

**COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)**

TWENTY-THIRD REPORT

(FOURTH LOK SABHA)

**Action taken by Government on the recommendations
contained in the Twenty-Fourth Report of the
Committee on Public Undertakings (Third
Lok Sabha) on the Neyveli Lignite
Corporation Ltd.**

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



**LOK SABHA SECRETARIAT
NEW DELHI**

September, 1968/Bhadra, 1890 (Saka)

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C O R R I G E N D A

Twenty-Third Report of the Committee on Public Undertakings (1968-69) on Action Taken by Government on the recommendations contained in the Twenty-Fourth Report of the Committee on Public Undertakings (Fourth Lok Sabha) on the Neyveli Lignite Corporation Ltd.

Page	Sl.No. of recommenda- tion	Line	For	Read
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vi	-	10	September 9, 1968/Bhadra 18, 1890 (S)	<u>December 10, 1968/</u> Agrahayana 19, 1890 (S)
1	-	3	BULINDING	BUILDING
3	31(Para 8)	4	-	after 'seam' <u>insert 'and'</u>
5	32(Para 14)	1	-	after 'tonnes' insert ' , '
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39	31	25	Clap	Clay
43	-	21	September 9, <u>1968</u> Bhadra 18, 1890 (S)	<u>December 10, 1968/</u> Agrahayana 19, 1890 (S)
7	28	1	V. & C.	B. & C.
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COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69)

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Shri A. L. Rai—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty-third. . . Report on the Action Taken by Government on the recommendations contained in the Twenty-Fourth Report of the Committee on Public Undertakings (Third Lok Sabha) on Neyveli Lignite Corporation Ltd.

2. The Twenty-Fourth Report of the Committee was presented to the Lok Sabha on the 26th April, 1966. The replies to the recommendations contained in the Report were received on the 9th, 19th and 24th August, 1967. Further information desired by the Committee in respect of certain recommendations was furnished by the Government on the 19th December, 1967. Replies of Government in respect of three recommendations had not been received till the 26th August, 1968 when the Committee finally considered the replies.

3. The Committee considered the replies on the 28th May, 1968, the 13th August, 1968 and on the 26th August, 1968. They approved Chapter I of the draft Report and authorised the Chairman to finalise the Report for presentation to Parliament on the basis of their decisions.

4. 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 replies from Government are still awaited.

5. An analysis of the action taken by Government on the recommendations contained in the Twenty-Fourth Report of the Committee on Public Undertakings (Third Lok Sabha) is given in the Ap-

pendix v. It would be observed therefrom that out of 49 recommendations contained in the Report, 58.16 per cent have been accepted by the Government and the Committee do not desire to pursue 24.49 per cent of the recommendations in view of Government's reply. Replies in respect of 11.23 per cent of the recommendations have not been accepted by the Committee, while replies in respect of 6.12 per cent of the recommendations are still awaited.

NEW DELHI;

September 9, 1968.

Bhadra 18, 1890 (S).

G. S. DHILLON,

*Chairman,
Committee on Public Undertakings.*

CHAPTER I

REPORT

A. COLLAPSE OF UREA DRYING AND COOLING PLANT BULINDING—PARAS 92—97 OF TWENTY-FOURTH REPORT (THIRD LOK SABHA)

Recommendation (Serial No. 23—Para 97)

The Committee at the time of examination of the working of Neyveli Lignite Corporation Ltd., in 1966 noted that one of the main reasons for the collapse of the Urea Drying and Cooling Plant building of the Neyveli Lignite Corporation Ltd. was the faulty or incomplete design supplied by the designers.

2. The Committee were informed that in the drawings supplied by M/s Engineering Construction Corporation Ltd., certain details, which should have been mentioned, had not been given. There was also no able designer to check the designs supplied by the collaborators. Again, the Corporation had undertaken to execute almost all civil works departmentally but the Corporation engineers employed on this work lacked experience in R.C.C. works of this particular type of construction.

3. The Committee in para 97 of their Twenty-Fourth report on Neyveli Lignite Corporation Ltd. had accordingly observed that the main and contributory reasons for the collapse of the building were (i) faulty or incomplete design supplied by the designers, (ii) non-availability of any experienced engineer to check the design, (iii) employment of engineers who did not have experience in this particular type of construction, and (iv) execution of the work without first obtaining detailed drawings. Reasons given in items (ii), (iii) and (iv) are within the Corporation's responsibility. The execution of work without obtaining detailed drawings was not proper. If detailed drawings had not been supplied by M/s E.C.C. Ltd., the Corporation should have first obtained them from the firm or else should have had them prepared before undertaking execution of the work. Such neglect can result in heavy losses and even involve loss of life. The Corporation should ensure that the designs supplied by outside agencies are checked by its own construction engineers and that there is no defect in the execution of work.

4. The Government, in their reply, have stated that when a firm is entrusted with the work of preparing designs the responsibility for the correctness of the design furnished by them rests on them. It would be very difficult, expensive and redundant for the user undertaking to have its own establishment to check the correctness of the designs furnished by the designs organisation.

5. The Committee are not convinced with Government's reply. It has been admitted by Government in their reply that a person with previous experience of heavy concrete structures would have detected the inadequacies of designs. The Chairman of the Corporation had also stated during evidence that an experienced engineer would have detected faulty expression of the designs. So far as the responsibility of the designers is concerned, against a loss of Rs. 2.38 lakhs, a penalty of Rs. 7,994 was recovered from the designers in this case, as under the contract, designers' liability for defective design was limited to only 3 per cent of the estimated cost of civil works for which the designs were supplied. The Committee would, therefore, like to reiterate the earlier recommendation that the Corporation should ensure that the designs supplied by outside agencies are checked by its own construction engineers. In case it is not sensible to have an establishment for this purpose, an engineer on the staff having sufficient experience in the line should check such designs so as to obviate the possibility of such incidents occurring in future. The Committee also recommend that contracts with designers should provide for maximum possible compensation for defective designs and not limited to a minor percentage of estimated costs.

B. CLAY WASHING SCHEME (SUSPENSION OF PRODUCTION OF CLAY) PARAS 130-31 OF TWENTY-FOURTH REPORT

Recommendation (Serial No. 31 Para 131)

6. The Committee noted during the course of their examination of the Corporation that the production of washed clay was suspended in July, 1965 as sufficient clay for continuous running of the plant was not available. They were informed that difficulties had arisen in selective mining of the clay available with the specialised mining equipment. As the clay seam was erratic with varying thickness and was found to occur in patches and pockets, the excavator was unable to remove the clay. These difficulties in actual excavation of clay by the specialised mining equipment were not foreseen at the time of submitting the Project Report. As a result, the clay washing

plant would be run only when stock of clay was enough to run the plant continuously for at least six months and the clay would be excavated only when it occurred in minable thickness of 3 metres.

7. The Committee accordingly observed that the future prospects of the scheme were uncertain. This was another instance *where machinery with excessive capacity had been purchased from abroad without carrying out any advance studies.

8. The Government, in their reply have stated that advance studies were in fact made to find out the prospects of clay washing plant and these revealed the existence of large quantities of raw clay above the lignite seam. good demand for the washed clay.

But the Chairman of the Corporation had stated during evidence that the investigations carried out in the past related only to lignite and sufficient data was not collected regarding clay. He had added that the recovery of clay in sufficient quantity was only a reasonable expectation.

9. The Committee are not satisfied with the Government's reply. From the fact that sufficient clay is not available for continuous running of the plant, it appears that the Corporation did not carry out detailed prospecting so as to determine the exact nature of the clay seam. The Corporation proceeded to launch the scheme on the basis of mere presence of the clay above the lignite seam. They feel, had the nature of the clay seam been proved sufficiently, this un-economic venture could have been avoided.

10. The Government have further stated in their reply that it may not be correct to say that the capacity of the plant is excessive. The plant purchased was of the lowest possible capacity for a unit of this type. It has to be of sufficient capacity to be economically viable. The Committee are, however, not convinced of the economic viability of the plant. It is evident from the foregoing paragraphs that the future prospects of the plant are uncertain and whatever may be the capacity of the plant, it is redundant in as much as it could not be sustained as a separate unit and had to be attached with the

*The Fertilizer Corporation of India had purchased two stamping machines (costing about Rs. 15 lakhs) which had been lying idle for the last seven years (see para 29 of the 6th Report of the Committee on Public Undertakings.)

Mining Scheme. The Committee feel that Government should have probed into the failure to carry out sufficient investigations about the quantum of clay available as admitted by the Chairman during evidence. The Committee are unhappy that such an investigation has been delayed so long. They desire that the matter should be investigated now and responsibility fixed.

**C. DISCREPANCIES IN FIGURES OF STOCK OF CLAY—PARAS
134-135 OF TWENTY-FOURTH REPORT**

Recommendation (Serial No. 32—Para 135)

11. The Committee were informed during evidence that out of the book figures of washed clay, 3191.502 tonnes had to be written off due to over-estimation. The Chairman of the Corporation had stated that in the initial operation of the plant the weight of the washed clay was estimated from the number of filter cakes formed assuming an average of 28 per cent as rate of recovery because the plant did not have any mechanism for weighment. Production figures were not checked for a period of 16 months and sales were effected. It was then noticed that the quantity available in stock did not tally with the book figures. A check revealed that there was shortage of nearly 3191.502 tonnes of washed clay.

12. The Committee, therefore, regretted that the quantity of washed clay produced was entered in the books on approximate basis without carrying out actual weighments. They observed that the total quantity of clay produced till 1964-65 was itself not much. That the variations in book figures and the actual stock showed a shortage of 3191.502 tonnes is all the more surprising. Perhaps the washed clay was also sold without weighment. The Committee were not convinced with the reasons given in this connection and desired that the matter should be investigated and responsibility fixed.

13. The Government in their reply have stated that the Corporation have since carried out detailed investigation about stock shortage. These have revealed that sales were made only after weighment and records have been maintained to this effect. But this is only in regard to one aspect of the observation of the Committee. Regarding the reasons for shortage it has been reiterated that the weight of washed clay taken to stock was assessed from the number of wet cakes taken out of the presses.

