

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

THIRTY-THIRD REPORT

Action taken by Government on the Recommendations
contained in the Eleventh Report of the Committee
on Public Undertakings on the Rourkela Steel
Plant of the Hindustan Steel Limited



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LOK SABHA SECRETARIAT
NEW DELHI

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UNDERTAKINGS ON ACTION TAKEN BY GOVERNMENT ON
THE RECOMMENDATIONS CONTAINED IN THE ELEVENTH
REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
ON THE ROURKELA STEEL PLANT OF THE HINDUSTAN
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COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

CHAIRMAN

Pandit D. N. Tiwary*

MEMBERS

2. Shri Homi F. Daji
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11. Shri Arjun Aroratt††
12. Shri Vimalkumar M. Chordia§
13. Shri M. S. Gurupadaswamy§§.

*Appointed as Chairman w.e.f. 24-1-66 *vice* Shri Panampilli Govinda Menon ceased to be a member of the Committee on his appointment as Minister.

†Elected w.e.f. 23-2-66 in the vacancy caused by appointment of Shri Panampilli Govinda Menon as Minister.

**Elected w.e.f. 7-8-66 in the vacancy caused by the demise of Shri S. V. Ramaswamy. Shri S. V. Ramaswamy was elected w.e.f. 23-2-66 in the vacancy caused by the resignation of Shri Harish Chandra Mathur.

††Elected w.e.f. 7-5-66 on the retirement of Shri Lokanath Mishra from Rajya Sabha on 2-4-66.

§Elected w.e.f. 7-5-66 on the retirement of Shri T. S. Pattabhiraman from Rajya Sabha on 2-4-66.

§§Elected w.e.f. 18-5-66 in the vacancy caused on the resignation of Shri Avid Ali on 6-5-66.

(iv)

14. Shri Ram Singh*
15. Shri Awadeshwar Prasad Sinha**

SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

Shri H. G. Paranjpe—*Under Secretary.*

*Elected w.e.f. 18-5-66 in the vacancy caused on the resignation of Shri M. N. Govindan Nair on 6-5-66.

**Elected w.e.f. 18-5-66 in the vacancy caused on the resignation of Shri M. Govinda Reddy.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty-third Report on the action taken by Government on the recommendations contained in the Eleventh Report of the Committee on Rourkela Steel Plant of Hindustan Steel Ltd.

2. The Eleventh Report of the Committee was presented to the Lok Sabha on the 11th May, 1965. However uptill August 8, 1966 i.e. 15 months after the presentation, replies to recommendations in paras 128, 132 and 139 only had been received. The Committee at their sitting held on the 8th August 1966, deprecated the delay in furnishing replies to the recommendations of the Committee by Government. They, however, decided that before finalising their views on the replies already sent, Government might be requested to send the remaining replies also by the 10th August, 1966. Accordingly the Ministry of Iron & Steel was requested on that day to furnish the remaining replies by the 10th August 1966.

3. These replies were received on the 11th August. The Committee considered the replies on the 11th August and approved the draft report on the same day. The amendments in the draft report, necessitated by the comments sent by the Ministry of Iron and Steel at the stage of factual verification were adopted by the Committee on the 17th August, 1966.

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 final replies of Government are still awaited.

5. An analysis of the extent of acceptance of the recommendations is given in the Appendix.

NEW DELHI;
August 17, 1966.

Srivana 26, 1888 (Saka).

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

A. Import of Steel without Fulfilling Export Commitments—Paras 133—139 of Eleventh Report

In 1960, it was anticipated that the new steel plants of Hindustan Steel Ltd., would have substantial quantities of semi-finished steel as there was a time lag between the commissioning of steel melting shops and the rolling mills. Negotiations were, therefore, undertaken with certain firms for the export of these semis against which other required categories of steel could be imported under barter deals. Out of the total volume of transactions under these barter agreements 67 per cent of the trade amounting to Rs. 4.72 crores was given to the firms belonging to the same group and family.

2. Normally, in the case of barter agreements imports are allowed against foreign exchange actually generated and earned by the exporters. However, in this case it was felt by Government that if the imports were allowed only after the exports had taken place, the imports would be available after a considerable lapse of time when the urgent need for them might no longer be there and the Indian steel plants would have commenced producing those very categories of steel. Therefore, Government instructed the Iron & Steel Controller in February, 1960 to permit the import of steel in categories urgently required in the country even before the actual export of semis took place on the following conditions:

- (a) on production of an irrevocable letter of credit assigned in favour of the exporter for the value of the entire export quantity;
- (b) in case the exporter was not able to procure an irrevocable letter of credit for the entire quantity of export, then he should furnish an irrevocable bank guarantee equivalent to 15 per cent of the value of the import licence applied for. The guarantee was to be released only on actual export of the full quantity contracted for.

3. Accordingly, the Iron & Steel Controller permitted pre-import of steel by the firms on their furnishing the necessary bank guarantees except in one case where even this condition was not insisted upon on the ground that the steel to be imported by the firm was meant to meet the urgent requirements of Hindustan Steel Ltd., itself.

4. Later on, it was found that availing of this concession substantial quantities of finished steel had been imported but exports to the full value contracted for had not been made. The total value of imports made under these barter deals amounted to Rs. 4.63* crores against which the value of exports was only Rs. 2.36 crores (50 per cent of the imports). In October, 1960, Government instructed the Iron & Steel Controller not to allow pre-imports in future contracts under any circumstances.

5. As regards action taken against the firms for their failure to fulfil their export commitment, the Committee were informed that according to the explanation furnished by firms, Hindustan Steel Ltd. had failed to deliver the material as per terms of the contracts. The Committee were, however, informed in evidence on 22-1-1965 that the Ministry had since asked the Iron & Steel Controller to go into each case carefully and to examine the extent of responsibility of both the Hindustan Steel Ltd., and the firms in these cases.

6. The Committee were dissatisfied with the manner in which this matter had been dealt with and made the following observations:

"The Committee are not happy with the manner in which this matter has been dealt with. Having committed themselves to allow the import of finished steel without pre-export of ingots and slabs, it was expected of Government to watch the performance of the firms for some time and to stop further imports by them, if their performance about the export of ingots and slabs was not satisfactory. It is regrettable that even after the issue of orders by the Ministry in October 1960 not to allow pre-imports these firms were allowed to import steel to the extent of Rs. 1.49 crores without fulfilling their export commitments. It is also surprising that no enquiry was earlier conducted into the reasons for the parties not being able to export steel as required under the agreement. It is only now that the Ministry have asked the Iron & Steel Controller to hold such an enquiry. The Committee however feel that a thorough enquiry should be held in this case at the highest level".

7. The Ministry have, in their reply, stated that the claims and counter claims of the parties and the Hindustan Steel Ltd, were the subject matter of arbitration and Legal proceedings. However the matter was referred to the Iron & Steel Controller for a preliminary

*The Ministry of Iron and Steel pointed out at the factual verification stage that the total value of imports made under the barter deals is Rs. 4.89 crores and the value of exports is Rs. 2.55 crores.

confidential assessment on the basis of such records as were available to him as to the respective responsibilities of the Hindustan Steel Ltd. and the exporters. The report of the Iron & Steel Controller was received on the 11th March, 1966. The matter was also referred (as a test case) to the Central Vigilance Commission in March 1965 about the administrative action possible against one of the exporters. According to the instructions available to the Ministry of Iron & Steel, the Central Vigilance Commission was required to be consulted where any black listing proposals relating to the firm were being considered vide Central Vigilance Commission's Memorandum No. 9/1/64 DP dated 13th April, 1964. The Commission advised in May, 1965, that the blacklisting of a firm need be referred to them only if departmental action against the Government servant was also under consideration in connection with the proposal of blacklisting. Since, however, the Ministry had made a reference to them on the 27th March, 1965 it did not withdraw the reference and the Commission intimated to the Ministry in September, 1965 that in the former's opinion, no black-listing order could be made against the firm. The Central Vigilance Commission confirmed the advice again in February, 1966. Now that both the Controller's report and the Central Vigilance Commission's advice was available, Government would take a very early decision on the recommendations of the Public Undertakings Committee regarding a high level enquiry.

