

# COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

## NINTH REPORT

Action taken by Government on the recommendations contained in the Hundred and Fifty-Seventh Report of the Estimates Committee (Second Lok Sabha)

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(MINISTRY OF INDUSTRY & SUPPLY)



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**LOK SABHA SECRETARIAT  
NEW DELHI**

April, 1965  
Vaisakha, 1887 (Saka)

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# COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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Shri N. N. Mallya—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

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

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf present this Ninth Report on the action taken by Government on the Recommendations contained in the Hundred and Fifty-seventh Report of the Estimates Committee (Second Lok Sabha) on National Newsprint and Paper Mills Ltd., Nepanagar [under the Ministry of Industry and Supply (Department of Industry)].

2. The Hundred and Fifty-seventh Report of the Estimates Committee was presented to the Lok Sabha on the 19th March, 1962. Government furnished their replies indicating the action taken on the Recommendations contained in that Report between 12th June, 1963 and 7th December, 1964. As Public Undertakings are now to be examined by this Committee, the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by this Committee. The draft Report was adopted by this Committee on the 30th March, 1965.

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

I—Recommendations that have been accepted by Government.

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

III—Recommendations in respect of which final replies of Government are awaited.

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

NEW DELHI;  
April 21, 1965.  
Vaisakha 1, 1887 (Saka).

PANAMPILLI GOVINDA MENON,  
*Chairman,*  
*Committee on Public Undertakings.*

## **CHAPTER I**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation (Serial No. 1)**

The Committee do not consider it worthwhile commenting on the action of the Government in participating in the share capital of the company as they were more or less confronted with a *fait accompli*. It is surprising that no valuation of its assets was insisted upon at the time of taking over its control particularly when the Government were fully aware of the numerous instances of waste and mismanagement on the part of the Managing Agents, which according to the Ranganathan Committee Report, had cost the project several lakhs of rupees. What is more surprising is that even the infructuous expenditure of Rs. 20 lakhs, estimated by the Chairman was not finally written down from the share capital of the Company. It was essential that the normal commercial practice should have been followed in such a case and the assets valued to ascertain the actual worth of the concern. The Committee hope that definite principles would be laid down by Government in this regard for guidance in similar cases in future. (Paragraph 7).

#### **REPLY OF THE GOVERNMENT**

Noted. Commercial practices in regard to valuation of assets are normally followed when an undertaking is taken over.

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

#### **Recommendation (Serial No. 2)**

The Committee are surprised that even after six years of starting commercial production the Mill has not reached its rated capacity. The Ranganathan Committee (1953) had envisaged that the rated capacity could be exceeded by 10 to 20 per cent. Adequate supply of power and steam, technical know-how and suitability of raw material are problems basic and vital to any industry and should have been foreseen and provided for well in time. That they should have remained unsolved all these years is regrettable. Six years is a long enough period for overcoming the teething troubles of such a concern. The Committee suggest that in such cases, in future, planned efforts should be made from the very beginning to achieve the rated capacity within a specified time. They hope that in the present case efforts would be made to reach full production by the end of 1962. (Paragraph 13).

### REPLY OF THE GOVERNMENT

The general observation of the Committee has been noted. As regards Nepa, every endeavour is being made to increase the production and the production has actually reached the rated capacity from December, 1962.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### Recommendation (Serial No. 4)

It is really unfortunate that production in the Mill has been allowed to suffer since 1955 for lack of adequate supply of power, which has resulted in considerable loss on account of under-utilisation of machinery and manpower. The Committee urge that effective steps should now be taken to ensure adequate supply of power to the Mill as also to remove any difficulty in the matter of speedy procurement of Chambal Hydel Power. So far as steel sections for transmission lines are concerned there should be no difficulty whatsoever in view of the increased output of steel in the country. (Paragraph 20).