14. The Committee are not satisfied with the reply of the Government. Considering the quantity of clay produced till 1964-65 which

was only 8565 tonnes a shortage of 3191.502 tonnes in surprising. But no convincing explanation of the discrepancy is forthcoming. The reasons given so far do not justify the high percentage of shortage. The Committee had desired that the responsibility for this shortage ought to be fixed. But they regret to note that nothing has been stated in this regard by the Government in their reply.* The Committee are surprised at the Government's silence over the question of fixing of responsibility for shortage of clay and reiterate their earlier recommendation.

D. APPORTIONMENT OF PROFITS—PARAS 203—211 OF
TWENTY-FOURTH REPORT

Recommendation (Serial No. 48—Para 210)

15. While considering the return on investments made by the Corporation the Committee noted that net profits of the Company after providing for depreciation, amortisation and interest on the entire capital at 4 per cent per annum are to be shared by the Government of India and the Government of Madras in proportion of 75 per cent and 25 per cent. The share of profit allowed to the State Government is in lieu of royalty and the other payments due to that Government for the lignite.

16. During evidence the representative of the Ministry stated that a number of factors were taken into consideration before arriving at the arrangement for profit sharing. It was stated that Madras Government had taken preliminary steps for this project and its cooperation in respect of land and other things was necessary for the successful implementation of the project. On actual calculations it was found that profit sharing was more advantageous to the Corporation as compared to the grant of royalty to the State Government.

17. But in 1960, it was estimated that the gross income from the Integrated Project after providing for depreciation amortisation and interest would be Rs. 555.2 lakhs. On this basis the share of net profit (25 per cent) payable to the Government of Madras would be Rs. 139 lakhs. The Ministry had stated that under the profit sharing arrangement, the Madras Government would get about Rs. 54 lakhs more than what they would have got if they were to be paid royalty with profit proportionate to their investment.

18. The Committee were also informed that according to the estimates at that time the gross income from all the units of the Integrated Scheme would be Rs. 642.42 lakhs. The amount payable to

*The Government furnished further clarification regarding this matter when the report was sent to the Ministry for factual verification. This has been incorporated in the report as Appendix IV.

Madras Government by way of its share in profit would thus be larger than what was estimated in 1960.

19. The Additional Deputy Comptroller and Auditor General (Rlys) stated during discussion with the Committee that he was not aware of a similar arrangement regarding profit sharing having been made by the Government of India in any other company. A similar statement was made by the Secretary of the Ministry during his evidence before the Estimates Committee in 1960-61 during the course of their examination of Neyveli Lignite Corporation.

20. The Committee, therefore, observed that a departure from the normal commercial practice has been made by entering into a profit sharing arrangement with the Madras Government. The argument put forward by the Ministry that the cooperation of the Madras Government in obtaining land and other facilities was necessary for the successful implementation of the scheme is not tenable because such considerations apply in the case of all public sector projects of the Central Government. As regards the financial implications of the profit sharing arrangement, the representative of the Ministry had stated that the profit sharing arrangement was more advantageous than payment of royalty on lignite. But earlier in 1960-61 the information given was that Madras Government would get about Rs. 54 lakhs more by the present arrangement than what they would have got by way of royalty. The Corporation had not yet started earning profits and as such the amount payable to the Madras Government could not be assessed. The Committee were not fully convinced whether the profit sharing arrangement would be advantageous to the Corporation and desired that the matter should be reviewed.

21. The Government, while furnishing the reply to the above recommendation, have stated that the matter has been examined in consultation with the Ministry of Finance and it is felt that the existing arrangement for the sharing of 25 per cent of the net profits with the State Government should continue, as the circumstances have not substantially altered to warrant a review at this stage.

22. The Committee are not convinced with the reply of the Government in as much as the considerations that weighed with the Government to continue this arrangement have not been made clear. Also the circumstances which led the Government to arrive at the arrangement for profit sharing and which still in the opinion of the Government justify the continuance of this arrangement have not been explained. The only argument in favour of this arrangement advanced by the representative of the Ministry, during evidence

that the co-operation of the Madras Government in obtaining land and other facilities was necessary for the successful implementation of the scheme was not considered by the Committee as tenable as such considerations apply in the case of all public sector projects of the Central Government. The Ministry itself had admitted in their note dated 31st March, 1961 to the Estimates Committee that under the profit sharing arrangement the Madras Government would get about Rs. 54 lakhs more than what they would have got if they were to be paid royalty with profits proportionate to their investment. The Committee suggest to the Government to re-open this matter and discuss it with the Madras Government. Since Central Government projects are located throughout India, there should be uniformity in terms and conditions governing them between the Centre and the States. The Committee feel that as the State Government was not a share holder, sharing of profits was not a correct commercial practice. In fact, payment to the State Government should have been only in the shape of royalty and should not have been linked with profits.

***E. REPLIES NOT RECEIVED**

Recommendations: Sl. Nos. 14, 22, 28 (Paras 58, 91, 117)

23. The Committee regret to note that even after a lapse of more than two years since the presentation of their report final replies to the above recommendations have not been furnished by the Government.

*The replies to Recommendations at serial Nos. 14, 22 and 28 were furnished by the Government when this Report was sent to them for factual verification. Their replies have been incorporated in the report as Appendices I, II & III respectively.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 4)

For the purpose of accurate cost control and management efficiency, it is necessary to have accurate weighing of lignite supplied to the consuming units. The Corporation should have considered the question of installing a weightometer much earlier. This should be installed now. (Paragraph 23).

REPLY OF GOVERNMENT

Determination of the quantum of lignite supplied by Surveying is normally done even in advanced countries. However, as a measure of abundant caution the Corporation have since installed weightometer on the lignite conveyor at mines end.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 5)

It appears that the Corporation is in favour of setting up of a steel plant in the South, based on Neyveli lignite. But the Committee, regret to note that the Ministry of Mines and Metals has not considered this matter. In fact the representative of the Ministry thought that it was for the Iron and Steel Department to decide the issue. The Ministry of Mines and Metals which is the administrative Ministry for the Neyveli Lignite Corporation should have taken more interest in this matter. Advance planning for increasing the production of lignite will also be necessary if it is decided to use lignite for production of pig iron. The Ministry of Mines and Metals should pursue the matter with the Ministry of Iron and Steel. (Paragraph 28).

REPLY OF GOVERNMENT

The Department of Iron and Steel being the administrative Department for matters pertaining to iron and steel, the question of utilisation of Neyveli lignite from the second mine cut for iron and steel

production was studied in consultation with that Department. Studies conducted in the Department of Iron & Steel in this regard have revealed the technical possibility of a steel plant based on Neyveli Lignite, but the economic feasibility of the plant has yet to be established. The necessity for the plant in the context of the demand for steel in the Fourth Plan and resources position has also to be reviewed. The matter is under active consideration of the Department of Iron & Steel and the Department of Mines and Metals will continue to pursue the matter with that Department.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 6)

The difficulty of transportation of lignite will be eased with the completion of the Salem-Bangalore metre-gauge link. The Corporation should examine the possibilities of utilisation of lignite by the Mysore Iron and Steel Works. (Paragraph 30).

REPLY OF GOVERNMENT

It will not be economical to transport lignite with over 50 per cent moisture content to the Mysore Iron and Steel Works, Bhadravati, nor is such transportation feasible because of combustibility of lignite on long exposure to air. The M.I.S.W. are at present conducting trials using carbonised lignite briquettes (LECO and the results so far achieved are encouraging, but some more trials for which the Neyveli Lignite Corporation are arranging to supply Leco, are necessary, before the final results are known. If the use of Leco in this works proves feasible, the Corporation would develop this market for Leco and in this, the Salem-Bangalore metre gauge link on completion would be of considerable help.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 7)

The Dumpers are not giving trouble free service and the defects also remain undetected. The cost of removal of over-burden with them is high and is rising with the ageing of machines. In these circumstances the use of these Dumpers seems uneconomical. A thorough study should be made to find out whether the present Dumper fleet should be replaced by a new type of machinery which could be operated efficiently and economically. (Paragraph 33).

REPLY OF GOVERNMENT

The old dumpers are progressively grounded according to the service they have rendered and so far about 16 dumpers have been grounded. The balance of 20 dumpers will also be withdrawn from service in the course of the next two years and replaced by a minimum of higher capacity dumpers. It is proposed to use essentially specialised mining equipment only for excavation purposes but, dumpers and other associated machinery for cutting cannot altogether be avoided as complementary to the specialised machinery.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals),
O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 8)

The present rate of utilisation of the Bucket Wheel Excavators is low. Efforts should be made to utilise them to their maximum capacity. (Paragraph 36).

REPLY OF GOVERNMENT

Efforts are being made continuously by the Corporation to utilise the bucket wheel excavators to their maximum capacity, by resorting to blasing on a large scale and by adopting improved methods to enable quicker cutting. Techniques like "Operational Research" and "PERT" are applied to reduce the downtime. In order to enable the Corporation to plan and execute a properly phased programme of overhauls of these excavators, which alone will ultimately ensure the full utilisation of the available machinery, foreign exchange required for import of spares during 1967-68 is being processed on a priority basis and efforts are also being made to make foreign exchange available for this purpose on a continuing basis.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals),
O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 9)

The percentage of mining losses so far has been high and no serious thought had been given to reduce them. The present method should be improved upon and losses reduced to the minimum. (Paragraph 38).

REPLY OF GOVERNMENT

As already reported to the Committee (*vide* para 37) there is a proposal to substitute the existing cross filling method by earth

moving conveyor system. Most of the machinery required for this system have been ordered for and when this system is laid, the percentage of mining losses will be reduced.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 10)

In 1961 the cost of the Mining Expansion Scheme was estimated at Rs. 379.99 lakhs but in the revised estimates prepared in 1963 the cost was put at Rs. 568.30 lakhs thus showing a rise of 50 per cent. The basis for the prices assumed in 1961 estimates proved incorrect. Requirement of plant and equipment of the value of Rs. 45.46 lakhs was also not visualised in the original estimates. The Corporation should pay greater attention towards framing of accurate estimates. (Paragraph 41).