8. *The Committee are not satisfied with the reply given by the Ministry. From the reply of the Ministry it appears that the recommendation of the Committee to hold a high level enquiry into this matter has been interpreted by them to mean only an enquiry to determine the responsibility of the Hindustan Steel Ltd. and the firms concerned. The intention of the Committee was not only to determine the extent of responsibilities of the Hindustan Steel Ltd. and the firms involved but to go into the propriety of Iron & Steel Controller's Organization as well as of the Ministry of Iron & Steel in allowing these pre-imports without taking adequate steps to ensure fulfilment of export commitments, particularly in allowing imports after the instructions issued by Government in October, 1960 prohibiting pre-imports in future contracts and further releasing irrevocable bank guarantees without the export of full contracted quantities. The Committee hope that the high level enquiry* will cover all the aspects of the case.*

*At the factual verification stage, the Ministry informed the Committee of the Government's decision to appoint a suitable high powered Committee to enquire into these matters.

B. Sale of Rourkela Pipes to O.N.G.C. by a Private Firm—Paras 124—129 of Eleventh Report.

9. One of the firms which had entered into deals relating to import of finished steel without fulfilling its export commitment was also a party in another contract with the Rourkela Steel Plant. In July, 1962, a contract was entered into by the Hindustan Steel Ltd., with this firm for the sale of 11,000 tonnes of commercial quality pipes (not of A.P.I.* quality). However, out of the above quantity, only 4564 tonnes of pipes were lifted by the firm leaving a balance of 6436 tonnes, which besides locking capital of H.S.L. created problems of storage. The matter was referred to arbitration. Later on, the Hindustan Steel Ltd., compromised with the firm. But even then they suffered a loss of interest on capital amounting to Rs. 3,43,090.

10. Subsequently in November-December, 1963, about 15.18 kms. pipes (approx. 452 tonnes) of 8" internal diameter in random lengths of 18' to 40' manufactured by the Rourkela Steel Plant were supplied by this firm to O.N.G.C. The Hindustan Steel Ltd., which manufactured these pipes had also tendered for the supply of these pipes but could not get the contract as the private firm negotiated with the O.N.G.C. and agreed to reduce the price by Rs. 15/- per tonne.

11. The Committee enquired during evidence as to how the private firm was able to sell these pipes at rates lower than the price at which these were purchased by them from the Hindustan Steel Ltd., but no satisfactory explanation was furnished to the Committee. The Hindustan Steel Ltd., however, promised to look into this matter. In this context it had come to the notice of the Committee that the previous Sales Manager of the Hindustan Steel Ltd., who was connected with this deal and was discharged from service after an enquiry by the Anti-corruption Department had become an employee of this firm.

12. The Committee were subsequently informed that the Ministry had decided to refer the case to the Central Bureau of Investigation for further enquiry.

13. The Committee were surprised as to how a private firm was able to secure an order from O.N.G.C. for the pipes manufactured by the Hindustan Steel Ltd., and observed as follows:—

“It is surprising that a Commercial Undertaking like Hindustan Steel Ltd., did not consider it necessary to investigate the reasons as to how a private firm was able to

*A.P.I. quality refers to specifications laid down by the American Petroleum Institute. The pipes not conforming to the A.P.I. quality are graded and sold as “commercial” quality.

secure an order from another public undertaking for the pipes manufactured by them and for which they had also tendered. It is only after giving evidence before the Committee that the Ministry of Steel & Mines have decided to refer the matter to the Central Bureau of Investigation. As the case is now under investigation, the Committee do not wish to comment on its merits."

"The Committee however feel that Public Undertakings should purchase their requirements directly from the manufacturing Public Undertakings rather than through private agencies."

14. The Ministry in their reply have stated that the question of taking administrative action against the firm had been under Government's consideration for some time. The reference to the Central Bureau of Investigation was made by the Ministry late because the Ministry were not aware of the facts of the transaction "which are normally matters only within the purview of the Hindustan Steel Ltd."

15. *The Committee are not satisfied with the reply given by the Government. One should have expected the Hindustan Steel Ltd., to have investigated the reasons as to how M/s. Khemchand Rajkumar were able to secure the aforesaid order. It is also surprising that the Government representatives on the Board of Directors of both the Undertakings did not keep Government informed of this extraordinary transaction in which although the Hindustan Steel Ltd., were the sole producers of these pipes, a private firm supplied them to O.N.G.C. at a rate lower than that of the manufacturers. The Committee consider this a deficiency in the reporting system in public undertakings. They recommend that such cases should invariably be reported in the Quarterly Financial Reviews sent to Government.*

16. *The Committee are also surprised that it did not appear odd to O.N.G.C. that a private firm (M/s. Khemchand Rajkumar) was able to supply them pipes at a rate lower than that of the one quoted by the sole manufacturers, i.e. Rourkela Steel Plant.*

17. *The Committee expect that if as a result of the investigation by the C.B.I. any person is found at fault, suitable and speedy action will be taken.*

C. Grant of licence for import of tin mill black plates—Paras 130—132 of Eleventh Report.

18. In spite of the experience referred to in preceding paras this firm was granted a licence on 11-9-1964 by Government for setting up an electrolytic tin-plate plant. Further an application of the firm

for the import of black plates for the production of the electrolytic plates was stated to be under consideration of the Government. The Committee felt that as the dealings of this firm had not been satisfactory, the propriety of granting licences to the firm needed examination.

19. The Ministry have in their reply stated that M/s. Khemchand Rajkumar were granted licences for setting up the electrolytic tinplate plant because the tinplate demand by 1966 i.e. the end of the Third Plan was estimated to be of the order of 2,00,000 tons, against which the Rourkela was to give 50,000 tons from a Second Plan programme and was to have put up an electrolytic tinplate plant of 100,000 tons. In addition, the Tinplate Company of India, which had a hot dip tinplate production of 75,000 tons, was also to modernize its plant and to have, in addition, an electrolytic tinplate plant of the same capacity. At the time when licence was given to M/s. Khemchand Rajkumar the Tinplate Company's proposal for putting up the electrolytic plant was being very badly delayed and, therefore, an alternative capacity had to be planned. Rourkela was also finding considerable difficulty in working up to its 50,000 tons production of hot dip tinplate and a further expansion of tinplate production at Rourkela by the electrolytic process was also delayed. Another reason for giving licence to the said firm was that whereas Rourkela's cost of the electrolytic tinplate plant in foreign exchange for 1,00,000 tons was over Rs. 2 crores, the plant (60,000 tons) proposed to be purchased and installed by M/s. Khemchand Rajkumar was to cost foreign exchange of Rs. 20 lakhs only. So far as the licence for import of tin mill black plate is concerned, the Ministry have stated that because the firm had been given a licence for the setting of the plant to manufacture hot dip tinplate it was necessary to have given them licence for the import of tinmill black plate which was a raw material, If the tinmill black plates were not imported the country would have to import tinplates itself. The importation of tinmill black plates plus tin cost less foreign exchange than the importation of the finished tinplates.

20. *The Committee consider that the argument that the scheme of manufacture of electrolytic tinplates by M/s. Khemchand Rajkumar would have filled a gap in the production of that commodity, is irrelevant because the Committee had objected to the licence being given on grounds of propriety and because of the past transactions of the firm. It is further noticed that in January 1965, when the Ministry tendered the evidence before the Committee the application for import of black-plates had merely been "under the consideration of the Government". It is, however, clear from the reply now received that*

this application has been sanctioned despite the fact that M/s. Khemchand Rajkumar's deals have not been satisfactory, and a case against them had also been referred to the C.B.I. The Committee regret that in spite of losses caused to a public undertaking by this firm it was given licences not only for setting up an electrolytic tinfoil plant but also for import of black tinplates.

