

COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69)

(FOURTH LOK SABHA)

TWENTY-EIGHTH REPORT

**Action Taken by Government on the Recommendations
contained in the Thirty-Eighth Report of the
Committee on Public undertakings (Third
Lok Sabha).**

PYRITES & CHEMICALS DEVELOPMENT CO., LTD.
(MINISTRY OF PETROLEUM & CHEMICALS)



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COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)

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1. Shri A. L. Rai—*Deputy Secretary.*
2. Shri M. M. Mathur—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Twenty-eighth Report on the Action Taken by Government on the recommendations contained in the Thirty-eighth Report of the Committee on Public Undertakings (Third Lok Sabha) on Pyrites and Chemicals Development Co., Ltd.

2. The Thirty-eighth Report was presented to the Lok Sabha on the 29th March, 1967. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 7th October, 1967 and the 20th November, 1967. Further information was called for by the Committee in respect of five recommendations on the 19th February, 1968, which was furnished by the Ministry and the Bureau of Public Enterprises on the 8th April, 1968 and the 30th July, 1968, respectively. The replies of Government to the recommendations contained in the aforesaid Report, were considered by the Committee on the 29th November, 1968. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

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

- I. Report
- II. Recommendations that have been accepted by Government.
- III. Recommendations which the Committee do not desire to pursue in view of Government's reply.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Thirty-eighth Report (Third Lok Sabha) is given in Appendix IV. It would be observed therefrom that out of 40 recommendations contained in the Report, 55 per cent have been accepted by Government and the Committee do not desire to pursue 45 percent of the recommendations in view of Government's replies.

NEW DELHI;
12th December, 1968

Agrahayana 21, 1890 (S)

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Committee would like to record that replies of Government to the recommendations contained in their Thirty-eighth Report (Third Lok Sabha) were received in time and to the satisfaction of the Committee.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 3)

The Committee feel that this was largely due to the fact that Government kept themselves out of the picture and left it to a nascent public undertaking to take decisions on vital matters which should have been determined by them before formation of the Company. The Indian Bureau of Mines took up the preparation of the project report in November, 1960 and in the same month the Company knew of the unsuitability of the Orkla Process. The Company however, did not give thought to the need for revising its earlier demand for 3,00,000 tonnes of lump ore or apprise the Bureau of the new development. While the Company was proceeding with the consideration of alternative proposals for utilisation of pyrites ore and was reassessing the demand for ore on that basis, the Bureau was going ahead with the preparation of the detailed project report on the basis of the demand intimated to it. There was this lack of coordination between the Bureau, the Company and Government. It has been admitted by the Company that "in the initial stages, there did not thus exist effective co-ordination between the Company and the Indian Bureau of Mines". Government on their part also failed to guide the Company on the right lines. The Committee hope that the Government will not abjure their responsibilities in future to a nascent undertaking. (para 11).

REPLY OF GOVERNMENT

The observations made have been noted. It is conceded that there should have been better co-ordination between the authorities concerned during the period in question. But as already pointed out, the quantity of pyrites ore required does not depend only on the process for the extraction of sulphur from the ore. In fact, the subsequent events have pointed to the need of early replacement of imported sulphur by indigenous pyrites for the manufacture of sulphuric acid, to the extent practicable.

[*Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 20th November, 1967.*]

Recommendation (Serial No. 4)

While the effort of the Indian Bureau of Mines in drawing up a detailed project report deserves every encouragement, the Committee feel that in order to avoid certain amendments later on in

the detailed project report, it would have been better if the Bureau had associated some outside experts in their maiden venture of preparation of a detailed project report. (para 14).

REPLY OF GOVERNMENT

Apparently I.B.M. could not foresee the difficulties which cropped up later. The observation of the Committee has been noted and communicated to the Ministry of Steel, Mines and Metals for information and future guidance.

[*Ministry of Petroleum and Chemicals O.M. No. 119(20) /67-Ferts. III, dated the 7th October, 1967*].

Recommendation (Serial No. 6)

The first Expert Committee had been set up by the Indian Bureau of Mines and the second Expert Committee was appointed by the Company. It is not known as to what was the reason for reopening the question of the suitability of the mining method after the drawing up of the second detailed project report. The statement of the Managing Director that the first Expert Committee was convened by the author of the report and included only two outside members implied that selection of the members of that Expert Committee was made in such a way as to get approval for the long-wall method. At the same time, the constitution of an Expert Committee by the Company and its reopening the issue of mining method at that late stage cannot but create the impression that the Company was interested in the introduction of board and pillar method. Government approval was not taken for revising the second detailed project report but after revision, it was sent to Government and was duly approved. It is strange that Government did not make any inquiry into the need for reopening the issue of mining method at such a late stage and consequential revision of the second detailed project report. The Committee regret to observe that Government had failed to exercise effective supervision over the affairs of the project. (para 24).

REPLY OF GOVERNMENT

Since there was no experience of similar pyrite mines anywhere in the world, the Company was guided in the matter by the advice rendered by the Expert Committees. Since there was substantial variations in the recommendations made in the first and the second mining project reports prepared by the I.B.M., and since the latter had no particular experience of mining pyrites, the Board felt that it was desirable to obtain the advice of outside eminent mining engineers available in the country. For this reason, a Technical Committee was constituted by the Board, for examination of the second

mining project report. There would not have been any need to re-examine the method proposed for mining later involving substantial revision of the second mining project report, if the I.B.M. had itself obtained the advice of other mining experts before finalising its report.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 7)

Since a final decision regarding the mining method is not stated to have been taken as yet, the Committee recommend that the Bureau should be consulted at the time of taking a final decision. This is a technical matter on which two Expert Committees have differed. When the question is therefore, considered again, it should be by a body of persons who are experts having sound knowledge of both the methods. The considerations which weighed with both the Expert Committees should be made available to them. Their recommendations should be followed without further vacillation. (para 26).

REPLY OF GOVERNMENT

The mining method will be governed on the Geological and roof strata conditions encountered during actual mining operations and decisions taken in advance may not hold good, under all conditions. It is not unusual to change the mining procedure even in conventional coal mining in the country for which experience of over 100 years is available. It is the Director General of Mines Safety who will have the final say in the method of mining used from time to time. His office has been kept constantly in the picture. As stated earlier, for the present, the method must be kept flexible. The company has on its Board two part time and one full time Directors who are mining experts having wide experience in India and abroad. The Company will also not hesitate to consult other experts including overseas experts, if circumstances so warrant, in the interest of safety. Recently a mining expert under the Colombo Plan has also been attached to the Mining Project for a short period. The Expert Committee under whose guidance the third project report was drawn, consists of members who are mining experts having sound knowledge of not only of the Board and Pillar and the Long-wall mining methods but also various other methods which may have to be adopted in some modified form if the circumstances so require. The considerations that weighed with the Committees are available to the Company and will be borne in mind.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Serial Nos. 6 & 7.

In their recommendations, the Committee had objected to the exclusion by the Company of the Indian Bureau of Mines from the Second Expert Committee and had recommended that the Indian Bureau of Mines should be consulted before a final decision is taken regarding the mining method.