REPLY OF GOVERNMENT

As already pointed out to the Committee, out of a total increase of Rs. 180 lakhs, Rs. 84 lakhs was due to the higher cost of plant and machinery as per tenders received and consequent increase in customs which could not have been foreseen. However, the Corporation are taking all possible steps to see that the estimates are cast as realistically as possible, in future.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 11)

Hitherto not much thought appears to have been given as to how lignite mining could be developed. The present approach seems to be confined only to power generation, fertilisers and briquettes, whereas lignite can be put to several other industrial uses especially in the Railway locomotives where tests carried out so far have proved to be encouraging. At present a large quantity of coal is transported from the North to the South. There are large deposits of lignite in the South Arcot District and Government should take overall view as to the place which lignite would occupy as a substitute for domestic fuel, in railways etc. Planning in this regard should be done first. If it is felt that launching of such a project during the Fourth Plan period would be commercially sound and beneficial to the country, the proposal to open a second mine should receive priority. (Paragraph 40).

REPLY OF GOVERNMENT

The recommendation regarding the planning for more diversified use of lignite in future has been noted. It may, however, be reite-

rated that, as stated in Para 45 of the Report, since the utilisation of the lignite from the existing mine cut has already been planned and is being implemented, extensive economic and technical feasibility studies will have to be undertaken and investment involved, which would be quite substantial, will have to be justified before a final decision is taken regarding the second mine cut.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 12)

Delay in supply of equipment by the foreign suppliers had resulted in delays ranging from 13 to 21 months in the commissioning of the various units of the thermal scheme. The staff which had been recruited had also to be kept idle for the corresponding periods. While fixing the date of delivery of plant and equipment, the suppliers should be apprised of the repercussions of delay on their part and they should be asked to fix realistic delivery schedules for the plant and machinery and adhere to the dates so fixed. (Paragraph 51).

REPLY OF GOVERNMENT

In this case, the Russian specialists at site were repeatedly apprised of the consequences of delay. Repercussions of the delay vis-a-vis the schedule was brought to the notice of the plant suppliers' also. The contract for the supply of equipment for the thermal expansion (400-600 MW) which was concluded in September, 1966, incorporates realistic delivery schedule and efforts would be made to see that the suppliers adhere to these dates.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 5th August, 1967].

Recommendation (Serial No. 24)

The Corporation should see whether its cost of production of Urea can be reduced so that there is some margin of profit even at the prevailing retention price. (Paragraph 102).

REPLY OF GOVERNMENT

The recommendation is noted.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 5th August, 1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether the possibilities of reducing the cost of production of Urea have been examined? If so, with what results? The steps proposed to be taken in this direction may be stated.

(L.S.S. O.M. No. 19-PU/67, dated the 31st October, 1967).

FURTHER REPLY OF GOVERNMENT

The scope for reducing the cost of production of Urea is under investigation by considering technological improvements for stabilising production at optimum level for which purpose certain recommendations have been made by a Study Group of Experts appointed by the Government of India which are now under implementation.

One of the recommendations of the Study Group is the formation of a Planning and Efficiency Cell in the Fertilizer Plant. This Cell is to look after Production Planning Control and Efficiency. Besides Planning for Schedules of Preventive Maintenance etc., this cell is to be continuously on the look out for areas where improvements in performance, economies, reduction in waste etc., are possible, resulting in a reduction in the cost of production of Urea. This recommendation of the Study Group has been accepted and the Cell has been formed. Studies etc., for cost reduction is one of the primary functions of this Unit.

By the improvements suggested by the Study Group the production in the Plant is expected to stabilize at optimum level, with reduction in the present cost of production of Urea.

In the meanwhile, certain operations Research studies have been undertaken. A study in one of the sections, viz., the Process Steam Plant has shown that some savings and economies are possible for bringing down the cost of production of steam and through this, of Urea. The suggestions of this Operation Research Team are being implemented wherever possible. These studies will be extended to other sections of the Plant. This being a long-term and continuous process, the results can be watched only after some time has elapsed after the Plant working gets stabilised.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 25)

With an investment of another Rs. 2.70 crores the output of urea could be increased from 1,52,000 tonnes to 2,02,000 tonnes, i.e. by about

30 per cent. If this proposal is implemented, the cost of production will be brought down. If the Government is satisfied that the above is based on studies carried out by competent persons, it could ask the Corporation to initiate the necessary action for its achievement. (Paragraph 103).

REPLY OF GOVERNMENT

The proposal for the expansion of the fertilizer scheme from 1,52,000 to 2,02,000 tonnes per annum during the Fourth Plan was considered by the Working Group on Fertilizer in 1964. The decision taken was that this proposal may be taken up for consideration only after the existing plant was fully commissioned and cost data over a period of time had been collected and analysed. The scheme attained production stage only in March, 1966 and due to various teething troubles only one stream representing on an average 50 per cent of the capacity was in operation during 1966-67. The Plant is expected to go into full production in 1967-68. A realistic assessment based on the actual data is therefore, possible only thereafter.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals) O.M. No. 10(32)/66-CX, dated 9th August, 1967].

Recommendation (Serial No. 27)

The Corporation has taken due care in fixing the sale price of the carbonised briquettes so as to make it competitive with firewood. But it will have to educate the people about the advantage of LECO over fire-wood because of the fact that its heating value is 3½ times that of firewood may not be known or fully appreciated. (Paragraph 112).

REPLY OF GOVERNMENT

Every effort has been taken by the Corporation to publicize the advantages of using 'LECO' instead of firewood and to bring home the fact that the heating value of 'LECO' is over 3½ times as compared to that of good quality firewood. The Corporation have specifically mentioned this fact in the pamphlets and folders on 'LECO' prepared for distribution. The Corporation's Sales Staff have also been propagating this fact adequately. In local exhibitions, emphasis is being given to this point, while demonstrating the product's utility. As a result of these measures, a number of hoteliers, who have been using firewood hitherto have realised the advantages of 'LECO' and have switched over to its use. All major hotels, hostels etc., are being approached by the Corporation individually with a view to build up

a market for this fuel. The results achieved so far are encouraging enough.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals) O.M. No. 10(32)/66-CX, dated 5th August, 1967].

Recommendation (Serial No. 29)

The Corporation proposed to keep the production of carbonised briquettes at a lower level deliberately because the consumer demand was not certain. In view of this the Committee feel that the Corporation should have made attempts to find out industrial consumers for the products. If this had been done, the Corporation could have accelerated the rate of production and sold the entire quantity for domestic and industrial uses. This may now be done. (Paragraph 121).

REPLY OF GOVERNMENT

Sales drive is also being directed towards the promotion of industrial use of Leco. The cost of 'Leco' as compared to alternative fuels, being utilised for industrial purposes, acts as an impediment in its replacing the existing fuels. The Corporation have, however, approached certain small scale industries, e.g. Units manufacturing calcium carbide, foundaries, match factories, etc. where costs of alternative fuels used are comparable. It is hoped, in the light of progress made in the sales so far, sufficient market would have been created to enable the plant to work to full capacity by 1969-70. The fact remains though that at the moment, it appears that Leco's main use may be largely limited to domestic fuel.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals) O.M. No. 10(32)/66-CX, dated 5th August, 1967].

Recommendation (Serial No. 30)

The Committee feel that if adequate and timely steps had been taken to develop the market for the Washed Clay, the question of accumulation of stocks and the necessity of reducing production for want of sales in the earlier years would not have arisen. (Paragraph 129).

REPLY OF GOVERNMENT

The Corporation had made and are continuing all possible efforts to develop the market for washed clay. The competition was, however, keen and sales were below expectation. The necessity of reducing production for want of sales in the earlier years was thus unavoidable.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), [O.M. No. 10(32)/66-CX, dated 5th August, 1967].

Recommendation (Serial No. 33)

The Briquetting & Carbonisation Plant commenced operation in August, 1965, but the by-product plants have not started working yet. The sale of the bye-products will improve the over-all profitability of the scheme apart from the fact that it will save a considerable amount of foreign exchange expenditure now being incurred on importing these products. The Corporation should expedite the commissioning of the by-product plants. (Paragraph 141).

REPLY OF GOVERNMENT

The by-product plant has since been commissioned in March, 1967. The LECO off-take being still poor, there is not sufficient load on the Briquetting and Carbonisation plant and hence the by-product plant is only in partial production. It is likely to work to full capacity when the Briquetting & Carbonisation plant attains the targeted capacity by 1969-70.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 35)

The Committee notice that from 75,000 tonnes of fly-ash produced annually, the revenue could be of the order of Rs. 7.5 lakhs. Instead of merely treating it as a disposal problem the Corporation should consider it as an important source of revenue and make efforts to sell the entire quantity. The reason put forward for not selling fly-ash to private parties is not convincing. The Corporation should consider selling it to all reputable parties. (Paragraph 148).

REPLY OF GOVERNMENT

As mentioned in Para 147 of the Report, at present, the Corporation sell fly-ash to Government Departments and the Government authorised contractors for manufacturing R.C.C. posts. From May, 1965, they are also supplying fly-ash to M/s. India Cement Ltd. at the rate of 200 tonnes per day, which works out to about 72,000 tonnes per annum. Thus, more than 90 per cent of the production is now being sold. The Corporation have made, and are making, efforts to sell as much additional quantity of fly-ash as possible. However, since it is necessary, in public interest, to take measures to prevent adulteration of cement with fly-ash (because both have the same colour and appearance), they are selling it to private cement industries only with the approval of the Government.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 36)

The Committee consider that for a proper liaison in the matter of production and distribution of fertiliser produced at Neyveli, it will be useful to have a representative of the Ministry of Petroleum and Chemicals or the Fertiliser Corporation of India on the Board of Directors of the Neyveli Lignite Corporation. (Paragraph 151).