21. At the time of factual verification, the Ministry of Iron and Steel pointed out that Government was not aware of O.N.G.C.'s transactions in September 1964 when the licence for electrolytic tinfoil was granted. The Committee's objections were first made known to Government when the representative of the Ministry gave evidence before it in January 1965. For the same reasons the enquiry against the firm in connection with the supply of pipes to O.N.G.C. could be referred to C.B.I. in March, 1965. As regards the grant of licence for import of tinmill black plate after January, 1965, the Ministry have stated that the firm was neither blacklisted nor banned. In such circumstances, raw material for working of an industrial unit which had been allowed to be set up, could not have been refused administratively. In fact, even if a firm is banned or blacklisted, under standing Government instructions in the Standardised Code, supplies of controlled raw materials for working an industrial unit cannot be refused. In the circumstances, there was nothing objectionable in the grant of licence for import of tinmill black plate particularly as the supplies allowed were far short of the capacity of the plant.

22. *The Committee would, however, like to point out that, as stated in the first sentence of para 9/ante., even as early as 1960 this firm was involved in deals relating to import of finished steel without fulfilling its export commitments. The Committee are, therefore, not convinced by the argument advanced by the Ministry that licence had been granted to the firm before the unsatisfactory transactions of the firm came to their notice. The Committee, therefore, desire that this matter (granting of licences to this firm for the setting up of electrolytic tinfoil plant and for import of tinmill black plates) should also be included in the high level enquiry referred to earlier.*

D. General comment on replies

23. *The Committee regret to note that in certain cases (e.g. Recommendations against serial Nos. 10, 11, 12, 25 and 30) the Ministry have merely stated "Accepted" or "Noted" in reply to the recommendation of the Committee. No mention has been made of the specific action taken in these cases. The Committee are, therefore, unable to assess how far the recommendations have been implemented. The Committee desire that the Ministry should inform them of the action taken.*

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 3)

Considering that the first Blast Furnace at Rourkela was commissioned in February, 1959, the Committee cannot help observing that the time taken for reaching the rated capacity has been too long. The Committee hope that the tempo of production achieved since September, 1964 would be maintained. (Para 13).

REPLY OF THE GOVERNMENT

There has been a steady improvement in production of hot metal, steel ingots and saleable steel over the last two to three years. The percentage achievement on rated capacity of production during 1964-65 and 1965-66 is as follows:—

	1964—65	1965—66
Hot metal	94%	100%
Ingot steel	98%	106%
Saleable steel	97%	111%

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

Recommendation (Serial No. 8)

It needs no emphasis that the products manufactured by the Plant should suit the requirements of the consumers. The Committee would therefore, urge that there should be rigid quality control at every stage of production to ensure proper quality of the products manufactured. (Para 31).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

Recommendation (Serial No. 9)

Considering that in the L.D. process of steel making adopted at Rourkela the operating cost and overheads are lower than in open hearth process at other steel plants, it is a matter of concern that

the cost of production of steel should be higher at Rourkela. This calls for strict control over cost especially in respect of raw materials. The higher cost of production not only affects the financial working of the plant but has adverse repercussions on the production costs of the steel based industries whose products are unable to compete in the international market. The Committee therefore feel that there is need for concerted efforts on the part of plant management to reduce the cost of production. (Paragraph 35).

REPLY OF THE GOVERNMENT

A Standing Cost Committee has been set up by the Plant Management, which regularly examines the monthly Production casts to analyse the reasons for variations with a view to taking measures for cost control. The Government had appointed a Committee under the Chairmanship of Shri H. K. Mahatab to enquire into the cost of production of steel in both the Public and Private Sector Steel Plants and suggest ways and means of reducing the costs. This Committee's Report has been recently submitted to Government and is under examination.

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

Recommendation (Serial No. 13)

The Committee desire that the reasons for the unsatisfactory working of the Barsua Mines should be investigated and efforts made to increase its production and reduce the cost of raising ore. (Para. 44).

REPLY OF THE GOVERNMENT

Government had secured the services of a U.N. Mining Expert to study the working of the Barsua Mines and to suggest steps for improvement in its performance. His recommendations have recently been received and are under examination. Orders have also been placed for a Beneficiation Plant which will improve the working of the Mines.

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

Recommendation (Serial No. 14)

The Committee observe that in USSR most of the iron ore reserves has only 37 per cent iron content on the average. But in order

to increase blast furnace output and to decrease coke, consumption, great attention is paid to the beneficiation and preparation of all ores. It has been estimated that the net decrease in cost of iron production is three to five times more than the additional cost involved in beneficiation. In spite of experience of other countries and experiments conducted by National Metallurgical Laboratory on Barsua ore itself, there was protected discussion about the suitability of such a plant. Now that it has been decided to go in for this plant, the Committee trust that steps would be taken to set up the plant without any further delay. (Para 46).

REPLY OF THE GOVERNMENT

Orders have been placed for the installation of a Beneficiation Plant at Barsua. To ensure expeditious completion of the work, the job has been entrusted on a "Turn-Key" basis to the supplier of plant and equipment.

[*Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966*].

Recommendation (Serial No. 16)

The procedure and arrangements for the procurement and stocking of spares leaves much to be desired. It has resulted in the accumulation of heavy inventories and blocking of capital thereon apart from unnecessary expenditure on their care and maintenance. On the other hand there has been shortage of certain items of spares which have hampered repair work and affected production. Avoidable expenditure had to be incurred on airlifting of spares in some cases. All this happened on account of failure to build up a purchase organisation and to lay down clear cut procedure for the procurement and stocking of spares.

A cell is stated to have now been formed under Chief Superintendent (Engineering Services) to prepare catalogues, nomenclature and vocabulary of spare parts. They have also taken over the function of scrutinising the indents for spares originating from the various maintenance units. The Committee trust that with the setting up of this cell there would be better control over the procurement and stocking of spares (Para 54).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/66 dated the 10th August, 1966*].

Recommendation (Serial No. 21)

The Committee fail to understand as to how inspite of the fact that the Railway Board had expressed their inability to supply cell discharging wagons for the movement of coal in the initial stages of construction of Rourkela Steel Plant, the Hindustan Steel Ltd., did not consider it necessary to provide tippers for unloading the wagons. The failure to do so resulted in delays in the clearnace of wagons which not only affected adversely the production programme but also resulted in payment of heavy demurrage charges. The Committee were assured that provision for tippers has been made in the expansion programme of Rourkela Steel Plant. They trust that this would be kept in mind to avoid similar situations in the new steel plants (Para 65).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966]

Recommendation (Serial No. 22)

While the Committee note the reduction in demurrage charges, they cannot help observing that they are still very high. They trust the matter would receive earnest attention of the plant management and steps taken to reduce the demurrage charges (Para 66).

REPLY OF THE GOVERNMENT

Steps to reduce the incidence of demurrage charges are in hand, including the securing of revisions in free time in consultation with the Ministry of Railways.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966]

Recommendation (Serial No. 24)

The availability of equipment for continuous production depends to a large extent on the attention given to its maintenance. It is therefore essential that repairs and maintenance facilities should be adequate, properly planned and carried out according to schedule. It is regrettable that the importance of proper maintenance of plant and machinery was not fully realised by the management in the past.

The Committee trust that with the reorganisation of maintenance facilities, independent of production units, greater attention will be paid to maintenance (Para 77).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 26)

The Committee feel that many of the shortcomings in the working of the Rourkela Plant were due to frequent changes in the top management. In a complex project like a steel plant it takes time to understand its problems, formulate plans and programme to improve its working and to execute them. It is unfortunate that during the crucial formative years, the Rourkela Steel Plant did not have the continued and effective guidance of one General Manager. The Committee would urge that utmost care should be taken to select the right type of man for this post and a minimum tenure of four to five years fixed for it (Para 82).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 27)

The Committee feel that for a large organisation like Hindustan Steel Ltd., which has been in existence for over a decade now, it should be possible to find suitable personnel from within the industry for manning the top posts. They, therefore, recommended that a systematic plan should be prepared to train and develop managerial talent for manning these posts in the existing and future Steel Plants (Para 84).