### REPLY OF THE GOVERNMENT

Production has increased from less than 13,000 tons in 1955 to more than 25,000 tons in 1961-62. Power supply position has been improving. Madhya Pradesh Electricity Board are also taking steps in the matter of speedy procurement of Chambal Hydel Power.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### Recommendation (Serial No. 5)

The danger of discolouration of newsprint on account of the use of Salai was pointed out by the Shroff Committee as well as the Ranganathan Committee and was also felt at the time of trial production as far back as 1955. The Committee regret to observe that in spite of these indications no early steps were taken to install the Groundwood Bleaching Plant and production was allowed to suffer both in quantity and quality. (Paragraph 22).

### REPLY OF THE GOVERNMENT

Steps have already been taken to bleach the groundwood pulp and additional capacity for bleaching of groundwood pulp is being provided for. A caustic soda/Chlorine plant is expected to be in production shortly to make available adequate supplies of Chlorine for bleaching purposes.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### Recommendation (Serial No. 6)

An expenditure of Rs. 15 lakhs was incurred in 1960-61 on the import of pulp, which accounted for over 7 per cent of the total cost of production. The project was originally started with the ostensible object of saving foreign exchange by promoting industrial

development in newsprint with indigenous raw material. The Committee, therefore, urge that concerted efforts should be made to find out new processes for the manufacture of good quality newsprint from indigenous material and to eliminate the necessity of importing pulp for the purpose. (Paragraph 24).

#### REPLY OF THE GOVERNMENT

Salai wood is a new raw material used for the first time in the manufacture of newsprint. So as to give better strength to the product, admixture of imported wood pulp had to be resorted to, in order to ensure the quality of newsprint required for newspaper production. Simultaneously methods are being investigated to improve the quality of newsprint.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

#### Recommendation (Serial No. 7)

The Committee deplore that proper thought was not given to the location of the power house in the beginning. It may be worthwhile to consider shifting the power house to a convenient place so as to see that no damage could be caused to the paper and the machinery if it could be done with advantage and at not much cost. If, however, it cannot be done, then such measures as may be open to them may be taken to protect the machinery and the colour of the newsprint from fly ash. (Paragraph 26).

#### REPLY OF THE GOVERNMENT

The observations of the Committee have been noted. In order to remove the fly ash nuisance, the Madhya Pradesh Electricity Board have ordered special dust collectors from M/s. Hitachi, Japan. As the installation of these dust collectors cannot be done without shutting down the Boiler during the period of replacement it is proposed to take up the work immediately after the Nepanagar Power Station gets interconnected with the Chambal Grid. This is expected to materialise shortly and the Board expect to complete the installation of all the dust collector units.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

#### Recommendation (Serial No. 8)

The Committee hope that the results of the researches and tests carried out in the laboratory of the Mill would be pursued vigorously and the quality of the newsprint improved. (Paragraph 27).

#### REPLY OF THE GOVERNMENT

The observations of the Committee are noted. Researches are being pursued vigorously and the quality of newsprint is gradually improving.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]



### Recommendation (Serial No. 10)

The total quantity of newsprint produced and average cost of production per ton as worked out by the management since 1956-57 are given in the following table:

| Year    | Quantity produced (tons) | Percentage increase over previous year | Cost per ton (Rs.) | Percentage increase over previous year |
|---------|--------------------------|--|--------------------|--|
| 1956-57 | 13,351                   | —                                      | 1,107              | —                                      |
| 1957-58 | 14,145                   | 5.9%                                   | 1,014              | (—) 8.4%                               |
| 1958-59 | 21,838                   | 54.4%                                  | 801                | (—) 21.0%                              |
| 1959-60 | 22,411                   | 2.6%                                   | 864                | (+) 7.8%                               |
| 1960-61 | 23,029                   | 1.3%                                   | 885                | (—) 2.4%                               |

It would be seen that the average cost of production of newsprint per ton which declined during the first three years shows a rising trend from 1959-60 recording an increase of 7.8 per cent and 2.4 per cent respectively over the previous years. The production of newsprint has been constantly rising from year to year the increase in 1959-60 and 1960-61 being 2.6 per cent and 1.3 per cent respectively over the previous years. With the increase in production the average cost per ton was normally expected to come down but it has shown an increase from 1959-60 onwards. The increase in cost has also been at a rate faster than that of production. (Paragraph 29).