REPLY OF GOVERNMENT

This recommendation has been implemented. A representative of the Ministry of Petroleum and Chemicals had been appointed as a Director of the Corporation with effect from 28th December, 1966.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 37)

The Committee could appreciate a small increase in staff employed over the number envisaged in the Project Report, but that this variation should be three to four times the number envisaged in the Project Report in the case of Mining and Thermal Schemes is rather surprising. Such variations affect the estimates of expenditure and vitiate the economies of the scheme. The fact that the Corporation has decided to reduce the staff in the Thermal Plant by about 10 per cent itself shows that there was scope for reduction. The Corporation should constantly review the deployment of staff at various levels in relation to the work load and make efforts to bring down the number to the minimum. Adequate training should be given to the various categories of personnel so that their output becomes comparable with that of personnel employed in comparable establishments in foreign countries. Efforts should also be made to train unskilled workers for skilled jobs. (Paragraph 158).

REPLY OF GOVERNMENT

The detailed reasons have already been furnished in Annexure-XI of the written replies to Question Nos. 98 and 99. The Corporation review the staff position constantly in various levels and reduce the number with reference to work load. This has been possible with experience gained by personnel in the various categories. It may be mentioned that most of the equipment were the first of their kind in Asia and therefore due to non-availability of persons experienced in the line, sufficient number of persons had to be recruited and trained on the jobs. With familiarisation of these machinery, it will be possible to reduce the number for the work load. This process of

pruning has been done and will be continued by the Corporation. There are a number of training schemes in the Project to train the workers on the job as also for imparting theoretical knowledge through 'Know-How' and 'Know-Why' programmes. Unskilled workers form the first placement category for most of the labour posts. After they gain adequate experience and have been given necessary training, they are promoted to higher skilled jobs.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 38)

The Committee are not convinced that there could be sufficient justification to recruit yearly 195, 272 and 292 Apprentices (Mechanical) against a sanction of 75 posts or to appoint 120, 175 and 136 Apprentices (Electrical) against a sanction of 59 posts. While some margin can be allowed for excess recruitment to replace those who resign etc. recruitment to the extent of three to four times the number sanctioned is far in excess. (Paragraph 163).

REPLY OF GOVERNMENT

As already explained in the written reply to Question No. 110(e) of the Committee's main Questionnaire, in the years 1960 to 1962, when the Integrated Project was in a development stage, special grade apprentices over and above the anticipated requirements had to be recruited to fill up the vacancies in the posts of Section Officers as a result of "flight of personnel" and this scheme in fact helped in getting the services of Engineering personnel to meet the anticipated additional requirements and replacements on account of resignations etc. The Committee's comments, however, have been noted for further guidance. With the commencement of production phase, the Corporation have replaced from May, 1964, the Graduate Apprentice Scheme by the Scheme of Probationers and there has been no excess recruitment of probationers since then.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX dated 9th Aug., 1967].

Recommendation (Serial No. 39)

The training course of the apprentices for the Fertilizer Scheme commenced in July/August, 1958. The tenders for the Fertilizer Scheme were floated in May, 1958 and the contract with the foreign suppliers was signed in October, 1959. The completion of a Scheme of this nature takes about four years from the date of signing of the contract. Thus, it was not difficult to foresee even in 1958 that the

scheme would not be completed till 1963. To have the first batch trained by June and November, 1960 was thus premature. It appears to the Committee that in a bid to have the trained personnel at the earliest, the element of time that was to be taken in the more difficult and complicated work of commissioning the scheme was lost sight of. The Corporation should have kept the training programme in abeyance till the contract with the foreign suppliers was finalised and some clear picture emerged regarding the erection of the plant.

The plea of the Corporation that the trainees were utilised on the preparatory work of erection of the Fertilizer Plant is not convincing because such utilisation was incidental. It could at best be said that having trained the men, the Corporation thought it advisable to use them in the erection work for which some recruitment would have otherwise become necessary. (Paragraphs 167-168)

REPLY OF GOVERNMENT

As already indicated in the written reply to Question No. 111 (a) of the main questionnaire of the Committee, the circumstances under which the training of the apprentices had to be carried out as programmed were unavoidable. In any case, the recommendation of the Committee has been noted for future guidance.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated 9th August, 1967].

Recommendation (Serial No. 40)

There is a case for giving due protection in the matter of seniority, promotion etc. to technical personnel who become surplus at one undertaking and join another undertaking. Government might examine how best this could be done. (Paragraph 172).

REPLY OF GOVERNMENT

The question of protecting the seniority, promotion etc., as suggested, has to be considered having due regard to the fact that each public undertaking has its own rules and regulations in the matter and any such protection could only be by mutual agreement between the two undertakings concerned.

Government have, however, undertaken a study of the recruitment practices followed by different undertakings in regard to civil engineers and to deal with the deployment of surpluses in this category. The recommendation of the Committee has been noted.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated 19th August, 1967].

Recommendation (Serial No. 41)

The main difficulty is that in view of limited prospects of Neyveli, the Corporation is not able to attract qualified mining engineers nor is it able to check the flight of such personnel. This difficulty can be resolved either by offering more favourable terms of service to qualified mining engineers or by appointing personnel with lower qualifications who are otherwise considered suitable. (Paragraph 175).

REPLY OF GOVERNMENT

This recommendation will be kept in view for future guidance.
[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 42)

The Committee consider that the lead time of 27 to 30 months for imported material is on the high side as compared to some other Public Undertakings and there is scope for reduction. (Paragraph 178).

REPLY OF GOVERNMENT

The lead time essentially varies with the type of equipment and the source from which they have to be procured and imported. Many of the specialised mining equipment deployed in the Mines are peculiar to Neyveli. Consequently, the assemblies and spares required for this have to be specially manufactured by the suppliers and generally are not available off-the-shelf as in the case of general or common machinery. With the rapid developments in design and manufacture of sophisticated equipment, what have been supplied earlier may not continue to be in the line of production of the manufacturers. Some of the equipment would have become outmoded and hence parts will have to be specifically made as "non-standard items". This is so in respect of many of the equipment supplied to the Neyveli Lignite Corporation. Therefore, the problem of lead time as experienced by this Corporation may not be the same as in other Undertakings. Procedure for release of foreign exchange is another contributory factor for the long lead time but in the critical foreign exchange position in the country, this is unavoidable.

The Committee's recommendation, however, has been noted. Efforts will be continually made to reduce the lead time to the utmost extent possible.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated the 24th August, 1967].

Recommendation (Serial No. 43)

When the lay out plan of the Township was drawn up, the Corporation should have made it more compact so as to avoid extra expenditure on roads, electric wires, water mains, sewage etc. In any case, in the further expansion of township, when required, utmost economy in the utilisation of available space should be observed. (Paragraph 185).

The Committee were informed that after two houses, space was left for one more house to be built on receipt of sanctions for building more houses. After such sanctions, 1056 additional houses have been built. This is an uneconomical way of undertaking construction. The obvious and rational way would be to complete a block at a time. (Paragraph 186).

REPLY OF GOVERNMENT

Paragraph 185—Accepted.

Paragraph 186—This has been noted for future guidance.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 44)

The Committee are not satisfied with the plea that economic construction of 67 per cent of the houses would have created heart burning among the employees. They regret that the Corporation took no advantage of the new pattern and design of the houses which would have resulted in a saving of Rs. 38 lakhs in the Construction expenditure apart from saving in the land etc. (Paragraph 189).

REPLY OF GOVERNMENT

The houses that the Corporation would build here-after in the Township will conform to the plinth areas prescribed by the Government, with such modifications as may be necessary to fit in with the designs of the existing houses.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated 9th August, 1967].

Recommendation (Serial No. 45)

The Committee understand that under the rules prescribed for the Central Government employees, possession of accommodation has to be taken within five days from the date of service of the allotment order. Further, there is no provision that allotment orders are to be served to the persons on leave only after their return from leave. The rules of allotment enforced by the Corporation in 1964 are still more liberal than those applicable to the Central Government employees and should be revised to cut down the vacancy period of the houses. (Paragraph 193).

REPLY OF GOVERNMENT

The Corporation have since revised the Rules regarding allotment of quarters, suitably.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 9th August, 1967].

Recommendation (Serial No. 46)

The Committee consider that a return of 4 to 4.5 per cent on equity after depreciation, interest and taxes would be rather low. The Corporation is expected to generate its internal resources in future to some extent. With the level of 4 to 4.5 per cent return it will be hardly possible for it to finance its expansion programmes. Declaration of dividend on equity capital in the foreseeable future also seems impossible. The Corporation has already proposals for expansion of its schemes. The capital employed on these schemes will proportionately be less and sales more. This should enable the Corporation to have higher level of return. Greater attention should also be paid to reduce operational costs. (Paragraph 198).

REPLY OF GOVERNMENT

It is correct that the expansion schemes would result in the capital employed on such schemes being proportionately less and the savings more, enabling the Corporation to have higher level of return. Two thermal expansions (one raising the capacity from 250-400 MW and the other from 400-600 MW), with corresponding mine expansions, have already been approved. The first expansion of the power station has been fully implemented and the second is under implementation.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 9th August, 1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Whether any attention has been paid to reduce the operational cost? If so, what measures have been adopted since 26.4.66 when the report was presented to Parliament or are proposed to be adopted to achieve the object?

[L.S.S. O.M. No. 19-PU/67 dated the 31st October, 1967].

FURTHER REPLY OF GOVERNMENT

The operational efficiency of the different units is watched and remedial action taken through efficiency and cost control reports—Standard predetermined costs and norms have been laid down for purpose of ensuring effective control. Various studies have been and are being undertaken to maximise production and to reduce cost by increased efficiency.