REPLY OF THE GOVERNMENT

Steps are already underway to train and develop managerial talent within HSL to man the top posts. The Management Training Institute of the HSL at Ranchi conducts various courses for all levels of management with this object in view.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 29)

The Committee note that the system of providing helpers is generally followed by all the Public Undertakings. They understand that such a system does not exist in industrialised countries. It leads to over-manning and consequently higher cost of production. The Committee are glad to be assured that helpers would not be provided in future steel plants. They recommend that in the existing plants efforts should be made to reduce their number and the existing un-skilled helpers should be trained for holding skilled jobs (Para 94).

REPLY OF THE GOVERNMENT

Accepted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 31)

High overtime allowance had to be paid at Rourkela Steel Plant which was stated to be due to shortage of skilled workers. The Committee are surprised to note that inspite of the fact that the actual strength in all the categories was much in excess of that provided in the Project Report the plant was still short of skilled workers. It shows that the method of recruitment and training of workers has not been satisfactory. Needless to say that the payment of large amount of overtime on a regular basis not only increases the cost of the end products but also lowers the efficiency and morale of the staff. The Committee, therefore, desire that effective measures should be taken immediately to minimise the incidence of such payments (Para 99).

REPLY OF THE GOVERNMENT

The problem of incidence of overpayments has been gone into in detail by the Committee on Cost of Production of Steel who have made a number of recommendations designed to reduce overtime. These are under examination.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 32)

It is surprising that even in such matters as working hours for office staff there is no uniformity in the three steel plants of the same undertaking i.e. Hindustan Steel Limited. Such disparities

lead to discontentment among the workers. The Committee consider it desirable to have uniformity in such matters in the three steel plants (Para 101).

REPLY OF THE GOVERNMENT

In the hours of work for office staff, there was uniformity in the three steel plants of Rourkela, Bhilai and Durgapur. After declaration of emergency in October, 1962 the office staff at Bhilai and Durgapur agreed to work for an extra half hour. Since there was no recognised union in RSP, no such agreement could be reached. Subsequently, even after the recognition of one of the unions by the management, it has not been possible to reach an agreement mainly because the enthusiasm which was noticed at the time of declaration of emergency is wanting and also because of the rival unions' indulging in agitation to undermine the position of the recognised union and the management. Still, efforts will be made to increase the working hours for office staff in RSP, bringing them into line with the hours of work obtaining at Bhilai and Durgapur.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966]

Recommendation (Serial No. 33)

The Committee note that 62 of the trained engineers were posted on jobs other than those for which they were trained. For example persons trained for operation of coke ovens and steel melting shops were posted to purchase and sales departments. Whatever the operational necessity, the posting of a trained person on a job other than that for which he has been trained, is a waste of the training given at some cost. This would also appear to indicate that training of personnel is not co-ordinated with the actual needs. The Committee trust that in future proper assessment of requirements of trained personnel for various jobs would be made before arranging for their training (Para 103).

REPLY OF THE GOVERNMENT

Accepted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966]

Recommendation (Serial No. 35)

Labour Laws should be complied with by all Industrial Undertakings whether in the public or private sector. This is all the more necessary in the case of Public Undertakings which are expected to be model employers. It is necessary for the efficient and economic working of an undertaking that there should be complete understanding and cooperation between labour and management. While

the management should comply with all Statutory obligations and provide to the workers amenities and good working conditions, it is also the duty of the workers and their unions to cooperate with the management in the maximisation of production and the maintenance of industrial peace. To ensure continuously good industrial relations the Committee would suggest that the management and the workers should enter into long term agreements for settling all their disputes by reference to arbitration rather than by resort to strikes, lockouts or Courts of Law (Para 109).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 36)

It is evident that the decision to provide State transport to the workers instead of departmental buses has not only resulted in payment of subsidy to the workers but also in heavy loss of man hours on account of 15 minutes grace period given to all the workers and consequent loss of production. *Prima facie* it would be better to provide departmental transport to the workers. The Committee desire that the matter should be examined urgently (Para 112).

REPLY OF THE GOVERNMENT

The matter has been examined and it has been decided to provide departmental transport to the workers. Orders for 18 buses have been placed by the Plant for this purpose.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 45).

As on 1st August, 1964, 664 houses were lying vacant of which 145 had been vacant for 6 months and more. The existence of vacant houses results in loss of revenue and their non-allotment causes hardship to the employees. A Committee is stated to have been appointed to look into the question of allotment and occupation of houses. It is hoped that with the implementation of the recommendations of that Committee the position would improve (Para 146).

REPLY OF THE GOVERNMENT

The recommendations of the Committee appointed for the purpose are being implemented and the position has since considerably improved.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966].

Recommendation (Serial No. 51)

The action of the project authorities to proceed with the scheme for cattle colonisation and Dairy farm which had to be abandoned after incurring an expenditure of about Rs. 70,000 and to appoint some staff before the scheme was approved by Government was premature. The Committee trust that the plant authorities will be more careful in future to avoid such infructuous expenditure (Para 167).

REPLY OF THE GOVERNMENT

Noted for future guidance.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966]

Recommendation (Serial No. 52)

The Committee find that a type retreading plant ordered in 1961 has not yet been installed. They desire that steps should be taken by the authorities to ensure that in future, plant and machinery involving large capital investment are put to use without delay (Para 168).

REPLY OF THE GOVERNMENT

Noted for future guidance.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966].

Recommendation (Serial No. 53)

The Committee welcome the proposal to set up a Central Research Institute for Steel Technology as a step in the right direction. They would suggest that the desirability of associating TISCO and IISCO with this Research Institute may also be considered. The Committee also trust that with the establishment of Central Research Institute more attention would be paid to steel technology (Para 171).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966].

Recommendation (Serial No. 54)

The Committee noticed several disquieting features and shortcomings in the planning, execution and working of the Rourkela Steel Plant. All these have resulted in the over-capitalisation of the Plant, lower production, higher costs and heavy losses. The Committee have suggested measures to improve the position at appropriate place (Para 172).

The Committee are, however, aware that Rourkela was the first steel plant, taken up for execution in the Public Sector. It had also adopted the latest method of steel making—L.D. process which was new to the country. The production of flat products by this plant also required a high degree of skill and experience which was not available in the country. The management had to face many unforeseen difficulties in organising the human, material and financial resources required for the execution and running of such a major project. The task was rendered more difficult by frequent changes in the top management (Para 173).

The Committee are glad to note that Rourkela Steel Plant has now turned the corner and is working upto the rated capacity since September, 1964. The industrial relations have also since improved. The Committee trust that the management will now direct all its energies to maintain the tempo of production and to improve the financial position of the plant. With the achievement of full rated capacity and the expansion which is in hand, this Plant is bound to make a significant contribution to the country's industrial development and will occupy a place of pride in the nation's economy (Para 174).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12|65 dated the 10th August, 1966.*]

CHAPTER III

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

Recommendation (Serial No. 1)

The Committee regret to note the inordinate delay in the erection/commissioning of the various units at the Rourkela Steel Plant. Even granting that some delays were unavoidable in a complex project like a steel plant there can hardly be any justification for the delay of 40 months in commissioning some of the units. Viewed against the impression given to the Estimates Committee in 1960, that there would only be a delay of about six months in the completion of the Rourkela Project and the plant as a whole would be commissioned by September, 1960, these enormous delays are a matter of concern. What is worse is that the third coke Oven Battery and the third Blast Furnace could not be commissioned for 37 months and 19 months respectively even after their erection due to delay in commissioning of Rolling Mills. The loss of production due to delay in commissioning of the units has been substantial. The Committee recommend that the reasons for the delay in the commissioning of various mills particularly Rolling Mills need to be investigated and responsibility fixed. (Para 9)

REPLY OF THE GOVERNMENT

Attention is invited to the fact that a Committee headed by Shri Ratnam was appointed by Government—in 1963—to study the problems connected with the setting up of the first phase of the three Steelworks of Hindustan Steel Limited. The principal object of the study was to draw lessons from the past and to suggest measures to meet any difficulties in future. Hindustan Steel Limited have now undertaken a review of the Second/Third Plan projects in detail which will reflect on the delays, etc. Government do not consider that any separate investigation is now necessary.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966].