The reply now given does not clearly indicate whether the Bureau will be included in the Committee of experts which will take final decision in the matter. This may kindly be clarified.

[L.S.S. O.M. No. 31-PU/67, dated the 19th February, 1968]

FINAL REPLY OF GOVERNMENT

It is stated *inter alia* in the reply furnished by this Ministry to S. No. 7 that "the Company will also not hesitate to consult other experts including over-seas experts if circumstances so warrant in the interest of safety." It is now clarified that the I.B.M. (now Geological Survey of India) will also be consulted as recommended by the Committee.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 8th April, 1968].

Recommendation (Serial No. 8)

The Committee do not consider it necessary to go into the complaints of the Financial Adviser against the Management and *vice versa* but they regret to note that a spirit of co-operation and understanding was lacking between the Chief Mining Engineer and the Financial Adviser. They hope that every effort will be made by the officers to work with a sense of oneness of purpose which is essential for the efficient and smooth working of the project. (para 31).

REPLY OF GOVERNMENT

The observations of the Committee have been noted by the Company and its officers.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 9)

The Committee feel that Government have not been kept informed of an important development relating to the company, either by the Company itself or by the officers of Government who were Directors of the Company. The Committee understand that copies of quarterly reviews of the Financial Adviser are forwarded to the administrative Ministry and the Ministry of Finance. When such is the case it is all the more important that a document which contains suggestions for saving in capital expenditure to the tune of more than Rs. 1 crore should have been forwarded to Government. Such proposals would have educative value besides being guide lines for the future projects. The Committee recommend that suitable instructions should be issued to all the public undertakings for forwarding copies of such important documents to the administrative Ministry and the Ministry of Finance. (para 34).

REPLY OF GOVERNMENT

Copies of the quarterly reviews of the Financial Adviser of the P.C.D.C. were not sent to Government in time and regularly. Instructions have since been issued to the Company to send these reports regularly and also to include them in the agenda of the meetings of the Board of Directors held from time to time. The recommendation made has also been forwarded to the Bureau of Public Enterprises for issuing suitable instructions in the matter to all the public undertakings.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 11)

As the ANF Loaders have not been used in pyrites ore mines before, the Committee would recommend that early opportunity should be taken to test them at Amjhore mines and modifications, as might be necessary, got carried out by the supplier. (para 47).

REPLY OF GOVERNMENT

It has been reported that modifications to suit the pyrite ore have been made by the suppliers during manufacture of the ANF loaders. The first batch of ANF loaders are expected to be put in commission in October, 1967. Manufacturers' engineers will be present during the commissioning and trial runs. The matter is being pursued by the company.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 13)

From the time the project was conceived, i.e. 1955 to the time when production by mechanical means would commence would be nearly 14 years. The time taken for drawing up a detailed project report and getting it finally approved was over four years. Avoidable delays have taken place thereafter. The project is expected to save foreign exchange of the order of Rs. 1.2 crores per annum as a result of production of 400 tonnes of pyrite-based sulphuric acid per day and is closely linked with the fertilizers industry in the country. It is regrettable that even this aspect did not provide the necessary drive and a sense of urgency to the project authorities or Government in commissioning the project. (para 56).

REPLY OF GOVERNMENT

It may be pointed out that at the time the project was conceived, the actual and anticipated requirements of sulphur were not very large and the availability position of sulphur was comparatively easy. The project has acquired urgency and importance during the past few years. It is conceded that there has been some delay in the implementation of the project which is mainly due to the fact that it is the first project of its kind in the country with very few parallels in the world, that considerable exploratory work had to be done to prove adequate deposits of pyrites ore before undertaking the project and that the foreign exchange which is fairly substantial had to be found before placing orders for the import of mining machinery. The observations of the Committee have, however, been noted and action has been taken to ensure that there is no further avoidable delay.

[Ministry of Petroleum and Chemicals O.M. No. 119 (20) | 67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 14)

The argument that both the detailed project reports were prepared by the Indian Bureau of Mines and it will be in a better position to explain the increase in the cost of production is not a satisfactory explanation. The reason that the second detailed project report was for a production of 2.4 lakh tonnes per year as against a capacity of 4.8 lakh tonnes contemplated in the first report accounts for an increase of about 30 percent only, which works out to Rs. 5 per tonne. Even then the difference is as high as Rs. 13.76 (approx.) and works out to 78 per cent of the original estimate. There has therefore been a gross under-estimate of the unit cost of mining in the first report and since it is one of the basic factors on which the decision to set up a project is taken, such disparity should have been

avoided. This was perhaps, due to the fact that it was the first attempt of the Bureau. This supports the observation of the Committee that it would have been better if outside experts had been associated with the Bureau in the preparation of the detailed project report. (para 59).

REPLY OF GOVERNMENT

The observations have been noted. The unit cost of pyrites ore and pyrites-based sulphuric acid is being reviewed and revised as a result of certain developments such as time lag in the implementation of the project, devaluation of the rupee, etc.

[*Ministry of Petroleum and Chemicals O.M. No. 119 (20) |67-Ferts. III, dated the 20th November, 1967.*]

Recommendation (Serial No. 18)

The Committee hope that learning from the experience of commissioning the project in the first phase, the company would avoid the pitfalls which were responsible for delays such as, repeated revisions of the detailed project report, change of mining method, non-procurement of machinery in time etc. All basic data should be collected in the first instance and thereafter work of processing should be undertaken according to a time schedule drawn up for the purpose. (para 70).

REPLY OF GOVERNMENT

Noted. It may however, be pointed out that even with the detailed basic data obtained as a result of drilling and exploration work, certain amount of revision is inevitable in case of mining project report as there are many unknown factors and the conditions during actual development of mine may vary with the data obtained during drilling and exploration work. As such, drawing of underground mining project reports are generally done in such a way that modifications in the method of mining etc. are possible without upsetting the overall mine layout.

[*Ministry of Petroleum and Chemicals O.M. No. 119 (20) |67-Ferts. III, dated the 7th Oct., 1967.*]

Recommendation (Serial No. 20)

The Railway Board on their part has been considering the proposal for long. Despite the matter having been dealt with at the level of the Minister in August, 1966, a final decision has not been taken. Because of this indecision, the Company is unable to proceed with the installation of the ropeway. Since the production is scheduled to commence by the first quarter of 1969, no further time should be lost in arriving at a decision. (para 78).

REPLY OF GOVERNMENT

The matter is being pursued actively with the Railway Board.
 [Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts.
 III, dated the 7th October, 1967].

Recommendation (Serial No. 21)

Though the capital and operational cost of the ropeway is stated to be cheaper for the company, the Committee consider that from the point of view of general development of the area, advantage in the long run would be in favour of having a broad gauge line. A railway line laid at an estimated cost of Rs. 236.83 lakhs would serve the entire area, whereas a ropeway installed at a high cost of Rs. 83 lakhs would serve the requirements of the Company only. Keeping this in view and every possibility of increase in traffic since the area is rich in minerals, the Committee feel that the Railway Board should carefully consider the opening of a broad gauge line as early as possible. (para 79).