In the Mines an exhaustive review of the working of the unit including individual machines was carried out in terms of which certain proposals for augmenting and replacing the existing equipments have been sent to Government for increasing production with a view to reaching a higher level of output both to meet the full requirements of the constituent units and reduce the present unit cost of lignite through such increased output. In the Fertilizer Plant, as has been mentioned in the further reply to recommendation at S1. No. 24, the Government appointed a Study Team to go into the working of the Plant. The Study Team had made a number of recommendations in terms of which it will be possible to reach the rated output and through it and also through efficiencies and economies, the present cost of production could be reduced. The recommendations of the Study Group have been accepted and are being implemented.

In the various other branches and units also, several studies have been undertaken to ensure greater utilisation of resources and increased productivity for reducing operational cost. As an example, in consultation with Soviet Specialists who have been deputed to complete the third stage examination, a detailed study is being undertaken to determine the possibility of reducing lignite consumption in power generation and reducing the consumption of power on auxiliaries in the power station so as to effect economies in the cost of generation.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals) O. M. No. 10 (32) /66-CX, dated the 19 December, 1967].

Recommendation (Serial No. 45)

The proposal for opening a second mine has not been approved by Government so far. The decision taken in 1956 applies to the first time cut including all expansions from the first mine. For the second mine cut a fresh decision will have to be taken regarding payment of profit. The observation of the Committee made in the preceding paragraphs should be taken into consideration before any decision on the second mine cut is taken. (Paragraph 211).

REPLY OF GOVERNMENT**Paragraph 211.**

This will be kept in view before any decision on the second mine cut is taken.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 49)

The Committee feel that the Corporation should so rationalise the bus fare, the timings and the trips that the receipts from bus fare are not less than the expenditure incurred on their running and maintenance. (Paragraph 218).

REPLY OF GOVERNMENT

The bus service is run more as an amenity having regard to the location of the various industrial units and the township. Most of the traffic is in respect of transport of workers to industrial units and back.

The remarks of the Committee, however, have been noted.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 9th August, 1967].

CHAPTER III

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

Recommendation (Serial No. 1)

At present the production of lignite at rated capacity, i.e., 3.5 million tonnes has been programmed from 1966-67. When the integrated scheme at Neyveli was conceived in 1954, it was assumed that sanction for it would be received by 1956 and it would be possible to produce 3.5 million tonnes by the end of 1961. Thus in reaching full production, there will be a delay of 5-6 years. This has been due to the late sanctioning and implementation of the various units of the integrated scheme. If the commissioning of the Mining Scheme as also the consuming units had been properly planned and synchronised the present idle capacity in the Mine would not have occurred. The targets of production envisaged in the Second and Third Five Year Plan Periods would also have been adhered to. (Paragraph 11).

REPLY OF GOVERNMENT

Lignite after extraction cannot be stored for a long period. The mining has, therefore, to synchronise with the setting up and commissioning of the consuming units. According to the original schedule prepared in 1956, the 250 MW thermal power station was to be commissioned in December, 1961 and the fertiliser and briquetting & carbonisation schemes were also expected to commence production in December, 1961. This schedule could not, however, be achieved owing to various factors which have already been indicated to the Committee. The delay was mainly due to the time taken in arranging the foreign exchange required for import of plant and machinery, etc., from abroad for the various schemes. The delay that arose after the conclusion of the contracts (for instance, in the case of the thermal power station, there was delay owing to the late delivery of equipment from the USSR and in the case of the Fertilizer scheme, there was delay, *inter alia*, on account of failure of indigenously procured draught fans, presence of impurities in the gas produced in the gasification plant of the Fertilizer scheme, etc.) was also unavoidable and could not have been foreseen. No doubt, the work on the over-

burden removal operations in the mines had been commenced in May, 1957 and the lignite seam was also exposed in August, 1961. However, actual mining had to be restricted to the requirements by the consuming units. To this extent rephasing of the mining schedule was inevitable.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated 9th August, 1967].

Recommendation (Serial No. 2)

M/s. Powell Duffryn Technical Services Ltd. whose services were obtained free of cost under the Colombo Plan were actually paid a sum of £2,85,650 for Technical and Economic Feasibility Study, for drawing up of Detailed Project Report and for development of the Mine. This was done under different contracts, without ascertaining rates from other concerns. The Committee would like to point out that the usual practice of inviting tenders before entering into contract was not followed in this case. Further it was not known that the consultants had any experience of lignite mining. (Paragraph 17).

REPLY OF GOVERNMENT

M/s. Powell Duffryn Technical Services Ltd., were a leading Consultancy firm in U.K. and the Government could procure their services in 1954, free of cost, under the Colombo Plan through the good offices of the Commonwealth Relations Office. Their services continued to become available till about the third quarter of 1956, during which period they prepared a number of reports on the characteristics of overburden and lignite, ground water control, etc., and also arranged for tests on samples of lignite in well known laboratories abroad. They also successfully completed large scale pumping tests in 1956 to control the ground water pressure. Thus, by their association with the initial stages of project extending over more than 2½ years, they had gained considerable experience regarding surface and underground conditions obtaining at Neyveli. It was considered that if somebody else was to be thought of, it would mean examining the problems all over again, which would only result in avoidable delay. It may be mentioned that Powell Duffryn Technical Services were also not connected with any manufacturers of the equipment of the type which was likely to be used in the Neyveli Project. Though they did not have any operational experience in lignite mining, they had dealt with lignite mining in Greece. They had besides considerable experience in coal mining in U.K., which was not very different from

lignite mining. For these reasons, no comparative rates for consultancy services were ascertained before entering into a contract with this firm.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 3)

The rise in the cost of production from Rs. 10:35 to Rs. 17:25 per tonne (an increase of 70 per cent.) is considerable. The extent of rise in cost due to the capital employed on the mining expansion scheme is not known because accounts relating to the original and the expansion schemes are not kept separately. The Committee consider that for a proper appraisal of the performance of the Corporation in respect of the original scheme and the expansion the Corporation should keep such account separately. (Paragraph 22).

REPLY OF GOVERNMENT

The Capital Accounts for the original and expansion schemes are kept separately. However, in so far as the operation and production accounts are concerned, it will not be practicable to keep separate accounts for the original and expansion schemes, as implementation of expansion schemes only involves quickening the pace of excavation of overburden and lignite in the same mine by additional machines.

Similarly, in the case of power generation also, it will not be practicable to keep the Accounts separately, as several items of expenditure and personnel are common to all units.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 13)

The cost of production of power for 250 MW station according to the revised estimates sanctioned in 1964 was worked out at 4,002 Paise per KWH. With the expansion of the capacity upto 600 MW, it was expected that with a large turnover the cost would come down. But the Committee note that even after expansion, the cost would be higher (i.e. 4.33 Paise per KWH) than that estimated for the 250 MW Thermal Station. There is need for economising in costs. Lignite cost is a major item of expenditure for power generation. The Corporation should strive to reduce the lignite consumption per unit of

power through technological improvements with a view to reducing the present production cost. (Paragraph 53).

REPLY OF GOVERNMENT

As stated in para 52 of the Report, the cost of generation per KWHr during the expansions from 250-400 MW and 400-600 MW is expected to be comparatively higher than in the original 250 MW stage, because, while the capital required for the 250 MW was met from equity, that required for the two expansions has been and is to be provided by way of loans, which involves payment of interest.

Besides, the capital cost itself of the expansions is comparatively higher because of the general increase in the cost of plant and machinery, cost of labour, etc. Devaluation has also contributed to rise in cost of expansion from 400-600 MW. Thus, whereas the cost of the original 250 MW was Rs. 28.53 crores only, according to present indications, the cost of the first expansion by 150 MW (from 250-400 MW) is expected to be of the order of Rs. 21.04 crores and that of the second expansion by 200 MW (from 400-600 MW) Rs. 32.56 crores.

The Corporation are devoting constant attention to technological improvement with a view to reducing the cost of generation.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendations (Serial No. 17 & 18)

It appears that when the Soviet suppliers did not agree to accept the project report prepared by the Corporation for Thermal Expansion Scheme the matter was not pursued further. The project report was based on the experience gained by the Corporation in setting up five Thermal units at Neyveli and was also seen by the C.W. & P.C. and the Russian experts at site. It could be expected that the project report would be accepted by the Soviet suppliers subject to the necessary modifications being made by them. Government should have pursued the matter on the above basis with the foreign collaborators. (Paragraph 72).

The Committee regret to note that in a project costing crores of rupees and valuable foreign exchange the Ministry contented itself with a negative reply from the Central Water & Power Commission without itself trying to pursue the matter or find out the possibility of entrusting the work of preparation of Detailed Project Report to

private agencies in the country. It is further regretted that the Information which the Central Water and Power Commission has now supplied to the Committee could not be made available to Government earlier, otherwise a large saving of foreign exchange could have been effected. The Committee have, in their 13th Report on Management and Administration of Public Undertakings (Planning of Projects) also dealt with at length this question extreme dependence on foreign consultants. (Paragraph 75).

REPLY OF GOVERNMENT

The Central Water & Power Commission had set up a Planning Cell at Madras in 1956 to deal with the engineering of the Neyveli thermal power station. This Planning Cell prepared the preliminary project report and detailed specifications and drawings for procurement of plant and machinery for the power station. But, when the project was posed for Soviet assistance and negotiations started with Technopromexport, it was found that the detailed project report including complete technical specifications for the equipment to be supplied by them have to be prepared in the USSR. The practice in the Soviet Union in regard to design is guided by their own norms and standards which have necessarily to be followed by the Design Institutes and factories in the USSR. No other standards are accepted to them. In view of this, the Soviet Designs organisation had to submit a Project Report incorporating a design complying with their established norms and detailing the type and characteristics of the equipment that would be manufactured in the USSR. From the Indian side, certain modifications and suggestions were put forward for incorporating in the project report. This pattern had to be followed in the second and third stages of the Neyveli thermal power station (*i.e.* 250-400 MW and 400-600 MW expansions) also.