Recommendation (Serial No. 2)

The Committee regret to observe that the results of the study, if any, made in regard to the reasons for the delay in the completion

and commissioning of the various units of the three steel plants as recommended by the Estimates Committee in 1962 have not been communicated to them so far. The Committee cannot but observe that the management has not treated the recommendation of the Estimates Committee with the attention it deserves. (Para 10).

REPLY OF THE GOVERNMENT

Please see reply to Serial No. 1.

[Ministry of Iron and Steel O. M. No. PARL (6)-12/66 dated the 10th August, 1966].

Recommendation (Serial No. 4)

The Committee are unable to appreciate as to why Hindustan Steel Limited did not consider it necessary to secure the services of suitable German technicians for running the steel melting shops in the initial stages when they were aware that the L. D. process was a new technique adopted in India and the Indian trainees did not acquire any experience of actually handling such machines. It is not as though there were no foreign technicians in Rourkela because even in 1960 there were 72 German and Austrian Engineers employed at the Plant on other jobs. While the Committee appreciate the endeavour to entrust the running of L. D. convertors to Indian Engineers, they regret to observe that it should have taken Hindustan Steel Limited about 1-1/2 years to realise that the Indian technicians were not fully capable of running these shops and to arrange for the services of German technicians. Evidently the failure of the management to take timely action in this regard resulted in avoidable loss of production. (Para 15).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O. M. No. PARL (6)-12/65 dated the 10th August, 1966].

Recommendation (Serial No. 5)

The unsatisfactory working of the Pipe Plant is inexcusable and merits serious attention of the Hindustan Steel Limited and the Government. As long as there is indigenous capacity for production of any item its import should not normally be permitted. The Committee see no reasons as to why with proper planning it should not be possible for the Government Departments/Undertakings to assess

their requirements of pipes well in time and to intimate them to the Rourkela Steel Plant in advance to enable the latter to plan their production programme accordingly. The Committee recommend that suitable instructions should be issued by Government to all concerned. (Para 20).

REPLY OF THE GOVERNMENT

The Ministry of Petroleum and Chemicals and the Directorate General of Technical Development have been requested to issue necessary instructions to consumers of pipes. A drive for the export of pipes is also being undertaken.

[*Ministry of Iron and Steel O. M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 10)

The Committee also recommend that early steps be taken to work out the standard cost of production for various items and the actuals compared with the standard cost regularly with a view to taking remedial measures in cases of variations. The standard cost should also be reviewed periodically in view of technological developments and the expansion of the plant. (Para 36).

REPLY OF THE GOVERNMENT

Accepted.

[*Ministry of Iron and Steel O. M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 11)

The Committee note that increasing use is being made of sinter in various countries to reduce the consumption of coke. Besides reduction in the coke consumption, this results in increased production, utilisation of fines and consequently overall reduction in the cost of production. The Committee find that in India also sinter has been used with advantage in TISCO, and at Bhilai Steel Plant since 1961. However, there had been delay in putting up such a plant at Rourkela which has only recently been commissioned. Considering that there has also been delay in setting up beneficiation plant at Barga Mines the Committee feel that management has been slow in adopting new techniques of cost reduction. It is vital that the plant should economise on the use of fuel not only to conserve limited coking coal resources in the country but also to reduce its own cost of production.

The Committee therefore desire that more attention should be paid to the raw materials preparation and application of new techniques. (Para 38).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O. M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 12)

The Committee realise that while comparing labour productivity with plants in different countries, the size of the plant, the extent of machanisation, the quality of raw materials, etc. have to be taken into account. Nevertheless they feel that there is considerable scope for improvement in labour productivity in a modern plant like the Rourkela Steel Plant. The Committee, therefore, desire that the various factors affecting the labour productivity should be analysed and remedial measures taken. (Para 41).

REPLY OF THE GOVERNMENT

Accepted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 15)

The Committee regret to note that it has taken the suppliers more than two years to rectify the defects in the Purnapani Crushing and Screening Plant. In the meantime limestone had to be raised manually resulting in lower output and higher cost of production. Besides, limestone had to be procured from other sources involving additional expenditure. The Committee trust that the plant would now be commissioned without any further delay and compensation realised from the contractors. (Para 49).

REPLY OF THE GOVERNMENT

Purnapani Limestone Crushing and Screening Plant has been commissioned since October, 1964. The final trial tests were also conducted during the period from 14th December, 1964 to 20th December, 1964, but the plant could not perform to its full rated capacity. The Plant is being operated since then.

The Plant has not yet been formally taken over by Hindustan Steel Limited due to several disputes that have arisen with the contractors, particularly non-rectification of major and minor defects including Dust Extraction System.

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

(Recommendation (Serial No. 18))

The question of allowing Public Undertakings to incur expenditure out of sanctioned foreign exchange budget without further reference to Government in individual cases is stated to be under consideration. The Committee desire that the decision in this regard should be expedited. In any event, procedure should be simplified so that there is no delay in the release of foreign exchange. (Para 58).

REPLY OF THE GOVERNMENT

Under the recent liberalisation of licensing of maintenance imports, the procedures of periodical allocation and releases have been discontinued and public sector undertakings, like other undertakings, are now able to make direct applications to the licensing authority.

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

Recommendation (Serial No. 19)

The Committee are concerned to note that despite the recommendations of the Committee on Plan Projects, the position about the stock of stores is not satisfactory. Excessive inventories not only tie up capital but also cost a great deal to carry them by way of storage, staff, deterioration, interest charges. The Committee recommend that effective steps should be taken for the reduction of inventories. (Para 61).

REPLY OF THE GOVERNMENT

The problem of excessive inventories in the Steel Plants have been gone into by the Mahatab Committee who have made a number of recommendations designed to contain inventories. These are under examination in consultation with the Steel Plants. A Committee has also been appointed in the Plants to review periodically the surplus materials lying in the stores.

[Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

Recommendation (Serial No. 20)

The Committee note that the plant has not yet prepared any stores manual. Steps should be taken to prepare such a manual at an early date. The Committee feel that it would be desirable to have a standard stores manual for the Public Sector Steel Plants. (Para 62).

REPLY OF THE GOVERNMENT

HSL have recently set up a Committee to look into the question of standardisation of spare parts and preparation of Stores Manual. *Prima facie* it appears that a common Stores Manual may not be possible for all the three Plants as various equipments and items of machinery in the three Steel Plants have been procured from different countries and vary in design and specifications.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966].

Recommendation (Serial No. 25)

The Committee observe that in some cases the drawings of the parts of Plant and Machinery which were furnished by the suppliers were not kept in proper custody with the result that when they were wanted it was difficult to trace them. This resulted in delay in the procurement of spares and the execution of repairs. The Committee trust that the collection and the preparation of such drawings by the Central Spare Parts Cell will be expedited and there would be proper custody over such drawings in future.

As the preparation of such drawings takes a long time, Government may also examine the possibility of obtaining all necessary drawings including constructional designs, if possible from the manufacturers at the time of entering into agreement for the supply of plant and machinery. (Para. 79).

REPLY OF THE GOVERNMENT

Accepted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966].