### REPLY OF THE GOVERNMENT

The cost of production per ton has come down during 1962-63 (838/per ton) as compared to Rs. 885 in 1960-61, in spite of the fact that practically the cost of all raw materials and chemicals has increased.

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62 dated 12th June, 1963.]

### Recommendation (Serial No. 14)

The Committee regret to observe that in spite of a written enquiry from them, neither the Ministry nor the Mill could furnish any information regarding the normal turnover of such concerns elsewhere. The Committee consider it very necessary for all public undertakings to collect such information so that normal standards are known and their performance could be assessed against them. (Paragraph 38).

### REPLY OF THE GOVERNMENT

In regard to Nepa, efforts were made to ascertain facts in respect of units abroad. The data are not, however, comparable, mainly because of the raw materials used being different.

The general observation is being brought to the notice of Ministries, so that such data could be collected to the extent possible.

[Ministry of Commerce & Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### Recommendation (Serial No. 15)

The Mill continued to incur heavy losses upto 1957-58 which amounted to Rs. 173 lakhs at the end of that year. In 1958-59 the Mill turned the corner inasmuch as it started making profits. These profits are being utilised to wipe off the earlier losses. It will be seen that the percentage of net profit (before tax and interest) to total capital was 9·5 8 and 6 in 1958-59, 1959-60 and 1960-61 respectively and to sales 24·4 per cent, 17·9 per cent and 13·5 per cent respectively during the same period. Compared to net worth, the yield (Profit after tax and interest) amounted to 11·3 per cent, 10 per cent and 7·9 per cent in 1958-59, 1959-60 and 1960-61 respectively. It was admitted during evidence that the yield on capital and net worth was low. In their various reports the Committee have emphasized the need for the public sector undertakings to obtain a reasonable return on their capital. They hope that the Nepa mills would make all out efforts to achieve this end by increasing their efficiency and adopting adequate measures of economy. (Paragraph 39).

#### REPLY OF THE GOVERNMENT

The observations are noted. Every effort is being made to increase the profit every year as will be seen from the profits made in the last four years as given below:—

|         |                  |
|---------|------------------|
| 1958-59 | Rs. 36,82,757-15 |
| 1959-60 | Rs. 37,76,278-97 |
| 1960-61 | Rs. 32,94,034-88 |
| 1961-62 | Rs. 40,84,837-05 |

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### Recommendation (Serial No. 16)

The Committee hope that with increased production, reduction of tariffs for power and steam and stricter control over costs the cost of production of newsprint would come down and facilitate fixation of a fair price as compared to the imported product. (Paragraph 40).

#### REPLY OF THE GOVERNMENT

The observations of the Committee have been noted.

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

*Further information called by the Committee*

Note on as to how the NEPA products compare with the prices of imported items.

[L.S.S. O.M. No. 23-PU/64, dated 7th December, 1964.]

#### REPLY OF THE GOVERNMENT

A note indicating how the NEPA products compare with the price of imported items (newsprint) is at Appendix I.

[Ministry of Industry and Supply O.M. No. LI(III)—18(6)/62, dated 2nd Feb., 1965.]

### **Recommendation (Serial No. 17)**

The question whether there should be exemption from excise duty for Nepa Newsprint is a matter that needs to be carefully examined by Government, particularly in view of the fact that more Mills are being set up for the manufacture of newsprint which might come up for similar exemption in future. (Paragraph 41).

#### **REPLY OF THE GOVERNMENT**

The question of exemption of Nepa Newsprint from excise duty was reviewed during the last budget for 1962-63 and after careful consideration the total exemption previously enjoyed by Nepa Newsprint has since been replaced by partial exemption.