2. In all subsequent discussions that were held with the Soviet specialists, it was apparent that in so far as the design of the thermal power stations was concerned, it would not be practicable for an Indian party to do this work on their own as all the necessary information such as the types and characteristics of the equipment of Soviet manufacture, which would be incorporated in the design as well as their established design, would be available only at the Soviet-Design Institute and details of design could not be worked out in the absence of such information by other parties.

Thus the preparation of the Project Report by the Soviets was inevitable and they would not have agreed to manufacture equipment based on designs prepared by Indian Parties.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32) /66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 19)

Considering the large outlay on the Thermal Scheme which is all under Russian credit, and the relatively small amount of foreign exchange that was required for sending two engineers for associating themselves in the preparation of the Detailed Project Report and Working Drawings, the Committee feel that the Corporation's request merited favourable consideration. It seems that the Ministry concerned and the Corporation did not clearly state the precise purpose for which the two engineers were being sponsored. With the result that the Ministry of Finance rejected the request. The Committee regret to note such lack of clarity which has resulted in the loss of an opportunity for learning designing of Thermal Power Stations and will also involve further expense of foreign exchange. (Paragraph 78.)

REPLY OF GOVERNMENT

As a matter of fact it was emphasised that the training was in the Civil Engineering part of the thermal power station and that after this training, their services would be utilised for work connected with the design and construction of the second expansion of the Neyveli thermal power station. It was really because of the emergency which arose as a result of the conflict with Pakistan in August-September, 1965, that the Ministry of Finance (Department of Expenditure) turned down this proposal. It is, therefore, submitted that it was not lack of clarity in the presentation of the case to Finance Ministry which was responsible for the rejection but reasons other than this.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32) /66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 20)

In the tender letter issued by the Corporation for the supply of plant and machinery for the Fertilizer Scheme, detailed specifications should have been given. If the tender letter had been sufficiently exhaustive, so as to contain full details of machinery and equipment required as well as the period of delivery, terms of payment, etc., the need to seek clarifications from the suppliers later

would have been obviated and the time taken in finalising the tenders reduced. (Paragraph 82).

REPLY OF GOVERNMENT

In the opinion of the Government, more detailed specifications would not have been possible in view of the fact that there are a number of processes available for the gasification of lignite and manufacture of ammonia and urea, and that no single tenderer quote for all the plant groups comprising gasification, gas purification, air and gas fractionation, ammonia and urea syntheses process steam and off-site facilities. For any complex project like the Fertilizer plant, for which global tenders were to be floated, full details of plant and equipment could not be given unless the process and supplier have been decided in advance which would however defeat the very purpose of the tender enquiry. Also, in view of the acute scarcity of foreign exchange, sufficient foreign credit had to be located to meet the foreign exchange requirements. Tenders were, therefore, invited on both cash and deferred payment basis, the intention being to get an idea of the extra payment that would arise if the deferred payment arrangement was ultimately accepted. Actually, based on the tenders received, orders were placed on two firms—Messrs. Pintsch-Bamag-Linde, West Germany and Messrs. Ansaldo, Italy, the former on cash payment basis and the latter under deferred payment arrangement.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 21)

The delay in procurement of indigenous steel hampered the construction schedule of the Fertilizer Plant. The Committee feel that when the Corporation had already obtained authorisation from the Iron and Steel Controller for importing Steel, the Ministry should not have spent another 5 to 6 months in exploring the possibility of obtaining steel indigenously. (Paragraph 87).

REPLY OF GOVERNMENT

The application of the Neyveli Lignite Corporation for the issue of foreign exchange sanction was received along with the no objection certificate of the Iron and Steel Controller on 21st September, 1961. However, as this involved an increase in the approved import content of the equipment for the fertilizer plant from 91.5 per cent to

92.5 per cent, the Ministry of Industry were addressed on 9th October, 1961 and their approval to the increase obtained on 26th October, 1961. The first sanction was issued on 28th October, 1961 for import from East European countries under Rupee payment terms. In response to the tender enquiry floated by the Corporation based on this sanction, there were no suitable offers from the East European countries. In February, 1962, the Corporation preferred to accept one offer from West Germany for which the tenderer was prepared to accept payment in rupees under payment terms with Yugoslavia, but as "Switch deal" was involved and also since we had adverse trade balance with Yugoslavia, this agreement could not be approved. In view of this, sanction releasing foreign exchange from free resources was issued in March, 1962, after locating savings under the foreign exchange allocation fixed for this Ministry. From the above, it will be seen that the interval of six months was really utilised in exploring the countries from which import could be made and was thus unavoidable.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 26)

The Committee consider that a period of about fifteen months taken in signing the contract after the receipt of tenders for Briquetting and Carbonisation Scheme was unduly long. (Paragraph 107).

REPLY OF GOVERNMENT

This is the first Plant of its kind in Asia based on lignite. The characteristics of Neyveli lignite are different from those of lignite available in other countries. Various technical aspects had to be considered and examined fully. This entailed protracted correspondence with the tenderers and consultation with other. The location of foreign credit for financing the foreign exchange part of the project also took some time. It is in this context that the delay in the signing of the contract has to be viewed.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 34)

No convincing reason has been advanced to the Committee for providing ammonia capacity to the extent of 33 per cent. However, as the position is, the setting up of the Melamine Plant would take

time after the sanction from Government is received. Thus the surplus capacity of ammonia would remain un-utilised till such time this plant is installed. Government should take a decision as to how this surplus capacity should be utilised. (Paragraph 143).

REPLY OF GOVERNMENT

The built-in-surplus capacity is available not exactly in the Ammonia Plant, as was inadvertently stated to the Committee by the Corporation, but in sections leading to Ammonia Group. It varies from 20 to 30 per cent.

2. The rated production of the existing ammonia plant is 285 tonnes/day with a designed built-in-surplus capacity of 5 per cent only, i.e., 300 tonnes/day. Similarly, the rated production of the existing urea plant is 465 tonnes/day with a designed built-in-surplus capacity of 7 per cent.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

Recommendation (Serial No. 47)

The Committee consider that each unit should work on its own profit and loss basis. This would enable a better managerial control over its operations because each unit would be required to produce certain results on the basis of standard costs. (Paragraph 201).

REPLY OF GOVERNMENT

In preparing the viability, the investment in the Mining Scheme has been fully taken into account. In fixing the selling price and arriving at the return, that each unit should work on its own profit and loss basis has also been borne in mind. It is only a matter of detail whether the Mining Trading Account should show a profit. Since lignite is not sold to any outsiders and is only consumed in the Corporation it would be more appropriate not to show any profit or loss in the Mining Scheme but charge the actual cost to the other consuming units. As far as managerial control over operation is concerned, the operational efficiency of the different units including the Mine is watched and remedial action taken through various control reports and not necessarily through the profit and

loss account alone which will be prepared at the end of a period. Standard pre-determined costs and norms have been laid down in some units and are being prescribed for others too for purpose of ensuring effective control.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967].

CHAPTER IV

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

Recommendation (Serial Nos. 15 & 16)

The Committee do not consider it desirable that the Corporation should think of dealing with one party alone, namely the Madras State Electricity Board. The proper course would be to ascertain the requirements of all the neighbouring States and to distribute power equitably among them. The problems of the grid and transmission losses can be resolved if measurements are taken at the outlet point and at the inlet point in the neighbouring States and the transmission losses worked out on percentage basis. The Committee are anxious that a product like power of a public undertaking of which Government of India is the major or the only shareholder, should not be restricted to one State only.

Another point is how the power purchased by the Madras State Electricity Board from the Neyveli Thermal Station is sold to another State Electricity Board after keeping a certain margin. Obtaining of profits by the Madras State Electricity Board above its service charges from a neighbouring State does not seem justifiable. This also results in the power being sold to the consumers in the neighbouring States at a higher price. From this point of view, it is also desirable that the Corporation should sell power to the State Electricity Boards directly at one rate, which may be mutually agreed upon.

The decision to supply Neyveli Power to the Madras State Electricity Board was taken on the 27th December, 1954. On that date the Neyveli Lignite Project was administered by the Madras State Government. The Central Government took up the responsibility of financing the project from the 1st January, 1955, and administrative responsibility from the 15th September, 1955. When this responsibility was taken over, it is doubtful whether the decision to supply power to the Madras State Electricity Board only which was arrived at prior to such taking over still continued to

be binding. When the Project was transferred in 1955, the Central Government should have examined this question de novo. During evidence of officials of the Corporation and the Ministry, the Committee gathered the impression that there was a vague idea that power was to be supplied to the Madras State, but no one really knew what exactly the decision was. (Paragraph 64-66).

The Secretary of the Ministry had stated that the supply of the power to the Madras State upto 250 MW stage was because of the commitment made in 1954 but if there was generation of power beyond 250 MW that would be shared by the other States. In view of this the Committee fail to understand as to why the Corporation is contemplating to enter into an agreement with the Madras Government for the supply of power even upto 600 MW stage. (Paragraph 68).

REPLY OF GOVERNMENT

The question of sharing of power from Neyveli by the neighbouring States was discussed at a meeting held in the Ministry of Irrigation and Power on the 30th May, 1966, at which, besides the representatives of that Ministry, representatives of this Ministry, Ministry of Finance (Department of Co-ordination), Planning Commission, Department of Atomic Energy and Central Water and Power Commission were present. It was indicated that the sanctioned capacities of Neyveli upto 600 MW and Kalapakkam (Nuclear) Station had already been taken into account in calculating the power position of the Madras State during Fourth Plan. According to the present estimate, Madras and Kerala States were expected to be surplus in power by the end of the Fourth Plan, assuming that Kalapakkam (Nuclear) power station would be commissioned by 1970-71. But Andhra Pradesh was expected to be deficit in power throughout the Fourth Plan period. However, since Madras Grid was totally dependent on the entire bulk supply which would be available from Neyveli, it was agreed that the Madras State need not share Neyveli power available from the Power Station of 600 MW capacity with the neighbouring States. A guarantee should be obtained from the State Government regarding drawal of Neyveli power by the State Government at optimum load factor. It was also agreed that in times of power shortage or emergency, the Centre would have the right to divert power supply to the extent of 1/4th of the normal supply. Also off-peak surpluses can be utilised by the neighbouring States, if required.