REPLY OF GOVERNMENT

The recommendation has been communicated to the Ministry of Railways.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts.
 III, dated the 7th October, 1967].

Recommendation (Serial No. 22)

The delay on the part of the Railway Board in taking a decision is stated to be partly due to the fact that Government have not given their final approval to the expansion scheme of the Company. The Ministry of Petroleum and Chemicals should therefore take an early decision on the scheme for expansion and convey it to the Railway Board so that the latter could take into account the potential load factor. (para 80).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts.
 III, dated the 7th October, 1967].

Recommendation (Serial No. 24)

The Plant for extraction of sulphur from pyrites ore is thus not likely to be set up before 1971. The Committee are disappointed at the poor progress made in setting it up. At present sulphur is

being imported and the capacity of the plant being estimated at 250 tons of sulphur per day, the setting up of the plant is likely to save foreign exchange of Rs. 1.5 crores per annum. Even this fact has not served to instil a sense of urgency which should have been attached from the beginning. (para 88).

REPLY OF GOVERNMENT

The observations have been noted. It may be added that negotiations with Messrs Lummus & Company authorised agents of Messrs Outokumpu Oy of Finland have since been concluded by the Company for the purpose of preparation of a Project Report. The application of the Company for release of free foreign exchange amounting to about Rs. 4.5 lakhs being the fee payable to Messrs Lummus & Company, is under consideration.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. I, dated the 20th November, 1967].

Recommendation (Serial No. 25)

The Committee feel that there was an avoidable delay of seven months in sending the ore for laboratory tests. This was because the company decided to send a delegation to Finland first instead of sending the ore for laboratory tests. The postponement of the visit of the delegation due to Emergency delayed the progress. Thinking of sending a delegation before conducting even the preliminary laboratory tests was premature especially when Orkla process of Norway had earlier failed. As it ultimately happened the sample ore was sent in March, 1963 and the delegation was sent in March, 1964. The Committee therefore feel that if the question of sending a delegation had not been raised prematurely and if the sample ore had been sent towards August, 1962 when the first plant of M/s. Outokumpu of Finland was expected to go into production, the tests could have been completed by the end of 1962 and valuable time could have been saved. (para 89).

REPLY OF GOVERNMENT

The observations of the Committee have been noted and every effort will be made to see that there is no avoidable delay at any stage.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. I, dated the 20th November, 1967].

Recommendation (Serial No. 28)

Since an integrated plant is economic, the possibility of adding a sulphuric acid plant to the proposed plant for extraction of sulphur may be considered. The Committee would, however, suggest

that this should not result in starting the work de novo with the drawing up of a scheme for an integrated plant in lieu of the plant proposed at present. The setting up of the plant has already been delayed and if at all a sulphuric acid plant is to be added, it should be ensured that the already prescribed schedule is more or less adhered. (para 94).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 32)

The Committee consider that the difficulties regarding the enforcement of performance guarantee etc. do not justify the awarding of a turn-key contract. In their opinion, these difficulties can be overcome by entering into clear and specific agreements with the parties instead of resorting to the practice of awarding the entire contract to one firm on a turn-key basis. Moreover, in this case there was no urgency to set up the plant as the mining operations themselves are not expected to commence before the first quarter of 1969. It should be ensured that turn-key contracts are awarded only in cases of urgency or when there are distinct advantages in doing so. (para 108).

REPLY OF GOVERNMENT

At the time of invitation of tenders, it was not decided to go for a turn-key job. In the N.I.T. the tenders were invited on the basis of equipment and materials delivered at site. It was also required to give a complete and independent quotation for a turn-key job for plant and equipment for a complete 400 tonnes day Sulphuric Acid plant as specified in the tender. After careful examination of tenders, a Tender Examination Committee constituted by the Board recommended that the offer should be finalised on the basis of a "Turn-key" job. The aforesaid recommendation was accepted by the Board as well as by the Government.

There has been considerable advantage in awarding the contract on a 'Turn-key' basis. It was ensured by the Board that while awarding the contract on turn-key basis, it will be a fixed price contract without any escalation clause. As such, the cost estimate of the contract has remained fixed in spite of general increase in prices since the contract was signed.

The recommendation of the Committee has been forwarded to the Bureau of Public Enterprises for consideration and issue of general instructions for the guidance of all concerned.

[*Ministry of Petroleum and Chemicals O.M. No. 119 (20) /67-Ferts. III, dated the 7th Oct., 1967*].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The action taken by the Bureau in respect of this recommendation may please be intimated.

[L.S.S. O.M. No. 31-PU/67, dated 19-2-1968]

FINAL REPLY OF GOVERNMENT

As regards the general recommendation contained in paragraph 108, a copy of this Ministry's O.M. No. 3(5)-PC/63 dated the 22nd October, 1963 and also a copy of the reply forwarded by the Bureau of Public Enterprises to the recommendation at SL No. 115 of the 35th Report of the Estimates Committee (Third Lok Sabha) on Heavy Electricals Ltd. is enclosed (*Appendix I*). It will be noted that instructions have been issued that in order to foster indigenous talent, assistance of foreign collaborators should be sought only for planning, designing and other works relating to the specific sections of projects for which know-how is not available in the country. It has been accepted that besides effecting considerable economy, this would reduce the dependence on the foreign collaborators and instil the necessary confidence in our technicians.

[*Bureau of Public Enterprises letter D.O. No. 9(64) /68-BPE, (GM), dated 30-7-1968*].

Recommendation (Serial No. 34)

Either the estimate of cost of production of ore is not correct or there is not sufficient justification for the increase in cost of production of sulphuric acid from Rs. 139 to Rs. 200 per tonne. Correct estimates of the unit cost of pyrites ore and sulphuric acid should be worked out by competent persons and every effort should be made to keep the costs as low as possible. (para 115).

REPLY OF GOVERNMENT

Revised estimate of the cost estimates of the Mining Project and unit cost of mining have been worked out.

Revised estimate of the cost of production of sulphuric acid is being drawn up. In the revised specification of the plant, there

will be no surplus power for sale. This has been done to save substantial foreign exchange in the capital cost. Every effort is being made to keep the costs as low as possible.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. IIF, dated the 7th Oct., 1967].

Recommendation (Serial No. 35)

The Committee appreciate that due to various reasons full attendance at all the Board meetings may not be possible. Nevertheless they feel that Government should devise suitable procedure to ensure that attendance at Board meetings is fairly high not only in the case of this company but also in other public undertakings. Where a Director fails to attend Board meetings regularly he should be removed from office and should also be debarred from appointment upon Boards of other public undertakings. (para 118).

REPLY OF GOVERNMENT

The recommendation of the Committee has been communicated to the Bureau of Public Enterprises for suitable action.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. IIF, dated the 7th October, 1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The action taken by the Bureau in respect of this recommendation may please be intimated.

[L.S.S. O.M. No. 31-PU/67, dated 19-2-68].

