed as expeditiously as possible.
45	198	From the replies furnished by the Ministry the Committee can only conclude that a complete and detailed analysis was not conducted by NCDC to find out the stores which are usable and which are surplus and hence required to be disposed of. Stores once declared surplus have been found to be usable on subsequent analysis. The Committee can only come to the conclusion that either the first scrutiny was superficial or on second scrutiny lots of stores earlier declared surplus have been categorised as usable in order to save the management from being blamed as extravagant. The Committee urge that a proper assessment of the stores and spares must be made and the surplus stores disposed of early. For this the Corporation may consider the advisability of availing the services of private organisations which are experts in raw materials and spares inventory control a suggestion with which the Managing Director of the Corporation seemed to agree during evidence.
46	203	The Committee are surprised to note that the basis on which the requirements of retreading material were originally estimated and procured cannot be ascertained by the Ministry from available records. The Committee hope that in future such mistakes would not recur.

1	2	3
47	205	<p>The Committee desired to know the reasons for not disposing of the materials earlier when they were not required and have been informed that this could not be done as in the first instance, efforts were made to persuade the supplier to take back the material. When this failed, some time was lost in observing the formalities in the disposal of surplus materials. The Committee regret to note that expeditious action was not taken by the Corporation in this matter. Efforts to persuade the suppliers to take back the material and observance of formalities for disposal of surplus material could have been taken simultaneously. Due to lack of positive action the matter was allowed to drag on for a considerable time which resulted in the materials becoming unserviceable. Had steps been taken earlier for disposal of this material it could have fetched a higher price in auction.</p>
48	212	<p>The Committee regret to note that in spite of the Ministry being aware of the lack of demand for coal in 1964 due to slump in the market, the Corporation was advised to procure plant and Machinery for the target of production, which NCDC has not been able to achieve even now. The Committee are of the opinion that if proper care had been taken, the procurement of Plant &amp; Machinery could have been restricted, more or less, to the requirement of actual production.</p>
49	215	<p>The Committee do not see any reason why the management could not furnish the lists to Audit even by January 1968. They cannot help feeling that perhaps these lists are not being maintained properly.</p>
50	216	<p>The Committee are unhappy to note that the project reports were prepared without undertaking adequate survey and recommend that proper geological investigation of the area where a colliery is to be opened should be done before project reports are prepared, so that they do not require any major change later.</p>
51	218-219	<p>The Committee regret to note that the Corporation had blocked a huge sum in equipment remaining unutilised or waiting disposal which the Corporation was finding difficult to dispose of. The Corporation is not only losing interest</p>

1

2

3

on the sum blocked but also with the passage of time the equipment is likely to deteriorate or become obsolete and hence fetch much less price than its value. The Committee recommend that Corporation should take immediate steps to dispose of the 'dead' surplus as early as possible. The Government before releasing foreign exchange for import of plant and machinery from abroad for other Public or private undertakings should ensure that similar items of plant and machinery are not lying surplus with any public undertaking or concern for disposal.

During evidence the Committee also drew attention of the officials of the Ministry and N.C.D.C. to the recommendation made by the Estimates Committee in para 257 of their 32nd report (Third Lok Sabha) on NCDC regarding steps to be taken to reduce inventories and to obviate any unnecessary accumulation of stores by changing the procurement procedure. The committee were informed that NCDC had partially implemented the recommendations in respect of codification and that the recommendations were being constantly examined by NCDC. It is regrettable that although more than 4 years have elapsed since the Estimates Committee made the recommendations (i.e. in 1963-64) NCDC has not been able to implement them to the full extent. The Committee suggest that the recommendations of a Parliamentary Committee should be implemented speedily so that the Corporation may reap benefits early.

52 223-224-225

Kargali Washery went into operation in November, 1958. The Ministry have stated that during the initial stages raw coal was being transported to the washery by means of the ropeway. During operations the defects in the ropeway were noticed and the Corporation decided to discard it. The Corporation had provided in the contract for performance guarantee in respect of individual units and sections of plant and equipment. It is curious that the Corporation did not take any action for the repair and replacement of defective machinery and decided to dismantle the ropeway.

Another reason put forward for discarding the ropeway is that it was deemed necessary to extract the coal locked up below the ropeway trestles. The Committee regret to note that a proper survey of the ground was not made initially when the ropeway was installed to ensure

1

2

3

that the ropeway trestles did not block rich coal deposit. It is also surprising that within a short span of six years it became unavoidable for the Corporation to mine the coal below the trestles. This becomes all the more surprising in view of the fact that in 1961-62 the actual output of the washery was only 62 per cent of its rated capacity.

The Committee feel that the ropeway was installed without proper survey and it was discarded without proper assessment of alternatives for repair of the ropeway. It is not known whether performance of the ropeway was checked within the guarantee period. The entire matter seems to have been handled casually with the result that an amount of Rs. 6.87 lakhs had to be written off on this account alone. The Committee recommend that this matter may be probed into to fix responsibility for this dead loss to the corporation.