Recommendation (Serial No. 30)

There is high percentage of absenteeism at Rourkela. Since experienced men are so short, it would pay to bring down absenteeism

by all means. It would be desirable to provide inducements and rewards for high attendance. The Committee trust that effective steps would be taken to reduce the incidence of absenteeism. (Para. 96).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 34)

Considering that delays in the recognition of workers' Unions lead to labour troubles, the Committee desire that Government should examine the existing procedure for according recognition to the unions with a view to expediting it. (Para. 108).

REPLY OF THE GOVERNMENT

This being a recommendation of general import, Ministry of Labour and Employment were consulted. They have stated as follows:—

“The recognition procedure prescribed under the Code of Discipline has been reviewed from time to time to make it more effective. In the Seminar on the working of the Code of Discipline held on August 21, 1965 it was decided that every effort should be made to avoid delay in the verification of membership of unions for recognition and if an employer does not recognise a union, recommended for recognition, within a period of three months, the matter may be brought before the Implementation Committee concerned.”

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 38)

The Committee realise that heavy industries like steel plants with high capital investment have long gestation periods. Nevertheless, the fact that even after 5 years of the commencement of production (the first blast furnace having been commissioned in February, 1959) there was accumulated loss of Rs. 38.94 crores at Rourkela shows that the working of the plant has not been satisfactory. The Committee urge that the Plant organisation should be

geared to continuously work the Plant to its rated capacity and effect economy in expenditure. (Para. 121).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 39)

The Committee regret the manner in which the assessment of the surpluses from the Public Undertakings had been made for the Third Five Year Plan. *Ad hoc* assessment of surpluses is unfortunate as it raises hopes which cannot be fulfilled and exposes the Undertakings to public criticism. The Committee trust that while making provision in the Fourth and subsequent Plans the estimates of surpluses from Public Undertakings would be made on a realistic basis and in consultation with them. (Para. 123).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 47)

From the facts placed before the Committee it is evident that the Hindustan Steel Ltd. failed to safeguard their interests by not providing even the basic condition in the agreement with the Contractor for the variation in the payment according to the quantity of steel actually used. The Committee expect the H.S.L. to avoid the recurrence of such cases. (Para. 153).

REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966*].

Recommendation (Serial No. 48)

The Committee are concerned to note that inspite of the fact that the facilities for weighing the wagons were available with the plant, petrol wagons in which Creosote Oil, a by-product of Rourkela Plant

was supplied to the Railways were not weighed before their despatch resulting in a loss of Rs. 1,17,600 to the plant. The fact that even after the detection of mistake on the 23rd January, 1961 the Plant did not start weighing the wagons till the actual orders were received eight days later clearly shows that there was laxity of control on the despatches. The Committee feel that business prudence required that every wagon should have been weighed before despatch. (Para. 158).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966].

Recommendation (Serial No. 49)

The Committee are not happy over the manner in which the project authorities acted in providing dust catchers for steam boilers. They find that although the steam boiler failed in May, 1960 due to the absence of dust catchers, the matter was not taken up with the technical consultants even upto March, 1962 when the agreement with the consultants had expired. The Committee find no justification for the lapse in this regard. Even granting that initially the project authorities acted on the advice of their technical consultants, there was a delay of four years in placing the order for the dust catchers after the failure of steam boiler. The result was that the project suffered a loss of Rs. 35 lakhs upto May, 1964 due to use of coal instead of Coke-breeze. The Committee deprecate these inordinate delays which have resulted in heavy losses. (Para. 163).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel. O.M. No. PARL (6)-12/65, dated the 10th August, 1966].

CHAPTER IV

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

Recommendation (Serial No. 6)

The Committee regret to observe that a proper assessment of the quantity and quality of gas available from the coke ovens was not made before deciding the size of the various by-product plants based on this gas. After the first coke oven battery had been commissioned in September, 1958 and the quantity and quality of gas available became known, the capacities of the by-product plants, should have been reviewed. The Committee are concerned to note that no such action was taken. It is only in 1964, after more than 5 years, that the Ministry decided to set up an Expert Committee to look into this matter. It is evident that there has been no proper planning in the matter of the designing of the by-product plants. The result has been that (a) the sulphuric acid plant (cost Rs. 17 lakhs) remains idle, (b) the production at the Benzol Plant is only 56% of the rated capacity and (c) the Fertilizer Plant (Cost Rs. 25 crores) is working only up to 50% of the rated capacity. Even after expansion of the Steel Plant to 1.8 million tonnes, the Fertilizer Plant will not reach the rated capacity unless additional equipment costing Rs. 169 lakhs is put up. This is a remarkably bad record of planning and the Committee recommend an investigation to fix responsibility.

The Committee also recommend that expeditious action be taken to see that the Fertiliser and other by-products plants work to their rated capacity. (Para 25).

REPLY OF THE GOVERNMENT

Action has already been taken to instal balancing equipment, namely, Naphtha Reforming Plant, which would result in the utilisation to the full of the capacity of the Rourkela Fertilizer Plant. As far as By-product Plant units are concerned, action is in hand to improve the performance of the Screw Compressors which, in turn, would lead to quantitative and qualitative improvement in the gas delivery to the By-product Plant units leading to their fuller utilisation. The recommendation in regard to deficiencies in planning is being examined.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966]

COMMENTS OF THE COMMITTEE

The Committee regret to note that no investigation has so far been conducted to fix responsibility as suggested in this para. They desire that this should be expedited.

Recommendation (Serial No. 7)

It is surprising that the management of the Fertilizer Plant was transferred to the Fertilizer Corporation without settling the terms and conditions thereof which resulted in differences and disputes subsequently. Since both the Hindustan Steel Limited and the Fertilizer Corporation were under the same administrative ministry at that time it should have been possible for the Ministry to settle the dispute. If there were genuine difficulties in the supply of gas, power, etc. in adequate quantities and at economical rates, the proper course was to remove these difficulties, as transfer of the plant back to Hindustan Steel Limited was no solution of the real problem of the economical working of the plant. The Committee therefore, desire that the reasons for the actual rates of feed stock and utilities being much higher than the Project Report estimates should be analysed and steps taken to improve the working of the plant. (Para 27).

REPLY OF THE GOVERNMENT

Accepted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966].

COMMENTS OF THE COMMITTEE

The Committee regret that no positive action has so far been taken on the recommendation in spite of 15 months having elapsed since the Report was presented. They desire that early action should be taken to analyse the reasons for the higher rates of feed stock and utilities for the Fertiliser Plant than the Project estimates with a view to improving the working of the Plant.

Recommendation (Serial No. 23)

The Committee are unable to appreciate as to how the consultants accepted defective construction of refractory lining of the blast furnace and permitted installation of machines with defective design in the slabbing and the Cold Rolling Mills. It is unfortunate that no responsibility could be fixed on the Consultants for these defects although they were responsible for the proper commissioning of the plant. In view of this, the Committee suggest that Government should make suitable provisions in future agreements with the Consultants so as to fix their liability for defective designs and bad workmanship. (Para 72).

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/65 dated the 10th August, 1966]

COMMENTS OF THE COMMITTEE

The Committee desire that the Bureau of Public Enterprises should issue general instructions to all Ministries/Undertakings in regard to making suitable provisions in future agreements with consultants about their liability for defective designs and where applicable for bad workmanship of Plant and Machinery.

Recommendation (Serial No. 28)

In spite of the fact that even in 1961 the actual staff strength at Rourkela was 16,261 as against the Project estimate of 6,800, no efforts appear to have been made to review the staff strength and restrict the actual employment according to requirements. The result has been that the staff continued to increase and the present strength is about 24,000. (Para 88).

The Committee note that in their 33rd Report, which was presented to Lok Sabha in March, 1959, the Estimates Committee suggested that a job analysis might be carried out and staff strength determined on a scientific basis. They regret to observe that no systematic study has been made so far. Rough assessment for certain categories of staff which is stated to have been made by the management can hardly serve the purpose. The Committee consider that to solve the problem of overstaffing a scientific assessment of staff is essential. They, therefore, recommended that immediate steps should be taken to carry out such a study to determine the extent of surplus staff. Such staff could then be absorbed in the expansion programme of the plant or employed in other Steel Plants. (Para 90).