FINAL REPLY OF GOVERNMENT

The recommendation at para 118 of the 38th Report on PCDC was specifically examined in the Bureau of Public Enterprises at the instance of the Ministry of Petroleum and Chemicals. I enclose a copy of D.O. letter No. 2(82)/67-FI, dated the 19th October, 1967, from Secretary (Insurance and Plan Finance) and Director General, Bureau of Public Enterprises. (Appendix II). As indicated therein, previously some of the official Directors were representing the Ministries concerned on the Boards of a number of enterprises. In pursuance of the observation of the Estimates Committee in their 35th Report (Third Lok Sabha) on Heavy Electricals (India) Ltd., the various Ministries have reviewed the position and taken steps to reduce the number of enterprises, on which individual officers would represent, to three or four. As you are aware, certain recommendations of the Administrative Reforms Commission in their Report on "Public Sector Undertakings" to further reduce the number of enterprises on which an individual officer would represent, are also under consideration of Government, these measures, should, in future,

ensure better attendance of official Directors in the Board Meetings. As regards non-official Directors, in the above D.O. letter dated 19th October, 1967, the Ministries have also been requested to take into account the position regarding their attendance in Board meetings, while reconstituting the Board from time to time.

[Bureau of Public Enterprises letter D.O. No. 9(64)/68-BPE, (GM), dated 30-7-1968].

Recommendation (Serial No. 36)

The estimate of establishment expenditure made in the 1st detailed project report is very much less than the later estimates. It is as yet too early for the Committee to offer comments on the staff position. They trust that utmost care and economy will be exercised in working out staff requirements for the construction period, for production during the first phase, and at the time of achieving rated capacity. (para 122).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. I, dated the 7th October, 1967].

Recommendation (Serial No. 38)

In their 8th Report on Township and Factory Buildings of Public Undertakings, the Committee have made several recommendations for economising in the cost of construction of townships etc. The estimated expenditure on townships and buildings at Amjhere as a percentage of the capital cost of the project is quite high. The Committee suggest that the expenditure on the township and buildings should be in accordance with the recommendations contained in that Report. (para 129).

REPLY OF GOVERNMENT

Action is being taken in accordance with the suggestion.

[Ministry of Petroleum & Chemicals O.M. No. 119(20)/67-Ferts.III, dated the 20th November, 1967].

Recommendation (Serial No. 40)

Despite a possible saving of foreign exchange to a substantial extent, the Committee have found that a sense of urgency has been lacking in the implementation of the project. The project was conceived in 1955, the Indian Bureau of Mines was asked in 1957

to establish resources and the detailed project report was prepared in 1960-61. After two revisions was finally approved by Government in January, 1965 and the production of ore is at present expected to commence by the first quarter of 1969. The Committee have found that there have been avoidable delays in the establishment of this project which have been referred to at the appropriate places in this report.

The overall impression gathered by the Committee as a result of their examination is that the project has suffered from lack of proper planning. The Directors have been frequently changed and the attendance at the Board meetings has been thin with the result that the management has also not put in the required effort. The Committee are unhappy to observe that Government have also not guided the project in its formative stages. They hope that Government and the company will now ensure that there is no further delay and production is commenced according to the schedules laid down at present. (para. 132-133).

REPLY OF GOVERNMENT

Noted. Every effort is being made to improve on the time schedule for the completion of the project.

[*Ministry of Petroleum and Chemicals O.M. No. 119(20) /67-Ferts. I, dated the 7th October, 1967*].

CHAPTER III

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

Recommendation (Serial No. 1)

The Committee are not able to understand why factors like financial pattern, floatation of the company, etc. had to be considered and settled before establishing adequate reserves of pyrites ore in the area. The first step ought to have been to ask the Indian Bureau of Mines to carry out investigation work and if the preliminary work in that regard indicated that there would be adequate reserves, the Ministry concerned could have taken up the consideration of the factors referred to above. Thus till the nature and quantum of reserves were established the size and pattern of the company could not have been realistically determined. But nearly three years were wasted in contemplating the formation of a company before establishment of the reserves. (para 6).

REPLY OF GOVERNMENT

The action in the order of priority, as recommended, was actually taken. The PCDC, as a subsidiary of the NIDC, was formed in March 1960 whereas the investigation work about Amjhore pyrites was commenced by the I. B. M. in 1957 and completed in June, 1960. In fact, by July 1958, the I. B. M. indicated a deposit of 3.27 million tonnes, containing on an average, 40 per cent sulphur and less than 0.1 per cent arsenic. When the work was completed, 8 million tonnes represented proved deposits and a further indication of the existence of over 300 million tonnes in the area. Approval for the preparation of a Detailed Project Report on the Amjhore pyrites was accorded in August, 1960.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 2)

The Committee consider that the preparation of the Detailed Project Report has not proceeded within a systematic manner. The quantity of ore required was not determined correctly because it depended on the suitability of a process which was yet to be tested. If the preparation of the detailed project report had been taken up

after selecting the suitable process for the extraction of sulphur, the time lost in the revision of the Detailed Project Report for reducing the production capacity could have been avoided. (para 10).

REPLY OF GOVERNMENT

The quantity of the pyrites ore required did not depend only on the process for the extraction of sulphur from the ore. It was obvious at the time the preparation of the Detailed Project Report was taken in hand in August, 1960, that the ore could be utilised directly, subject to certain limitations, such as distance from the ore mines etc. for the manufacture of sulphuric acid. In fact, the Company has programmed for the establishment of a 400 tonnes/day pyrites-based sulphuric acid plant at Sindri. According to the preliminary reports, the Orkla Process for the extraction of sulphur from Amjhore pyrites was considered *prima facie* suitable. Pilot plant tests on Amjhore pyrites were carried out in November, 1960. It was in early 1961 that it became known, with some degree of certainty, that the Orkla Process would not be suitable for the Amjhore pyrites. The Company had accordingly to look around for another suitable process which was located in Finland and is known as the Outokumpu Process. The technical and economic feasibility of the Outokumpu Process was established as a result of the pilot plant tests in 1965 only. In case the Company had deferred preparation of a Detailed Project Report till such time as a suitable process for the extraction of sulphur had been located and established, the Report would have been prepared either late in 1965 or early 1966. It is true that the Detailed Project Report had to be revised in view of the unsuitability of the Orkla Process resulting in some delay in the implementation of the mining project. But in view of the position explained, the action of the Company in getting the Detailed Project Report prepared in 1961, cannot be said to be premature or uncalled for in the circumstances then prevailing. It may be relevant to point that in anticipation of the implementation of the project for the extraction of sulphur from pyrites ore according to the Outokumpu Process, exploratory operations have been commenced for the mining of additional 1 million tonnes of ore in the Amjhore region.

[Ministry of Petroleum and Chemicals O.M. No. 119(20) |67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 5)

The Committee feel that there have been too many revisions of the Detailed Project Report which have consequently delayed the commissioning of the project.. They are of the view that the mining method most suitable for the project should have been determined

in the first instance and only then the preparation of the Detailed Project Report should have been undertaken. If this had been done, at least one revision could have been avoided. In any case, the Expert Committee which examined the first Detailed Project Report should have gone into this technical matter thoroughly and if any change in mining method was needed it should have been incorporated at that stage itself. (para 18).