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 20)**

The steep increase in the estimate of the project obviously indicates lack of proper planning and sound management in the early stage of the project. Its repercussions have been loss of valuable time, increase in costs and delay in commencement of production. The inability to use power supply from the power house that was specifically earmarked for the project and was ready in 1953 and the subsequent difficulties on account of limited supply of power and steam were the direct off-shoots of the initial vacillation and delay. How vitally necessary it is to have a realistic blue-print for a project and to proceed with its implementation according to a schedule are some of the valuable lessons to be drawn from the history of this project. (Paragraph 48).

#### **REPLY OF THE GOVERNMENT**

Noted.

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 21)**

The Committee feel that the grant of concession to the Nepa mills, namely, the conversion of accumulated interest on the loans given to the Mills into a non-interest bearing loan to be repaid in ten equal annual instalments was not in accordance with normal commercial practice which should be observed in the case of public undertakings. (Paragraph 51).

#### **REPLY OF THE GOVERNMENT**

Noted.

[Ministry of Commerce and Industry O.M. No. CH(I)—18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 22)**

It would be seen that the fixed assets account for over 70 per cent of the total capital of the Company. The very fact that the company is over-capitalised and there is a high proportion of fixed assets, points

out strongly to the necessity for intensive utilisation of the assets with a view to increased production. (Paragraph 53).

#### REPLY OF THE GOVERNMENT

Noted.

[Ministry of Commerce & Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

#### Recommendation (Serial No. 24)

The Committee would stress the desirability of building reserves for bad and doubtful debts as also keeping under control the position regarding 'Sundry Debtors' which shows a rising trend. (Paragraph 57).

#### REPLY OF THE GOVERNMENT

As on 31-3-1962 reserves for doubtful debts have been provided. The position of sundry debtors is being constantly reviewed.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

#### Recommendation (Serial No. 25)

Since the Company has now started making profits, the Committee trust that the need for building adequate reserves would be borne in mind with a view to strengthening the financial position of the concern. They would also suggest that in the case of public undertakings Government would lay down a policy for the creation of the various kinds of Reserves which are considered essential in consultation with Company Law Administration. (Paragraph 58).

#### REPLY OF THE GOVERNMENT

According to normal commercial practice which is being followed by all undertakings, reserves have been created by them wherever possible to the extent their financial position permits.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

#### Recommendation (Serial No. 26)

The Committee feel that it might be possible to find men who though having nothing to do with competitive paper mills have acquired considerable knowledge about the paper industry. They suggest that efforts should be made to appoint such persons on the Board of Directors. (Paragraph 60).

#### REPLY OF THE GOVERNMENT

Noted.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 28)**

It will be noted that while the Regulation Committee had recommended the training of six to eight qualified engineers under foreign experts, only four Foremen were trained by the Mill under them. It indicates that due attention was not paid by the Mill to the training of their personnel in spite of the recommendations of the Ranganathan Committee. The Committee regret to observe that even though it was apparent that sufficient technical know-how was lacking efforts were not made after the American experts left in 1956, to obtain the services of some experts again. Had this important aspect been attended to in time, the present position of the Mill being unable to work to its rated capacity for want of experienced personnel may not have arisen. The Committee hope that under-studies to the American experts would gain sufficient experience to run the Mill to its rated capacity. (Paragraph 65).

#### **REPLY OF THE GOVERNMENT**

Noted. Action has already been taken to train 17 men in the various operations connected with the Mill and a good number of persons are expected to be trained in the near future. The Mills have also been able to overcome many of the problems and achieve the rated capacity.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 30)**

The Committee hope that careful consideration would be given to the difficulties such as unfavourable location, inadequate supply of power and steam, lack of experienced technical personnel, necessity for importing pulp for want of good wood pulp etc. before embarking on the expansion of the Mill. Further, it should also be necessary to ensure that the doubling of the capacity would be an economically viable proposition especially in view of the possibilities of competition from the private sector units which would be more advantageously placed. (Paragraph 69).