REPLY OF THE GOVERNMENT

The Project Report estimate of manpower of 6,800 did not include such major units as:

- (a) Plant departments such as Industrial Engineering, Production Planning, Statistical section, Scrap and Salvage, Raw materials, Order Deptt, etc.
- (b) Sinter Plant.
- (c) Pipe Plant.
- (d) Mines and Quarries.
- (e) Fertiliser Plant.
- (f) Township administration and services including town water supply, power supply, sanitation and town maintenance.

(g) Medical and public health in township.

(h) Education department etc.

Moreover, the manning of 16,261 and 24,000 referred to included personnel employed in the Construction Department.

Every effort is being made to curtail the manpower employed on operation and to raise productivity levels.

[*Ministry of Iron and Steel O.M. No. PARL(6)-12/65 dated the 10th August, 1966*].

COMMENTS OF THE COMMITTEE

The Committee would suggest that standard force should be laid down for the Plant. This has also been recommended in para 47 of the Committee's 28th Report on the Head office of Hindustan Steel Limited.*

Recommendation (Serial No. 40 and 41)

It is surprising that a Commercial Undertaking like Hindustan Steel Ltd., did not consider it necessary to investigate the reasons as to how a private firm was able to secure an order from another public undertaking for the pipes manufactured by them and for which they had also tendered. It is only after giving evidence before the Committee that the Ministry of Steel & Mines have decided to refer the matter to the Central Bureau of Investigation. As the case is now under investigation the Committee do not wish to comment on its merits.

The Committee, however, feel that Public Undertakings should purchase their requirements directly from the manufacturing Public Undertakings rather than through private agencies. In this connection they would invite a reference to para 111 of their 5th report on ONGC. (Para 128).

The Committee feel that in view of the fact that the dealings between the firm and a Public Undertaking had not been satisfactory, the propriety of granting further licences to the firm needs to be examined. (Para 132).

*47. Judging from the rise in the number of persons employed in the three steel plants to which references have been made by the Committee in their reports on those plants, the Committee consider that the Head Office has not been able to exercise an effective control over the manpower employed in the steel plants. In the absence of a standard force the Head Office cannot have a reliable yardstick to determine the staff requirements. They, therefore feel that standard force for the three steel plants should be laid down preferably by disinterested persons under the guidance of the Head Office.

REPLY OF THE GOVERNMENT

The question of taking administrative action against the firm has been under Government's consideration for some time. The reference to the Central Bureau of Investigation was made by the Ministry late because the Ministry were not aware of the facts of the transaction which are normally matters wholly within the purview of Hindustan Steel Ltd.

As regards the issue of a licence to the firm for putting up an electrolytic tinsplate line, the facts are that the firm informed us some time in June, 1963 that they had located a second-hand electrolytic tinsplate plant in the United States which they could purchase for a relatively small sum of approximately Rs. 20 lakhs in foreign exchange, and that with this plant they could produce about 60,000 tonnes of electrolytic tinsplate. At that time our estimate of tinsplate demand by 1966, i.e., the end of Third Plan was that it would be of the order of 200,000 tonnes. The planning was that Rourkela was to give 50,000 tonnes from a Second Plan programme and was to put up an electrolytic tinsplate plant of 100,000 tonnes. In addition, the Tinsplate Company of India which had a hot dip tinsplate production of 75,000 tonnes was also to modernise its plant and to have in addition an electrolytic tinsplate plant of the same capacity. For some time, the Tinsplate Company's hot dip as well as electrolytic tinsplate plants were to work side by side but later the hot dip plant was to be scrapped. We were aware that the Tinsplate Company's proposal for putting up the electrolytic plant was being very badly delayed and that, therefore, alternative capacity had to be planned. (In fact, the Tinsplate Company have not yet taken any positive action to launch their electrolytic tinsplate production scheme.) We were also aware that Rourkela was finding considerable difficulty in working up to its 50,000 tonnes production of hot dip tinsplate and that the further expansion of tinsplate production at Rourkela by the electrolytic process was also delayed. (Even now Rourkela's hot dip production has not exceeded 30,000 tonnes a month and their electrolytic tinsplate line is not likely to be in production till 1967). Also Rourkela's cost of the electrolytic tinsplate line in foreign exchange for 100,000 tonnes was over Rs. 2 crores. For all these reasons and considering that M/s. Khemchand Rajkumar were also in the line having a comparatively small licence for 20,000 tonnes of hot dip tinsplate, it was felt that their proposition for putting up an electrolytic tinsplate line of 60,000 tonnes capacity at a foreign exchange cost of Rs. 20,00,000 was very attractive. It may be noted that the consumption of tin under the electrolytic process is very much less than the consumption of tin under the hot dip process and since every tonne of tin that is used in making tinsplates is imported, it was very much

worth while to save on imports of tin. It should also be noted that the electrolytic tinplate line of M/s. Khemchand Rajkumar has been installed and has just started production, whereas work has not yet been started even on the electrolytic tinplate line of the Tinplate Company of India and Rourkela's tinplate line is not likely to be commissioned till about the middle of 1967. All this would show that our anticipations in 1963 were quite correct and that the grant of licence to Khemchand Rajkumar at that time was fully justified in the circumstances then existing and also justified by the further progress made since then.

Licences for tinmill black plate had to be given to this firm because they had a licence for the production of hot dip tinplate of 20,000 tonnes and tinplate production in the country was very much short of demand, the average imports being of the order of 30,000 to 40,000 tonnes a month. So long as Rourkela is unable to give to M/s. Khemchand Rajkumar all the tinmill black plate which they need for their production, it would be necessary to import the tinmill black plate, since the importation of tinmill black plate plus tin costs us less in foreign exchange than the importation of the finished tinplate.

[*Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated 30th March, 1966*].

COMMENTS OF THE COMMITTEE

Please see paras 15—17, 20 and 22nd of Chapter I.

Recommendation (Serial No. 42)

The Committee are not happy with the manner in which the case of export of ingots and slabs by certain private firms has been dealt with. Having committed themselves to allow the import of finished steel without pre-export of ingots and slabs, it was expected of Government to watch the performance of the firms for some time and to stop further imports by them, if their performance about the export of ingots and slabs was not satisfactory. It is regrettable that even after the issue of orders by the Ministry in October, 1960 not to allow pre-imports these firms were allowed to import steel to the extent of Rs. 1.49 crores without fulfilling their export commitments. It is also surprising that no enquiry was earlier conducted into the reasons for the parties not being able to export steel as required under the agreements. It is only now that the Ministry have asked the Iron & Steel Controller to hold such an enquiry. The Committee, however, feel that a thorough enquiry should be held in this case at the highest level. (Para 139).