53

230

No satisfactory explanation has been given for the retention of a large number of workers in spite of mechanisation of the Kargali mine. The Committee recommend that a detailed study of methods of work should be taken at these mines to ensure proper utilization of men and machines.

54

232

The Committee are of the view that sufficient care was not exercised by the authorities when the project reports for these collieries were prepared. The defective project reports led to purchase of machinery which was not suitable and had to be discarded later on, while man power had to be increased, thus leading to excessive expenditure and consequent losses at these collieries. The Committee hope that sufficient care would be taken by the authorities to safeguard against the repetition of such mistakes in future.

55

233

The profitability in Bhurkunda Colliery in Karanpura Region is steadily going down. In 1963-64 the Colliery showed a profit of Rs. 33.59 lakhs which came down to Rs. 19.24 lakhs in 1964-65 and further fell down to Rs. 9.68 lakhs in 1965-66. The Committee recommend that the causes of this steep decline in the profits of the colliery should be investigated and effective steps taken to set the matter right.

1	2	3
56	239	<p>The Committee regret to note that the assurance given to the Estimates Committee did not come true. Not only did the Corporation not earn profits as estimated, but on the contrary has incurred huge losses. The need for the public undertakings securing a reasonable return on the capital invested in them cannot be too strongly emphasized. The Committee recommend that the Corporation should make strenuous efforts to improve its profitability by increasing efficiency and affecting economy. They hope that the Corporation would be able to attain a rate of net profit equal to that in the private sector when it reaches full production and would thus favourably compare with the performance of the private sector.</p>
57	249	<p>The Committee are concerned to note that in spite of taking action the Corporation had incurred demurrage and wharfage charges amounting to Rs. 9.21 lakhs during the year 1966-67. It will thus be seen that the demurrage and wharfage charges which had shown a declining trend since 1963-64, have risen in 1966-67 over the previous year. No concrete results can be achieved unless there is greater cooperation between the Railways and collieries on the one side and between collieries and the sister departments on the other. The Committee recommend that immediate steps be taken to implement the reports and recommendations made by the Committees and officers of the Corporation in order to reduce demurrage charges to the minimum possible.</p>
58	255	<p>The Committee are not happy with the non-fixation of responsibility for loss which as admitted by the Ministry was due to negligence of N.C.D.C. staff. They fail to understand why no action was taken by the Corporation to bring to the books the persons responsible for such negligence. The Committee recommend that proper action should be taken not only to fix responsibility but also to ensure that in future demurrage charges are not incurred due to negligence of N.C.D.C. staff. They also hope that outstanding demurrage charges would be promptly recovered from the contractors responsible for the delays.</p>
59	258	<p>The Committee regret to note that the matter of payment of port demurrage has not been settled even after a lapse of more than 3 years. The</p>

1

2

3

Committee would urge that these cases should be settled without further delay. The Corporation should also streamline their procedure of taking deliveries at the port so that payment of demurrage is avoided in future.

60

264

The Jagannath colliery will be reopened only when the Talcher power station is fully commissioned. It is thus clear that no use of the drag-line has been made since its arrival in India in February 1965. The Committee consider it very unfortunate that machinery which was not required immediately was imported resulting not only in blocking of huge funds but also loss due to deterioration etc. The Corporation should exercise greater foresight in placing orders for machinery so that such instances do not recur.

61

266

The Committee recommend that the Government examine the question of inclusion of penalty clause for late delivery in the model agreement with all foreign firms.

62

278

The Committee regret to note that the loaders had to be withdrawn from the projects as the gradient of the seam turned out to be steeper than that envisaged in the Project Report. The Committee recommend that the circumstances under which this basic fact was wrongly stated in the Project Report should be investigated and responsibility fixed. The Committee hope that full use of the loaders will now be made in the appropriate mines.

63

282

The Committee are surprised to note that no regular enquiry was conducted to investigate the causes of fire which resulted in such a huge loss and the matter was considered closed only on the basis of the report of the Area General Manager. The Committee are surprised to note that even the Principal Technical Officer who visited the colliery when the fire was being dealt with did not make any report on the causes of fire. They are of the view that this failure on the part of the Principal Technical Officer shows his indifference or lack of proper appreciation of the gravity of the matter. The Committee would like to be re-assured that the fire was not due to sabotage or negligence on the part of any employee of the Corporation. The Committee recommend that in future a regular Enquiry Committee should invariably be

---

1	2	3
---	---	---

---

set up to investigate the causes of such accidents and report promptly submitted to the Board.