REPLY OF GOVERNMENT

Mining method could not be conclusively determined in the first instance, before the preparation of a Detailed Project Report as there is no parallel in the country or abroad for mining such a thin pyrite deposit as that at Amjhore which could be taken as a guide. As a matter of fact, recommendations of a suitable and safe method of mining constituted the main work of the agency entrusted with the preparation of a detailed mining project report. Even in coal mining, where there is considerable experience and conditions can be visualised more realistically, mining project reports usually provide for flexible methods of mining as conditions may change with the progress of mining.

In the opinion of the second Technical Committee of Experts appointed by the Board, which included the Director General of Mines Safety, a safe and successful mining method can be finalised only after gaining experience of actual mining operations (stopping) carried out in an experimental way for a reasonably long period of time. In view of this, the layout of the mine had to be such as to permit a switch over, either fully or partially, from Longwall to Board and Pillar, or from Board and Pillar to Longwall, without seriously affecting the mining plan. This aspect was taken into consideration by the second Experts Committee.

[Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 10)

In view of the tight foreign exchange position, Government's action in restricting the tenders to firms in specified countries is quite understandable. But the Committee do not see any reason for postponing action to call for tenders until after the approval of the Detailed Project Report. They feel that valuable time could have been saved if both these process had been completed simultaneously. (para 39).

REPLY OF GOVERNMENT

The facts of the case briefly are as under:—

In the late Ministry of C & I's letter dated the 7th September, 1962, the Company was asked, in consultation with the Ministry of Finance, to furnish complete details of the project estimates for the mining of 2.4 lakh tonnes of ore per annum for the approval of Government. The Co. was also advised that it may, meanwhile, take preliminary action for implementing the mining programme. In pursuance of this advice, the Company invited tenders for the mining machinery in 1963. In April 1964, the Company reported that the approval of the Ministry of Finance be obtained to the invitation of the tenders in view of the instructions contained in the Ministry of Finance (D. E. A.) letter No. F-1 (13)-GI/63 dated the 28th August, 1963, (Appendix III). In reply to that reference, the Company was informed, on the advice of the Ministry of Finance that, tenders for the mining machinery should not have been invited in anticipation of the approval of the project report. It was added that as tenders had actually been invited, no orders should be placed or commitments entered into without obtaining Government's prior expenditure sanction. The fact remains that tenders were invited in 1963 before the necessary approval was accorded to the project report in January, 1965.

[*Ministry of Petroleum and Chemicals O.M. No. 119 (20)/67-Ferts. III, dated the 20th November, 1967*].

Recommendation (Serial No. 12)

The Committee feel that the Company should take early steps to estimate the operating cost of ANF Loaders. Since the other firm claims that the use of JOY Loaders would result in a saving of Rs. 12 lakhs per year, it merits close examination. The Company is embarking on an expansion programme of the order of one million tonnes and will require more Loaders. It would be worthwhile buying one JOY Loader for experiment sake and for purposes of comparative study. After working both the Loaders side by side for some time, their relative merits may be assessed, particularly with regard to operating cost, so that when the Company goes in for purchase of more Loaders for its long-term needs, it would be able to purchase the better of the two. (para 49).

REPLY OF GOVERNMENT

The operating cost of ANF loaders will be assessed after they have been put in use for some time. It has been claimed by M/s Eastern Equipment & Sales Ltd. that a saving of Rs. 4000 per day would be effected if JOY loaders instead of ANF loaders were used.

The Company would have readily agreed to buy one JOY loader for experimental purposes during the expansion programme provided the supplier firm had offered a guarantee of the aforesaid saving in the maintenance and operating cost as compared to that for the ANF loaders. In the absence of any such guarantee, it was felt that the PCDC should postpone the question of relative economics of the two types of loaders, to a period when there would be revenues coming into the Company, for sustaining such experimentation. The cost of JOY loader is Rs. 41.09 lakhs c.i.f. as against Rs. 21.37 lakhs being the cost of ANF loader.

[*Ministry of Petroleum and Chemicals O.M. No. 119 (20)/67-Ferts. III, dated the 7th October, 1967.*]

Recommendation (Serial No. 15)

The increase in cost of production of pyrites ore shows a disconcerting trend and the Committee would urge immediate steps to restrict the unit cost of production as the entire economics of the Sulphuric Acid Plant would be dependent on the price at which it gets pyrites ore for manufacture of sulphuric acid. (para 61).

REPLY OF GOVERNMENT

There are various unknown factors in the mining of pyrites at Amjhore since such mining conditions do not occur anywhere else in the world. As such, all the problems in the exploitation of Amjhore pyrites could not have been visualised in the initial stages.

After taking into account of various geological and mining considerations which have been encountered so far, effects of devaluation, increase in the price of equipment and materials, revised wages and salaries etc., the unit cost of mining of run-of-mine pyrite ore for an annual production of 2.4 lakh tonnes has been estimated at about Rs. 75 ex-mine head. Close watch is being kept to ensure that the unit cost of production does not go up unduly.

[*Ministry of Petroleum and Chemicals O.M. No. 119 (20)/67-Ferts. IPI, dated the 7th October, 1967.*]

Recommendation (Serial No. 16)

In the first instance, i.e., till February, 1963 there was apprehension about the off-take of pyrites ore and the first Detailed Project Report was revised so as to reduce the production capacity from 4.8 to 2.4 lakh tonnes per annum. In 1963-64 the Fertilizer Corporation of India indicated a higher demand and the Company again thought of increasing the production capacity. This shows that a correct esti-

mate had not been made of the demand for pyrites ore in the initial stages. (para 67).

REPLY OF GOVERNMENT

Uptil now sulphuric acid plants based on pyrites have not been set up in the country. The first plant is being built by the Company at Sindri. As such, in the beginning there was some apprehension about the off-take of pyrites. Substantial modifications involving heavy capital expenditure have to be undertaken for converting sulphur based plants into pyrite based acid plants. No organisation in the country including F. C. I. was prepared to undertake such investments. Therefore the Company had no option but to set up under its own control the first sulphuric acid plant as a promotional measure. Due to acute shortage of sulphur in the world market and uncertainty about its availability, the F. C. I. are now considering the establishment of pyrite based sulphuric acid plants at Sindri and Durgapur. It is not unusual for such a new venture to have to face such a situation where a clear idea of the off-take of a new and non-conventional raw material is not available in the initial stages.

[Ministry of Petroleum and Chemicals O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 17)

No accurate assessment of demand for pyrites exists with the Company or Government. The Committee suggest that a proper study should be made by a Committee consisting of knowledgeable persons, of the existing demand and that which is likely to arise during the next five years/ten years. The demand should be assessed yearwise and the Company's future production programme should be adjusted accordingly. (para 69).

REPLY OF GOVERNMENT

No accurate assessment of demand for pyrites exists at present as there is neither any pyrites-based sulphuric acid unit in the country nor has a project for the extraction of sulphur from pyrites according to the Outokumpu Process, been finalised. It has, however, been agreed that in view of the difficult availability position of imported sulphur, it should be substituted by the indigenous pyrites to the extent possible. As such, use of pyrites ore as a substitute for sulphur has to be promoted. A Working Group with Shri Kasturirangan, Chief Project Officer in this Ministry as Convener, was appointed in August, 1966, to consider the measures for promoting use of pyrites. The Working Group in its Report made in February 1967, has made certain recommendations which are under consideration.