REPLY OF THE GOVERNMENT*

The Committee's observations have been noted. As regards the suggestion of the Committee that a thorough enquiry should be held in this matter of pre-imports at the highest level, it may be stated that the various claims and counter-claims of the parties and

*GOVERNMENT HAVE FURNISHED THEIR COMMENTS ON PARAS 133 AND 135 ALSO AS BELOW:—

<i>Factual statement in the Report</i>	<i>Comments of Government</i>
<p>133. In 1960, it was anticipated that the new steel plants of Hindustan Steel Ltd., would have substantial quantities of semifinished steel as there was a time lag between the commissioning of Steel melting shops and the rolling Mills. Negotiations were, therefore, undertaken with certain firms for the export of these semis against which other required categories of steel could be imported under barter contracts. Out of the total volume of transactions under these barter agreements, 67 per cent of the trade amounting to Rs. 4.72 crores was given to the firms belonging to the same group and family.</p>	<p>While it is true, as observed by the Committee, that in respect of the particular transactions referred to, 67 per cent of the trade was given to a particular group of firms, it may be pointed out that if all barter deals involving export of pig iron, MMTC barters and scrap barters are taken into account, the share of the group referred to would be significantly less—of the order of about 20 to 25 per cent only.</p> <p>(Ministry of Iron & Steel O.M. No. PARL(6)-12/65 Dated 30th March, 1966.)</p>
<p>135. Later on, it was found that availing of this concession substantial quantities of finished steel had been imported but exports to the full value contracted for had not been made. Therefore, in October 1960 Government instructed the Iron and Steel controller not to allow pre-import in future contracts under any circumstances. However, this condition was not insisted upon in the cases under consideration, as it is observed from the information furnished by the Ministry that even after the issue of above orders the imports by these firms were allowed to the extent of Rs. 1.49 crores. The total value of imports made under these barter agreements amounted to Rs. 4.63 crores against which the value of exports was only Rs. 2.32 crores (50 per cent of the imports). There had been claims and counter claims by the Hindustan Steel Ltd., and the parties and the cases were pending in arbitration/courts.</p>	<p>With reference to import of Rs. 1.49 crores referred to in this para, it is pointed out that these imports were against licences prior to the banning orders of October 1960. On re-examination of export data also, it has been found that the exports were of the value of Rs. 2.36 crores against Rs. 2.32 crores mentioned earlier.</p> <p>(Ministry of Iron & Steel O.M. No. PARL(6)-12/65 Dated 30th March, 1966.)</p>

Hindustan Steel Limited on the reasons which led to the failure to export are at present the subject matter of arbitration and other legal proceedings. Any purposeful enquiry will really have to decide the question of apportioning blame for the default between the exporters and Hindustan Steel—which would be difficult in view of the pending litigation. The Controller of Iron & Steel, however, was requested to make a preliminary confidential assessment on the basis of such records as were available to him as to the respective responsibilities of Hindustan Steel and the exporters. It was felt that a proper decision on the Committee's recommendation could be taken by Government only after the Controller's report was available. (The Controller's report was received on the 11th March 1966 and is under examination.). The above answer was also given to the Central Vigilance Commission in November 1965 when the Commission enquired as to what action was proposed to be taken on para 139 of the Report.

A test case regarding the administrative action possible against one of the exporters was also referred to the Central Vigilance Commission for advice on the 27th March, 1965. According to the instructions available to the Ministry of Iron & Steel, the Central Vigilance Commission were required to be consulted where any blacklisting proposals relating to the firm were being considered—*vide* Central Vigilance Commission Memorandum No. 9/1/64-D.P., of the 13th April, 1964. The Central Vigilance Commission, however, advised in May 1965 that the blacklisting of a firm need be referred to them only if Departmental action against a Government servant was also under consideration in connection with the proposal of blacklisting. Since, however, we had made the reference to them on the 27th March, 1965, we did not withdraw the reference and they intimated to us in September 1965 that in their opinion no blacklisting order could be made against the firm. They confirmed this advice again in February 1966. Now that both the Controller's report and the Central Vigilance Commission's advice is available, Government will take a very early decision on the recommendations of the Public Undertakings Committee regarding a high-level enquiry.

[Ministry of Iron and Steel O.M. No. PARL (6)-12/66, dated the 30th March, 1966].

COMMENTS OF THE COMMITTEE

(Please see para 8 of Chapter I).

Recommendation (Serial No. 46)

The Committee suggest that proper soil investigations should be carried out before taking up their construction to avoid losses in future due to cracks in the houses. (Para. 149).

REPLY OF THE GOVERNMENT

The recommendation has been noted for future guidance.

[*Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966.*]

COMMENTS OF THE COMMITTEE

The Committee desire that the Bureau of Public Enterprises should issue suitable general instructions to all Ministries and Undertakings in regard to the importance of proper soil investigation before taking up construction work.

CHAPTER V

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

Recommendation (Serial No. 17)

Heavy expenditure incurred on airlifting of spares indicates lack of vigilance and proper planning on the part of management. The Committee recommend that the reasons therefor may be investigated and responsibility fixed. (Para. 57).

REPLY OF THE GOVERNMENT

The matter is under further examination in consultation with the Hindustan Steel Limited and further reply will follow.

[Ministry of Iron and Steel O.M. No. PARL(6)-12/65, dated the 10th August, 1966.]

Recommendation (Serial No. 37)

The Committee do not approve of the practice of obtaining the approval of the Cabinet and Parliament to piecemeal and incomplete estimates of a project as they do not give a true picture of the total financial outlay thereon. They consider that projects, particularly those involving heavy capital outlay should be undertaken on the basis of complete estimates which should not only indicate the cost of plant and machinery but also cost of other items like townships, ore mines, quarries, ancillaries, etc. The Committee hope that this will be ensured in future and there would not be wide variations between the original estimates and final expenditure. (Para. 116).

In this connection the Committee find that normally the original estimates of the Projects are only approved by the Cabinet and the subsequent revisions are sanctioned by the Administrative Ministry concerned. In the opinion of the Committee it is desirable that every substantial revision in the estimates should be specifically approved by the Cabinet. (Para. 117).

REPLY OF THE GOVERNMENT

This is being examined in consultation with the Bureau of Public Enterprises.

[Ministry of Iron and Steel, O.M. No. PARL(6)-12/65, dated the 10th August, 1966.]

Recommendation (Serial No. 43)

Since the investment on township and the cost of maintaining it add considerably to the overheads of a project, the Committee feel that there is need for utmost economy in the construction of houses and utilisation of land. Ceiling or norms should also be laid down about expenditure that could be incurred by a Public Undertaking on the township. In this connection they should also invite a reference to paras 13 and 56 of their 8th Report on Township and Factory Building of Public Undertakings. (Para. 142).

REPLY OF THE GOVERNMENT

Reply in this context will be furnished by the Bureau of Public Enterprises in regard to paras 13 and 56 of the Eighth Report on Township and Factory Buildings.

[*Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966.*]

Recommendation (Serial No. 44)

The Committee find that about 1,000 houses built by Rourkela Steel Plant have been allotted to staff of other Departments of Central and State Governments. They feel that the Rourkela Steel Plant could not legitimately be asked to bear the additional expenditure incurred on these houses and it should be borne by the respective offices. (Para. 143).

REPLY OF THE GOVERNMENT

The recommendation of the Committee is being examined in consultation with other Departments.

[*Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966.*]

Recommendation (Serial No. 50)

The Committee regret to note that the case of extra payment of Rs. 3,58,398 to a Contractor for the Construction of a ring road in Rourkela township is another instance where the Plant authorities failed to safeguard their financial interests and made avoidable extra payment. It is surprising that even after the matter had been pointed out by Audit, no proper enquiry was made in this case with a view

to fixing the responsibility for the extra payment. They desire that the matter should be investigated and action taken. (Para. 165).

REPLY OF THE GOVERNMENT

The matter is under consideration of the Government.

[*Ministry of Iron and Steel, O.M. No. PARL (6)-12/65, dated the 10th August, 1966.*]

NEW DELHI;

August 17, 1966.

Sravana 26, 1888 (Saka).

D. N. TIWARY,

Chairman,

Committee on Public Undertakings.

APPENDIX

(Vide Introduction)

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

I. Total Number of Recommendations made	54
II. Recommendations that have been accepted by Government (Vide Sl. Nos. 3,8,9,13,14,16,21,22,24,26,27,29,31,32,33,35, 36,45,51, 52, 53, 54)	
Number	22
Percentage to total	40.74
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide Sl. Nos. 1,2,4,5, 10,11,12,15,18,19,20,25,30,34,38,39,47,48,49)	
Number	19
Percentage to total	35.18
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide Sl. Nos. 6,7, 23,28,40,41,42,45)	
Number	8
Percentage to total	14.81
V. Recommendations in respect of which final replies of Govern- ment are still awaited (Vide Sl. Nos. 17,37,43,44,50)	
Number	5
Percentage to total	9.25