#### **REPLY OF THE GOVERNMENT**

Noted. As a preliminary step towards doubling the capacity of Nepa Mills, a technical committee has been appointed to assess the sustained availability of raw materials and to recommend from the long term point of view a programme for development of timber resources for the Mill.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

#### **FURTHER REPLY OF THE GOVERNMENT**

The expansion programme has been approved by Government and orders for the supply of 'Paper Section' of this programme are being placed with a Finnish firm.

[Ministry of Industry and Supply O.M. No. LI (III)-18(6)/62, dated 13th July, 1964.]

### **Recommendation (Serial No. 31)**

The Committee suggest that the question of utilising bagasse on a large scale for paper and newsprint and providing the sugar mills with alternative fuel at economic rates should be examined at an early date preferably by a Committee appointed for the purpose. (Paragraph 70).

#### **REPLY OF THE GOVERNMENT**

Adequate quantities of bagasse are not available within a reasonable distance of Nepanagar. However, quite a few schemes have been approved for setting up paper or newsprint mills based on bagasse as principal raw material in the manufacture. Two such paper mills have already come into production.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 32)**

The Committee feel that having regard to the proposed production of newsprint in the private sector the question of switching over the Nepa mills to alternative production of writing and printing paper may assume importance in future from the point of view of competitive strength since cost of production of newsprint in the private sector may be cheaper. (Paragraph 72).

#### **REPLY OF THE GOVERNMENT**

Noted. None of the units licensed so far in the private sector for the manufacture of newsprint has made any progress.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 33)**

It would be seen that the Nepa project had a legacy of poor planning and mismanagement in the early stages. Further, it had all the difficulties of a pioneering venture in an entirely new line of production and with an untried raw material like salai. All these factors, aggravated by the unfortunate position regarding inadequate supply of power and steam and lack of experienced technical personnel have been responsible for low output and high costs. As a result, the Company has yet to write off the accumulated losses of the order of Rs. 65 lakhs. In view of the proposal for setting up of three units for production of newsprint in the private sector it is of utmost importance that it should gear up its machinery to be able to produce newsprint at competitive prices.

The Committee hope that with the availability of cheap Chambal Hydel power, intensive training of the personnel and concerted measures to achieve technical improvements coupled with sound management, it would be possible for the Nepa Mills to achieve full production of newsprint of standard quality at low costs. (Paragraph 73).

**REPLY OF THE GOVERNMENT**

The observations are noted.

**[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62,  
dated 12th June, 1963.]**

## CHAPTER II

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

#### Recommendation (Serial No. 3)

It needs no emphasis that the successful working of the Mill depends on a regular and sustained supply of raw material. For this purpose, it is essential that there should be intimate coordination and cooperation between the Madhya Pradesh Forest Department and the Mill. The Committee are, however, surprised to note that the position regarding implementation of the recommendations of the Ranganathan Committee about the progress of re-plantation, which were made as far back as 1953, still remains nebulous. Considering the fact that the Madhya Pradesh Government are partners in this venture, the committee feel that there should have been no difficulty in enlisting their full cooperation. They suggest that immediate steps may now be taken to impress on the Forest Department the urgent need for preparing a blue-print for the afforestation of the denuded areas, and speedy implementation of the plantation scheme to ensure that at no time the working of the Mill as hampered due to lack of this basic raw material. (Paragraph 17).

#### REPLY OF THE GOVERNMENT

The matter has since been taken up with the M. P. Government. It is reported that in the early plantations, Maharukh and Salai both were tried. Maharukh formed a larger proportion. This species was, however, not found very successful in later years. Its proportion was, therefore, considerably decreased and the proportion of salai was increased. In most of the recent plantations the proportion of Maharukh is negligible. The plantation consists mainly of salai and a sprinkling of some other soft woods. Further report from the Chief Conservator of Forests, Madhya Pradesh is awaited.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