An accurate assessment of demand for pyrites can be made after the project for the extraction of sulphur from pyrites is finalised, the extent to which the existing sulphuric acid units could be switched over to pyrites is assessed and the feasibility of setting up new sulphuric acid units based on pyrites has been studied in all its aspects.

As already stated, necessary action in this direction has been initiated. The recommendation for the appointment of the Committee has been noted and will be considered at the appropriate time.

[*Ministry of Petroleum and Chemicals, O.M. No. 119 (20) /67-Ferts. III, dated the 20th November, 1967*].

Recommendation (Serial No. 19)

The question of laying a railway line has not been given the priority it deserves. The Company knew as early as 1961 that a main gauge railway line would be necessary for transporting pyrite ore up to Dehri-on-Sone. There is therefore no justification for the Company to have delayed the sending of the proposal to the Railway Board as late as March, 1964. Government also did not take any initiative in suggesting to the Company to draw up a proposal for onward transmission to the Railway Board. (para 77).

REPLY OF GOVERNMENT

For despatch of ore to the extent of 800 tonnes a day, the construction of a separate BG line from Amjhore to Dehri-on-Sone cannot be justified on economic grounds. As such, the question of construction of a railway line could not be taken up with the Railway Board prior to 1964. It was only after the expansion of mining programme to an additional one million tonne per annum was in sight, that the proposal for setting up a BG line assumed importance and action was initiated. According to the preliminary view of the Railway Board, the BG line even for an annual traffic of 1.5 million tonnes may not be justified on commercial considerations. The matter is still under discussion between the Ministries and the Planning Commission.

[*Ministry of Petroleum and Chemicals, O.M. No. 119 (20) /67-Ferts. III, dated the 7th October, 1967*].

Recommendation (Serial No. 23)

The Committee are not happy about spending of Rs. 70,000 on a survey for establishment of an aerial ropeway on the river Sone. This appears to be an infructuous expenditure. A peculiar thing that was noticed by the Committee about it was that the tenders for conducting a survey for setting up of the ropeway were invited in

April, 1965, even before the Railway Board in May, 1965 had asked the Eastern Railway to examine the proposal for laying a broad gauge railway line between Amjhore and Dehri-on-Sone. (para 81).

REPLY OF GOVERNMENT

Even as late as mid 1967 the Railway Board has not agreed for the construction of broad gauge branch line. In the discussions, it has always been pointed out by the Railway Administration to the Company that such a line could not be justified on the basis of the existing traffic. In view of such a categorical statement by the Railway Board the Company was justified in considering the alternative long range method of transport of pyrites ore from mine head by an aerial ropeway. Preparation of estimate for aerial ropeway was necessary even for considering the relative merits of the various methods of transport. It is only after engineering survey and preparation of project report have been completed that estimates can be drawn. For this purpose, it was necessary to initiate action to complete preliminaries of survey and preparation of project report in regard to the setting up of an aerial ropeway. In view of this, the expenditure on survey and preparation of the project report cannot be said to be infructuous. If, finally, it is decided not to construct a broad gauge railway line, it would have meant considerable avoidable delay if the preliminaries regarding the survey and the preparation of the project report for the ropeways had not been completed. If the ultimate output of the mine is 2.4 lakh tonnes per annum, the proposal of an aerial ropeway in the absence of construction of broad gauge line appears to be the only alternative practical solution on a long term basis.

The expenditure incurred by the Company on survey and preparation of the project report is Rs. 63,500 and not Rs. 70,000, out of which Rs. 45,500 being fee for engineering survey will be refunded by the firm if the order for supply of ropeway is placed with it.

[*Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967*].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The figure of Rs. 70,000/- was based on the information furnished to the Committee and was not disputed either by Government or the Company at the time of factual verification.

Since the figure of Rs. 63,500/- is at variance with the one previously furnished, it may be clarified as to which figure is now to be taken as correct.

(L. S. S. O. M. No. 31-PH/67, dated February, 19, 1968)

REPLY OF GOVERNMENT

The figure of Rs. 70,000 was the estimated cost of detailed engineering survey for feeder ropeways, main ropeway across the river, hydraulic soil and other data in the river bed along the alignment of the ropeway and preparation of a detailed project report. The cost of engineering survey was based on the length of the ropeway system, the rate being Rs. 3,500 per mile in addition to a lump sum amount in lieu of free accommodation, free transport, boarding of the survey team etc. The total cost of the engineering survey was dependent on the length of the ropeway system which depended on the most suitable alignment. The contractors submitted 4-5 alignments of the main ropeway for approval and the shortest alignment which did not interfere with the obstructions such as villages etc. was finalised. On further consideration, some items of work which could be executed by the Company departmentally at less cost, were not entrusted to the contractors. Some items of the work were also dropped as and when the prospects of Railways providing the B. G. line siding to Amjhore, improved. The net actual expenditure on engineering survey and project report as now intimated by the Company is Rs. 46,437.50. It is regretted that no distinction was made between the estimated expenditure for the purpose of according administrative approval and the actual expenditure with the result that different figures were furnished from time to time.

[Ministry of Petroleum and Chemicals, O.M. No. 119 (20) /67-Ferts. III, dated the 8th April, 1968].

Recommendation (Serial No. 26)

The Committee are not convinced of the need for sending a delegation prior to laboratory tests. Secondly, there was no need to send a delegation consisting of three persons. The Works Manager who was a chemical engineer and competent to say whether the tests were successful or not, could have been sent and his report could have formed the basis for a decision. (para 90).

REPLY OF GOVERNMENT

Noted. It may, however, be added that the deputation of Dr. G. P. Kane to certain European Countries was sponsored by the Department of Technical Development for the purpose of studying the latest developments in the various chemical fields etc. As such, his stay in Finland in connection with the work of the P. C. D. C. was only an extension of his deputation to the European countries.

[Ministry of Petroleum and Chemicals, O.M. No. 119 (20) /67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 27)

The Committee feel that avoidable delay has been caused by contemplating a reference to the Fertiliser Corporation of India Ltd. which was later considered unnecessary by the Board of Directors itself. The Committee also do not see much justification for wanting to send another delegation to Finland for negotiating the terms of collaboration for the preparation of the detailed Project Report. Such matters could be settled by sending the requisite data and by correspondence. (para 92).

REPLY OF GOVERNMENT

The need for utilizing Indian Agencies for the preparation of Project Reports has been stressed by all concerned. Accordingly it was felt that the Fertilizer Corporation of India which has built up a Planning and Development Division for preparing project reports, designing and engineering fertilizer unit, should be consulted as regards the preparation of a Project Report in this case. Later, when it was found that the FCI would not be in a position to undertake the task, the Company was authorized to negotiate with foreign agencies for the purpose.