In view of the aforementioned conclusions, the need for the conclusion of an agreement with the Madras State Electricity Board

by the Corporation for the supply of power even upto 600 MW stage would be appreciated. However, the aforementioned decisions would be incorporated in the formal agreement to be executed by the Corporation with the Board.

[Ministry of Steel, Mines and Metals (Deptt. of Mines and Metals), O.M. No. 10(32)/66-CX, dated 17th August, 1967].

COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply given by the Government. The power-generated by Neyveli Lignite Corporation, a Central Government Public Undertaking, should not have been earmarked for one State only but should also have been made available to the other needy neighbouring States.

The Committee reiterate their recommendation and urge upon the Government to make power available from this unit to other States also on a rational basis, if required by them.

Recommendation (Serial No. 23)

The main and contributory reasons for the collapse of the Urea Drying and Cooling Plant building were (i) faulty or incomplete design supplied by the designers, (ii) non-availability of any experienced engineer to check the design, (iii) employment of engineers who did not have experience in this particular type of construction and (iv) execution of the work without first obtaining detailed drawings, reasons given in items (ii), (iii) and (iv) are within the Corporation's responsibility. The execution of work without obtaining detailed drawings was not proper. If detailed drawings had not been supplied by Messrs. E.C.C. Ltd., the Corporation should have first obtained them from the firm or else should have had them prepared before undertaking execution of work. Such neglect can result in heavy losses and even involve loss of life. The Corporation should ensure that the designs supplied by outside agencies are checked by its own construction engineers and that there is no defect in the execution of work. (Paragraph 97).

REPLY OF GOVERNMENT

As the Committee are already aware, there was considerable delay in the implementation of the fertiliser scheme. The Corporation were anxious to avoid delays in the execution of the connected civil works. With a view to reduce the construction cost, they have been adopting a general policy of undertaking the execution of

civil works, as far as possible, departmentally. At the time of taking up this particular work, there were not many civil engineers in the Corporation and even those available were inexperienced in R.C.C. work of this nature. Thus, due to paucity of civil engineers with experience in R.C.C. work, the Corporation had no alternative but to entrust the work to the personnel available in the Project.

The question of supply of the detailed drawings were taken up by the Lignite Corporation with Messrs Engineering Construction Corporation during the initial stages itself, but the latter replied that they could supply such drawings only on payment of extra cost, as the scope of their supply did not cover such drawings. The Lignite Corporation then decided not to press the matter further.

Normally, bar-bending schedules were prepared by the field officers. But, in this case, as the civil works, which were already delayed, had to be rushed through on a three-shift basis in order to keep to the tight time schedule and the volume of work was also heavy, and the field staff were not adequate for the preparation of detailed drawings, etc., the field officers did not sufficiently realise the importance and necessity of issuing the drawings. They had probably presumed that they could carry out the work without such drawings, as they had done similar work earlier without trouble. After this incident, however, the Corporation have issued definite instructions in this regard to be followed strictly to the field staff. The engineers directly responsible for the execution, no doubt, failed in an important detail, i.e., tying of the reinforcement. Previous experience of heavy concrete structures would have detected the inadequacies of designs. Thus an unfortunate combination of defective design, and inadequate experience, which only necessitated the appointment of the E.C.C. as consultants, resulted in the collapse of the structure.

As regards the suggestion that the Corporation should have the designs supplied by outside agencies checked by their own staff, it is submitted that when a firm is entrusted with the work of preparing designs, the responsibility for the correctness of the design furnished by them rests on them. It would be very difficult, expensive and indeed redundant for the user undertaking to have its own establishment to check the correctness of the designs furnished by the design organisation. A design organisation or firm is engaged because the user undertaking does not have the facilities or means for setting up its design establishment. Even for checking the

designs of the specialised design organisation, the undertaking has to have a fairly large establishment with qualified staff.

[*Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated the 9th August, 1967.*]

COMMENTS OF THE COMMITTEE

Please see paras. 1 to 5 of Chapter I of the Report.

Recommendation (Serial No. 31)

The future prospects of the Clay Washing Scheme are uncertain. This is another instance where machinery with excessive capacity has been purchased from abroad without carrying out any advance studies. (Paragraph 131).

REPLY OF GOVERNMENT

It may not be correct to say that the capacity of the plant is excessive. The plant purchased was of the lowest possible capacity for a unit of this type. It has to be of sufficient capacity to be economically viable. Advance studies were in fact made to find out the prospects of clay washing plant and these revealed the existence of large quantities of raw clay above the lignite seam and good demand for the washed clay. These studies also revealed that having regard to the demand of washed clay in the Southern States, a Plant for the production of 6,000 tonnes of washed clay to start with would be suitable and economical.

As already explained to the Committee, difficulties have arisen in selective mining of the clay available, with the specialised mining equipment. As the clay seam is erratic with varying thickness and is found to occur in patches and pockets, the excavator is unable to remove the clay. These difficulties in actual excavation of clay by the specialised mining equipment were not foreseen at the time of submitting the Project Report. Therefore, whenever white clay is available in minable thickness of about 3 metres, it will be excavated and stocked and when it is enough for clay washing plant to run continuously for at least six months, the washing of the clay would be done.

Incidentally, it may be added that out of the total investment of Rs. 14.62 lakhs on the clay washing scheme, the cost of equipment imported from abroad was Rs. 89,200 only.

[*Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 24th August, 1967.*]

COMMENTS OF THE COMMITTEE

Please see Paras 6 to 10 of Chapter I of the Report.

Recommendation (Serial No. 32)

It is regrettable that the quantity of washed clay produced was entered in the books on approximate basis without carrying out actual weighments. The total quantity of clay produced till 1964-65 was itself not much. That the variations in book figures and the actual stock showed a shortage of 3191.502 tonnes is all the more surprising. Perhaps the washed clay was also sold without weighment. The Committee are not convinced with the reasons given in this connection and desire that the matter should be investigated and responsibility fixed. (Paragraph 135).

REPLY OF GOVERNMENT

The weight of washed clay taken to stock was assessed from the number of wet cakes taken out of the Presses. These cakes were found to vary in clay content. The washed clay was sold only after weighment and records have been maintained to this effect. The Corporation have since carried out detailed investigation about stock shortage. These have revealed that there was no sale without weighment.

The question of installation of weighment facilities in the clay washing plant has been considered by the Corporation. It has been found that this will be expensive and will increase the cost of production. Therefore, they have decided not to make separate weighment arrangements for the plant. However, the raw clay conveyed from Mines is now being weighed in the weigh-bridge available in the Briquetting and Carbonisation plant which is located adjacent to the clay washing plant. This weigh-bridge in the Briquetting and Carbonisation plant was installed only in 1965-66. Thus, proper record is maintained now for the quantity of clay conveyed to clay washing plant, from the mines. Inside the plant, raw clay is fed by means of a measure box of known volume and weight and record is being maintained for the quantity fed in each shift.

As regards weighment of the finished product, washed clay is bagged and actually weighed before it is despatched. The clay washing plant was recommissioned recently and the Corporation are making arrangements to weigh the clay at the recovery end also before it is stored*.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated 9th August, 1967].

*The Government furnished further clarification regarding the matter when the report was sent to the Ministry for factual verification. This has been incorporated as appendix IV to this report.

COMMENTS OF THE COMMITTEE

Please see Paras 11 to 14 of Chapter I of the Report.

Recommendation (Serial No. 48)

A departure from the normal commercial practice has been made by entering into a profit sharing arrangement with the Madras Government. The argument put forward by the Ministry that the Co-operation of the Madras Government in obtaining land and other facilities was necessary for the successful implementation of the scheme is not tenable because such consideration apply in case of all public sector projects of the Central Government. As regards the financial implications of the profit sharing arrangements the representative of the Ministry had stated that the profit sharing arrangement was more advantageous than payment of royalty on lignite. But earlier in 1960-61 the information given was that Madras Government would get about Rs. 54 lakhs more by the present arrangement than what they would have got by way of royalty. The Corporation has not yet started earning profits and as such the amount payable to the Madras Government cannot be assessed at this stage. The Committee are not fully convinced whether the profit-sharing arrangement would be advantageous to the Corporation. They desire that the matter should be reviewed. (Paragraph 210).

REPLY OF GOVERNMENT

The matter has been examined in consultation with the Ministry of Finance. It is felt that the existing arrangement for the sharing of 25 per cent of the net profits with the State Governments should continue, as the circumstances have not substantially altered to warrant a review at this stage.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10(32)/66-CX, dated 9th August, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 15 to 22 of Chapter I of the Report.

CHAPTER V

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

Recommendation (Serial No. 14)

In the matter of sale of power, the Corporation as well as the Madras State Electricity Board should be entitled to a reasonable margin of profit and a fair return on capital. If the Corporation is able to bring down its cost of production to about 4.3 Paise per KWH at 600 MW stage, as now envisaged, the sale price of 5.2 paise per KWH will give a fair return on investment. However, if the price at which the Madras State Electricity Board sells power is much higher than the price at which it purchases from the Corporation and this results in a substantial return to the Madras State Electricity Board, then the Corporation should be entitled to a higher price for the power sold by it. The Committee feel that the Madras State Electricity Board should not retain higher percentage of profit from the sale of electricity which it obtains from the Corporation than the percentage of profit it makes on electricity generated by itself. This profit should be considered rather liberal as the Madras State Electricity Board will get it without having produced this power. (Paragraph 58).

Recommendation (Serial No. 22)

The Committee consider that the delay in procurement of Steel for the Fertilizer Plant was a case of bad planning. It appears that during the period from May, 1960 till the receipt of steel in 1963, there had been no realisation on the part of the Ministry or the Corporation that the delay caused in the procurement of steel was going to result in heavy extra payments to the foreign contractors. The whole question of procurement of steel had not been dealt with the care which it deserved. The matter should be investigated and responsibility fixed for the heavy losses. (Paragraph 91).