- 64            287        The Committee regret to note that the four Stationary Air Compressors purchased at a cost of Rs. 2,91,200 were not tested within the warranty period. They were also not put to use for three years and one of them had hair line crack. Persons responsible for this should be appropriately dealt with. Wherever there is a warranty clause in the contract it should be availed of within time to so that the Corporation is not put to any loss and expenditure on the replacement of parts or rectification of defects in the plant and machinery procured from suppliers.
- 65            294        The Committee consider it regrettable that the stores received by the Corporation were not verified at the time of their receipt. The packages were received in 1961, i.e. 5 years after the establishment of Corporation. It is a matter of surprise that the Corporation was not able to streamline its stores organisation during all this period and have put forward the plea that the organisational set up of stores was incomplete. No effort appears to have been made by the Corporation to find out whether the package containing the missing parts had been actually received or whether it was subsequently pilfered. The Committee regret to note that due care was not exercised by the Corporation on receipt of machines and equipment purchased by it.
- 66            296        The reasons put forth by the Ministry for the delay in installation of the weigh-bridge are not convincing. The weigh-bridge had been ordered on the specific decision that it would be installed at Bhurkunda. It was a mistake to have linked its installation with the upgrading of railway track. From the reply of the Ministry it appears that although it has now been installed the linking with the railways is yet to be done. There was thus no bar to the installation of the weigh-bridge pending settlement of the dispute regarding upgrading of railway track and connecting it with the existing lines. The Committee regret that by delaying the installation of the weigh-bridge the Corporation were not able to earn a rebate of Rs. 152,670 on coal despatched from January, 1963 to March, 1966.
-

1	2	3
67	298	<p>The Committee are surprised to note that it took the Corporation 3 years and four months to discover the loss of the components and 9 months thereafter to address the firm to supply the missing parts and a further period of one year to ask for the release of foreign exchange. The Committee are unhappy at such unjustifiable delays and hope that the Corporation would ensure that such delays do not recur in future. This is another instance where Corporation has suffered loss due to its failure to inspect plant machinery on receipt. The Committee would suggest that all machinery etc. must be inspected on receipt in order to ensure that it is in accordance with the order placed.</p>
68	304	<p>The Committee are unhappy to note that important documents like credit notes and consolidated bills are not traceable. This shows that no care was exercised in the maintenance of important records. The Committee recommend that the procedure should be streamlined to avoid recurrence of such instances. All efforts should also be made to get the claims paid early.</p>
69	308	<p>The Committee feel that N. C. D. C. staff were negligent in allowing outsiders to take away coal from the stocks, without authority. It is sad that no records of the quantities of coal issued were being maintained. There was obviously no proper check against pilferage of stocks. In the view of the Committee, responsibility for not maintaining proper records of issues must be fixed. The Committee also hope that the management would now gear up its organisation so as to ensure that stocks of coal and other articles are not pilfered away.</p>
70	313-314	<p>The management accepted the claim of the firm to a substantial extent even though the charge of underloading was not substantiated. Further, the object with which the claim of the firm was accepted i.e. the firm's order on Bachra Colliery would be retained and also that it would increase its off-take of coal to the extent possible, was not achieved, as the firm took coal only upto May 1984 i.e. for only 14 months after the decision of making the payment was taken. The Management could at least have entered into a firm contract with the firm for the continuance of sale and increased off-take in future, which does not appear to have been done by the Management.</p>



The Committee are not satisfied with the manner in which this matter was settled by the Corporation. The Committee are unable to understand how the underloading of wagons which resulted in huge loss to the Corporation did not receive the attention of the management for the purpose of fixing the responsibility. The reply of the Ministry creates the impressions that such serious matters as underloading of wagons are treated by the Corporation as routine and unimportant. It appears that it was nobody's business to supervise the loading of wagons and things were left to go their own way without any direction and control. The Committee recommend that a thorough enquiry be made into the causes of underloading and responsibility fixed. They also hope that such mistakes would not recur in future.

- 71 319 The explanation of the Ministry does not appear to be satisfactory particularly in view of the fact that no difficulty has been felt in direct booking of materials to the respective colliery Railway sidings, after the AGM Kargali had issued a circular for booking material direct to the colliery in April, 1966. As the issue affects all the collieries of NCDC and not only Bokaro-Kargali, the Committee hope that the matter would be examined by N. C. D. C. in detail and suitable instructions issued to all the collieries as early as possible.
- 72 322 The Committee are of the opinion that the responsibility for mismanagement and inefficiency of the Corporation lies on the shoulders of the top management of NCDC. The second line of management is equally to be blamed.
- 73 323 The Committee recommend that a high powered Committee assisted by technical persons from outside NCDC should probe into the affairs of NCDC in detail and the persons responsible for this sad state of affairs whoever they may be and wherever they may be employed at present should be brought to book.
- 74 324 The Committee feel that the Ministry cannot also be absolved of the responsibility in regard to the affairs of NCDC. It is a pity that the Government although aware of the distressing conditions prevailing in NCDC, did not take any effective action all these years to improve

---

**1****2****3**

---

matters. The Committee feel that the administrative Ministries must keep a closer watch over the performance of the public undertakings under their control and take remedial action in time.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chap-parwala Kuan, Karol Bagh, New Delhi.	66	MANIPUR		
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi —1.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76	AGENTS IN FOREIGN COUNTRIES		
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establish-ment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

---

© 1968 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL MANAGER  
GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.

---