Dr. G. P. Kane who is an O. S. D. in the Ministry of ID & CA and a Director of the P. C. D. C. since its inception, was deputed to Europe by that Ministry in connection with certain assignment. At the request of this Ministry, Dr. Kane paid a visit to Finland for two days and discussed the terms and conditions for the preparation of a Project Report with M/s. Outokumpu Oy, Finland involving an expenditure of £ 35 only to the Pyrites and Chemical Development Co. Ltd. No delegation, as such, has been sent to Finland for the purpose.

[Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 29)

The Committe are not convinced with the arguments regarding the non-preparation of detailed Project Report. Later, during his evidence, the Managing Director stated that since the proposed Sulphuric Acid Plant was the first to be based on pyrites, it was decided to award the contract on a turn-key basis. The contention that the company did not prepare the Detailed Project Report as it had the know-how of the process is therefore not tenable. Moreover, preparation of a Detailed Project Report is the accepted first step for the launching of any project. The studies claimed to have been made of the demand position and cost of production are rough ones and

cannot substitute the detailed project report. In this case, the Company's assessment of the demand for sulphuric acid in July, '62 was for only 100 tonnes per day. The Detailed Project Report prepared by the Company in January, '63 therefore was for a capacity of 100 tonnes only. Within a month, i.e. on the 1st Feb., 1963 when the interministerial meeting took place, it was found that there was a demand for 400 tonnes of sulphuric acid per day. This clearly shows that a systematic study was not made of the potential demand. In the absence of a Detailed Project Report it is not possible to evaluate the performance of men, material and machinery. Nor is it possible to judge the time schedule or the cost of construction or later on the cost of production. The Committee therefore feel that it was a mistake to have dispensed with the preparation of the Detailed Project Report. (para 102).

REPLY OF GOVERNMENT

A Detailed Project Report in respect of the sulphuric acid project was not prepared in view of a number of uncertainties such as the cost of production of pyrites ore, transport charges from Amjhore to Sindri, demand for sulphuric acid in the region, particularly the Fertilizer Corporation of India whose rationalisation scheme was then under consideration etc. However, individual studies on the various aspects of the cost of production of sulphuric acid were made and rough estimates of the cost were prepared.

[Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts. III, dated the 20th November, 1967].

Recommendation (Serial No. 30)

The mining operations at Amjhore were behind schedule and in 1963 when the Company decided to call for tenders for the Sulphuric Acid Plant, it was known that tenders for the supply of mining machinery even had not been invited by that time and production of ore was expected to commence 700 days after the installation of key mining machinery. There was thus no justification or urgency to dispense with the preparation of the detailed project report and the plea that it was done "with a view to avoid delay", does not hold good since the mining project which had to supply the ore was behind schedule. (para 103).

REPLY OF GOVERNMENT

No comments.

[Ministry of Petroleum and Chemicals, O.M. No. 119(20)/67-Ferts. III, dated the 7th October, 1967].

Recommendation (Serial No. 31)

The Committee consider that the time of fourteen months taken by the Company in selecting the successful tender for Sulphuric Acid Plant erection was unduly long. Judging the technical competence of the tendering firms, price calculations etc. are usual adjuncts to the tendering process and by themselves they do not justify so much time being taken in selecting a tender. The Company should avoid such delays in future. (para 106).

REPLY OF GOVERNMENT

Noted.

Tenders were invited in October, 1963 and these were finalized by the Company in 1964. The final acceptance of the tender, however, depended upon the availability of foreign credit as the foreign exchange component was of the order of Rs. 80-90 lakhs. As the foreign credits were under negotiation then, sanction of Government could be accorded only in January, 1965. The agreement was actually signed on the 4th June, 1965 as certain points had to be settled.

[*Ministry of Petroleum and Chemicals, O. M. No. 119 (20) /67-Ferts. III, dated the 7th October, 1967*].

Recommendation (Serial No. 33)

The Committee are not happy at the manner in which the contract for setting up the Sulphuric Acid Plant has been concluded. The decision to have a turn-key job appears to have been taken by the Board on the recommendation of the then Works Manager who obviously wanted the easy way of getting the whole job executed by the contractors. The Board and Government have only exercised a superficial scrutiny and do not seem to have satisfied themselves about the justification for awarding the contract, on a turn-key basis. After securing the contract, it was understandable on the part of the supplying firm to show reluctance to have the contract split up. This should have been avoided if the tender notice itself had contained a clause that certain items of work like civil engineering works would be got done by the Company itself. During evidence, the Managing Director also concurred with this view. It is surprising that this was not thought of at the time of inviting tenders or the awarding of the contract. (para 110).

REPLY OF GOVERNMENT

It is not correct that the decision to have a turn-key job was taken by the Board on the recommendations of the then Works Manager

only. In the N. I. T. tenders were invited on the basis of the equipment and materials at site. It was also required to give a complete and independent quotation for a turn-key job for a plant as specified in the tender. The Tender Sub-Committee constituted by the Board had examined the tenders and after careful consideration it recommended that the offer should be finalised on the basis of the "Turn-key" job. This view was accepted by the Government.

[*Ministry of Petroleum and Chemicals, O. M. No. 119(20), 67-Ferts. III, dated the 7th October, 1967.*]

Recommendation (Serial No. 37)

So far the Company has been financed by Government in the form of equity only. Since heavier investments are ahead, Government will have to decide the future method of financing the Company. The Committee are in favour of the finances being made available in the form of equity and loan in the accepted ratio of 1:1. (para 124).

REPLY OF GOVERNMENT

The projects of the Company are of promotional nature and financing of this Company, in the form of loan and equity in the ratio suggested, may not suit its requirements. However, the recommendation will be considered after the construction stage is completed and the projects go into production.

[*Ministry of Petroleum and Chemicals, O. M. No. 119(20), 67-Ferts. III, dated the 7th October, 1967.*]

Recommendation (Serial No. 39)

The Committee agree that the circumstances were such that some touring was unavoidable because the Chief Mining Engineer had himself to attend to various items of work. Nevertheless they feel that average of 20 days tour in a month for three continuous years is unsustainable. This must have inevitably affected efficient supervision and progress of mining operations at the project site. (para 131).

REPLY OF GOVERNMENT

The Chief Mining Engineer had to do extensive touring during the period in question for the reasons—(i) the Headquarters of the Company then was at Delhi; (ii) he had to prepare Detailed Project Reports which necessitated personal contacts for discussion and collecting source material; and (iii) he held for some time, charge of the post of Works Manager in addition to his own duties.

Such a situation is not likely to arise in future as the Headquarters of the Company has since been shifted from Delhi to Dehri-on-Sone and a Works Manager for the Sulphuric Acid Project has been appointed. In addition, some junior staff has been appointed to assist the Chief Mining Engineer in the preparation of project reports.

[*Ministry of Petroleum and Chemicals, O. M. No. 119(20) /67-Ferts. III, dated the 7th October, 1967*].

CHAPTER IV

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

NIL

CHAPTER V

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

NIL

NEW DELHI ;
December 12, 1968
Agrahayana 21, 1890 (S).

G. S. DHILLON,
Chairman,
Committee on Public
Undertakings.

APPENDIX I

(Vide recommendation at S. No. 32 page 12)

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

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF EXPENDITURE)

New Delhi, the 22nd October, 63.