Recommendation (Serial No. 28)

The break-even point for the B & C Plant is about 260,000 tonnes of production of carbonised briquettes per annum. The production

*Replies of Government to these recommendations were received when the report was sent to the Ministry for factual verification. These have been incorporated in the Report as Appendices I, II & III respectively.

in 1968-69 is assumed at 269,000 tonnes. It follows that till 1968-69 the scheme will not make profit. To show a reasonable profit the plant has to be worked much above that point. Since the plant can produce according to the rated capacity, the Corporation's approach should be towards vigorous sales programme so that the production can be taken up to the maximum. (Paragraph 117).

INFORMATION CALLED FOR BY THE COMMITTEE

"..... the replies of Government in respect of recommendations at Sl. Nos. 14, 22 and 28 may be furnished without further delay.

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

REPLY OF GOVERNMENT

".....the matter is under examination in consultation with the Neyveli Lignite Corporation. A reference has been made in the matter to them. Their replies are still awaited and they have been telegraphically requested to expedite their reply. This Department's reply will be furnished to the Lok Sabha Secretariat as soon as Corporation's reply is received."

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), O.M. No. 10 (32)/66-CX, dated 11th April, 1968].

NEW DELHI;
September 9, 1968.
Bhadra 18, 1890 (S).

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

APPENDIX I

(vide para 23 of Chapter I)

Recommendation (Serial No. 14)

In the matter of sale of power, the Corporation as well as the Madras State Electricity Board should be entitled to a reasonable margin of profit and a fair return on capital. If the Corporation is able to bring down its cost of production to about 4.3 Paise per KWH at 600 MW stage, as now envisaged, the sale price of 5.2 Paise per KWH will give a fair return on investment. However, if the price at which the Madras State Electricity Board sells power is much higher than the price at which it purchases from the Corporation and this results in a substantial return to the Madras State Electricity Board, then the Corporation should be entitled to a higher price for the power sold by it. The Committee feel that the Madras State Electricity Board should not retain higher percentage of profit from the sale of electricity which it obtains from the Corporation than the percentage of profit it makes on electricity generated by itself. This profit should be considered rather liberal as the Madras State Electricity Board will get it without having produced this power, (Paragraph 58).

REPLY OF GOVERNMENT

The sale price of Neyveli Power has since been raised from 5.2 to 5.9 paise per KWhr with effect from 1.4.1968 which will be in force for a period of four years. According to present indications, the revised rate is expected to yield a return of 7.85% on the employed capital, subject to the cost of production of lignite being reduced to Rs. 17/- per tonne. The Corporation are endeavouring to bring down the cost of generation in order to secure a higher return.

As regards the extent to which the Madras State Electricity Board secure profit from the sale of Neyveli power to their own consumers, it may be stated that the Neyveli Power House is being operated with the other power houses of the Board in an integrated manner. Energy drawn from Neyveli Power House along with the energy generated from the generating stations of the Board is fed into the common grid and sold to the ultimate consumers. The power purchased from Neyveli is required to be transmitted to the various load centres in the State along with the power from their other generating stations and then stepped down to different voltages for sale to H.T./L.T. consumers throughout the State.

The rates charged by Madras State Electricity Board for large and heavy industries and agricultural consumers as on 1.11.1968 are 9.54 paise per Kwh (for 1,000 Kw demand at 50% load factor), 7.40 paise per Kwh (for demand of 5000 Kw at per cent load factor) and 8.25 paise per Kwh (for demand of 10 H.P. at 15% load factor) respectively. These rates are applicable throughout the State excepting only Madras city where thermal surcharge has been levied for H.T. industrial consumers. It is considered that the rates offered to the above consumers are not such as to give the Board an undue profit.

[*Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals)*
letter No. 10(32)/66-CX, dated the 14th November, 1968.]

APPENDIX II

(Vide para 23 of Chapter I)

Recommendation (Serial No. 22)

The committee consider that the delay in procurement of steel for the Fertilizer Plant was a case for bad planning. It appears that during the period from May, 1960 till the receipt of steel in 1963, there had been no realisation on the part of the Ministry or the Corporation that the delay caused in the procurement of steel was going to result in heavy extra payments to the foreign contractors. The whole question of procurement of steel has not been dealt with the care which it deserved. The matter should be investigated and responsibility fixed for the heavy losses. (Paragraph 11)

REPLY OF GOVERNMENT

The matter had been investigated in detail by the Neyveli Lignite Corporation and the responsibility for entering into commitment with the foreign suppliers to supply indigenous steel, without ascertaining the possibility of procuring them within the time stipulated in the contract and also the failure to take follow up action in this regard has been tentatively fixed on a former Deputy General Manager (Technical & Works) of the Corporation. Further investigations are in progress.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), letter No. 10(32)/68-CX, dated the 14th November, 1968.]

APPENDIX III

(Vide para 23 of Chapter I)

Recommendation (Serial No. 28)

The break-even point for the V. & C. Plant is about 2,60,000 tonnes of production of carbonised briquettes per annum. The production in 1968-69 is assumed at 2,69,000 tonnes. It follows that till 1968-69 the scheme will not make profit. To show a reasonable profit the plant has to be worked much above that point. Since the Plant can produce according to the rated capacity, the Corporation's approach should be towards vigorous sales programme so that the production can be taken up to the maximum. (Paragraph 117)

REPLY OF GOVERNMENT

Intensive sales promotion measures, propoganda of the products' utility and publicity for the superior quality of 'Leco' are being undertaken by the Corporation. Demonstration vans with adequate complement of staff are touring continuously to publicise the qualities of 'Leco'. Efforts are also being made to export 'Leco' to foreign countries. As a result of these measures, the demand for 'Leco' has picked up substantially. The sale price of 'Leco' has also been raised to Rs. 175 from 5-1-1968.

As regards viability of the plant, according to latest assessment made by the Corporation, it will break-even at the production level of 2,86,125 tonnes i.e. 7/8th of the rated capacity (as against 2,60,000 tonnes indicated earlier) and at the sale price of Rs. 185 per tonne. This is expected to be achieved after 1972. Apart from restricted market, non-availability of sufficient lignite for the Briquetting and Carbonisation plant, after meeting the requirements of Power Station and Fertilizer Plant, has also been responsible for the failure of the plant to operate at rated capacity. During 1968-69 the Plant will operate at half of its capacity i.e. 1,80,000 tonnes and actual production from 1-4-1968 upto 23-9-1968 was 62,751 tonnes.

With a view to overcome this difficulty, the mine capacity is being increased from the present level of 4.5 million tonnes per annum to 6 million tonnes by 1971-72. It is, however, possible that the quantity of lignite made available for the B.&C. plant, after

meeting the requirements of Power Station and Fertilizer Plant, may still fall short of the requirements to enable the plant to operate at 7/8th of its capacity. Necessary further adjustments may, therefore, have to be made to make the plant viable.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), letter No. 10(32)/66-CX, dated the 14th November, 1968.]

APPENDIX IV

(Vide para 14 of Chapter I)

Recommendation (Serial No. 32)

It is regrettable that the quantity of washed clay produced was entered in the books on approximate basis without carrying out actual weighments. The total quantity of Clay produced till 1964-65 was itself not much. That the variations in book figures and the actual stock showed a shortage of 3191.502 tonnes is all the more surprising. Perhaps the washed clay was also sold without weighment. The Committee are not convinced with the reasons given in this connection and desire that the matter should be investigated and responsibility fixed. (Paragraph 135).

REPLY OF GOVERNMENT

In our earlier reply, we had narrated the facts about the weighments of washed clay taken to stock and the question of installation of weighment facilities in the clay washing plant.

As regards the investigation into the shortage of washed clay and fixation of responsibility for the same, the Corporation have since carried out further investigations through a High Power Committee of three Chief Engineers and have concluded that the discrepancies in stocks were due to adoption and booking of incorrect figures in the absence of necessary weighing facilities, particularly in regard to assumption of highly inflated recovery rate of 50% to 80% of washed clay from raw clay which in the course of actual tests was found to be not more than 26%. Based on these revised calculations, they have concluded that there was no loss or shortage of washed clay and the question of fixation of responsibility for the loss, therefore, did not arise. Appropriate action will be taken by the Corporation against the persons responsible for incorrect bookings. Action has been taken by the Corporation to ensure correct booking in future, besides periodical physical verification of stocks by an agency other than the plant staff.

[Ministry of Steel, Mines & Metals (Deptt. of Mines & Metals), letter No. 10(32)/66-CX, dated the 14th November, 1968.]

APPENDIX V

(Vide para 5 of introduction)

Analysis of the action taken by Government on recommendations contained in the Twenty Fourth Report of the Committee on Public Undertakings (Third Lok Sabha)

I. Total number of recommendations made	..	49
II. Recommendations that have been accepted by Government [Vide Sl. Nos. 4, 5, 6, 7, 8, 9, 10, 11, 12, 24, 25, 27, 29, 30, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 48 (Para 211), and 49]		
Number		28½
Percentage to total		58·16
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide Sl. Nos. 1, 2, 3, 13, 17, 18, 19, 20, 21, 26, 34 and 47)		
Number		12
Percentage to total		24·49
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee [Vide Sl. Nos. 15, 16, 23, 31, 32 and 48 (para 210)]		
Number		5½
Percentage to total		11·23
V. Recommendations in respect of which replies from Government are still awaited (Vide Sl. Nos. 14, 22 and 28)		
Number		3
Percentage to total		6·12

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI—contd.					
21.	Sat Narain & Sons, 3141 Mohd. Ali Bazar, Mori Gate, Delhi.	3	30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6	9	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Gani, New Delhi.	88
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	32.	Hind Book House, 82, Janpath, New Delhi.]	93
24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	33.	Bookwell, 4, Sant Naran-kari Colony, Kings-way Camp, Delhi-9.	96
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
26.	Lakshmi Book Store, 42 Municipal Market, Janpath, New Delhi	23	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1	68			

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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