OFFICE MEMORANDUM

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

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

Sd/-

(E. R. K. MENON),

Under Secretary to the Govt. of India.

To

All Ministries|Departments of the Govt. of India.

ANNEXURE I TO APPENDIX I

32nd Report of the Estimates Committee 1962-63 (Third Lok Sabha)
on National Coal Development Corporation.

Sl. No. Ref. to Para No. Summary of Conclusions/Recommendations

79 As various other public undertakings have also sought foreign collaboration, the Committee feel that certain principles which should govern the nature and extent of foreign collaboration in a project should be laid down by Government for observance by all concerned. This is necessary to foster indigenous talent and to discourage the tendency to go in for projects on turnkey basis. In this connection they would also invite attention to para 266 of their 35th Report (Third Lok Sabha) on Heavy Electricals (copy reproduced below):—

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

Sl. No. Ref. to Para No. Summary of Conclusions/Recommendations

consultants may be asked to indicate their requirements on the basis of which the planning, designing and construction of auxiliary shops etc. could be undertaken by Indians. Besides effecting considerable economy, this would reduce the dependence on foreign collaborators and instil the necessary confidence in our men. The Committee hope that Government would issue suitable instructions in this matter for compliance by all undertakings in the public sector. In this connection, a reference is also invited to paras 76—78 of their 32nd Report (3rd Lok Sabha) on N. C. D. C.”.

REPLY OF GOVERNMENT

The general principles underlying the recommendation will be followed to the extent feasible. The Ministries are being requested to issue necessary instructions to the Public Undertakings under their administrative control.

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

NOTED

ANNEXURE II TO APPENDIX I

Statement showing the action taken on the recommendations conclusions contained in the Thirty-Fifth Report of the Estimates Committee (1962-63) on Heavy Electricals (India) Ltd.

Summary of Conclusion|Recommendation (S. No. 115 in Appendix VIII—Para No. 266)

The Committee consider that the assistance of foreign collaborators should be sought only for planning and designing the main sections of the projects for which 'know-how' is not available in the country. For the rest the consultants may be asked to indicate their requirements on the basis of which the planning, designing and construction of auxiliary shops etc. could be undertaken by Indians. Besides, effecting considerable economy, this would reduce the dependence on foreign collaborators and instil the necessary confidence in our men. The Committee hope that Government would issue suitable instructions in this matter for compliance by all undertakings in the public sector. In this connection, a reference is also invited to paras 76—78 of their 32nd Report (3rd Lok Sabha) on N. C. D. C.

REPLY OF GOVERNMENT

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

*See page 32

APPENDIX II

(Vide recommendation at Serial No. 35 page 13)

D. O. No. 2(82) | 67-FL
SECRETARY
GOVERNMENT OF INDIA,
MINISTRY OF FINANCE,
NEW DELHI.

P. GOVINDAN NAIR,
SECRETARY (INSURANCE & PLAN FINANCE) &
DIRECTOR-GENERAL.

19th October, 1967.

My dear (Secretaries of Administrative Ministries
concerned with Public Enterprises)

The Parliamentary Committee on Public Undertakings in their 38th Report (March, 1967) on Pyrites and Chemicals Development Company Ltd., have referred to the need for devising a suitable procedure to ensure the attendance of Directors at Board meetings. The Committee recommended that "where a Director fails to attend Board meetings regularly, he should be removed from office and should also be debarred from appointment upon Boards of other public undertakings."

2. Previously, some of the official directors were representing the Ministries concerned on the Boards of a number of enterprises. In pursuance of the observation of the Estimates Committee in their 35th Report (Third Lok Sabha) on Heavy Electricals India Ltd., the various Ministries should have now reviewed the position and taken steps to reduce the number of enterprises, on which individual officers would represent, to three or four. In the Finance Ministry we have also recently reviewed the position in this regard. Under the revised arrangement, no officer of this Ministry would serve as Director in more than four Public Enterprises.

3. These measures should, in future, ensure better attendance of official directors in the Board meetings.

4. As regards non-official directors, the administrative Ministries are also requested to take into account the position regarding their attendance in Board meetings, while re-constituting the Board from time to time.

Yours sincerely,
Sd/-
P. Govindan Nair.

APPENDIX III

(Vide recommendation at Sl. No. 10 page 19)

No. F. 1(13)-G.I. (I) 63

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 28th August, 1963.

From

Shri Y. T. Shah,
Joint Secretary to the Govt. of India.

To

The Chief Secretaries of the State
Governments & Union Territories
(As per standard list)

Sub:—Release of foreign exchange for imports on Government
account—Procedure regarding.

Sir,

I am directed to refer to the Department of Economic Affairs letter No. 1(1) EF(B)|57-C dated the 8th January, 1967 wherein it was laid down, *inter alia* that prior approval of the Ministry of Finance (Department of Economic Affairs) would invariably be obtained before entering into negotiations with foreign suppliers of goods and services. The need for taking prior approval of the Department of Economic Affairs in all such cases has further been reiterated in the I. & P. Ministry's circular letter No. FERI-8 dated the 31st January, 1963 addressed to all the State Governments. Despite these instructions, instances have come to notice where State Governments and Electricity Boards have entered into commitments involving foreign exchange, without obtaining prior approval as required. In one recent case, not only were orders placed by a State Electricity Board without obtaining prior approval for release of foreign exchange, but it was also found on detailed examination of the case that the offer accepted was not the lowest technically suitable one. In these circumstances, this Ministry was unable to agree

to the release of foreign exchange even though a commitment had been made by the State Electricity Board.

2. The importance of following the above noted instructions cannot be over emphasised especially in the present context when foreign exchange situation of the country is particularly difficult. It is necessary for all concerned to exercise the utmost control over foreign exchange expenditure and the prescribed procedures must be followed. It is also reiterated that in future, foreign exchange will not be released if commitments are made without the prior approval of Ministry of Finance (Department of Economic Affairs) and that if damages have to be paid for the cancellation of any such commitment, it may not be possible to release foreign exchange for that either.

3. It is requested that suitable instructions may kindly be issued to all concerned on the subject.

Yours faithfully,

Sd/- (Y. T. Shah),

Joint Secretary to the Govt. of India.

APPENDIX IV

(vide para 4 of Introduction)

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

1. Total number of recommendations made	40
2. Recommendations which have been accepted by Government (vide Sl. Nos 3, 4, 6, 7, 8, 9, 11, 13, 14, 18, 20, 21, 22, 24, 25, 28, 32, 34, 35, 36, 38 and 40	
Number	22
Percentage to total	55%
3. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide Sl. Nos. 1, 2, 5, 10, 12, 15, 16, 17, 19, 23, 26, 27, 29, 30, 31, 33, 37 and 39)	
Number	18
Percentage to total	45%
4. Recommendations in respect of which replies of Government have not been accepted by the Committee	Nil
5. Recommendation in respect of which replies of Government are still awaited	Nil

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency, Connaught Place, New Delhi.		33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.		34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.		35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.		36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.		37.	Bookwell, 4, Sant Naran kari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.		MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.		38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.		AGENTS IN FOREIGN COUNTRIES		
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.		39.	The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON, W.C.—2.	59

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