#### FURTHER REPLY OF THE GOVERNMENT

An Inter-Departmental Committee under the Chairmanship of Dr. A. Seetharamiah, Industrial Adviser, D.G.T.D. which has been set up to examine and suggest the programme for ensuring the sustained availability of raw materials for the present requirements as well as for the expansion programme of the NEPA Mills has approved a long term programme drawn up by the Chief Conservator of Forests Madhya Pradesh, who is also one of the Members of the Committee. This programme has been forwarded to the Ministry of Food and



Agriculture (Deptt. of Agriculture) for implementation in consultation with the Government of Madhya Pradesh. The present resources of raw materials are reported to be sufficient for the next 20-22 years to meet the requirements of NEPA Mills on the basis of their capacity as well as that proposed to be expanded.

[Ministry of Industry and Supply O.M. No. 2 I(III)-18(6)/62, dated 13th July, 1964.]

### **Recommendation (Serial No. 9)**

The Committee feel that in view of the proposed expansion in the newsprint and paper manufacturing industry in the country, it would be desirable if a specialised research centre on paper technology is set up. (Paragraph 28).

### **REPLY OF THE GOVERNMENT**

The Cellulose and Paper Branch of the Forest Research Institute, Dehra Dun, are engaged in fostering Research development and technology of pulp, paper and allied industries. It has been proposed that the Advisory Committee of the Forest Research Institute should include a representative of Nepa Mills in order that problems connected with newsprint production receive adequate attention in the research programmes of the Cellulose and paper Branch of the Forest Research Institute.

[Ministry of Commerce and Industry O.M. No. CH(I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 11)**

The Committee hope that every effort will be made to get the tariff rates of power and steam reduced as early as possible as these items constitute about 25 per cent of the cost of production. They further feel that there is enough scope for curtailing expenditure on other items also. In view of the fact that the cost of NEPA Newsprint is already very high it is essential that the management should exercise strict control over costs by following modern methods of cost control. An expert study to bring down costs may be arranged if considered necessary. (Paragraph 32).

### **REPLY OF THE GOVERNMENT**

The Committee's observations have been noted. As far as the cost of power and steam is concerned, the matter has been taken up with the Madhya Pradesh Government.

[Ministry of Commerce and Industry O.M. No. CH(I)-18(6)/62, dated 12th June, 1963.]

### **FURTHER REPLY OF THE GOVERNMENT**

The tariff rates of power and steam continue to remain the same in spite of the Central Government's request to the Madhya Pradesh Government to bring them down. However, the cost of Production

has been brought down from Rs. 885 per ton in 1961-62 to Rs. 815 per tonne during 1963-64 by effecting all round economy in production.

[Ministry of Industry and Supply O.M. No. LI(III)-18(6)/62, dated the 13th July, 1964.]

### Recommendation (Serial No. 12)

While there has been no consumption of some of the Chemicals listed by the Ranganathan Committee, in other cases the actual consumption has been far in excess of the estimates incurred even though the Mill has all along been working below the rated capacity. It is really surprising that the estimates of the consumption of chemicals given by the Ranganathan Committee, which were apparently based on the estimates prepared by the Mill in 1963, should have proved so wide of the mark that local factors such as the use of new raw materials for the manufacture of newsprint in the country were not taken into account in assessing the consumption of chemicals is unfortunate. In the absence of realistic estimates in these important matters, their very purpose is defeated. Even so the Committee doubt whether the use of chemicals on such an excessive scale could be justified by the necessity of bleaching mechanical pulp only. They cannot over-emphasize the need for utmost economy in the consumption of these stores. The Committee, therefore suggest that a special study of the use of Chemicals should be made with a view to effect economy in their consumption. (Paragraph 34-35).

### REPLY OF THE GOVERNMENT

The C.R. Ranganathan Committee had provided Rs. 108.99 per metric Tonne towards consumption of Chemicals. As against this, the actual expenditure during the following years is given below:—

|         |            |            |
|---------|------------|------------|
| 1958-59 | Rs. 157.97 | per tonne. |
| 1959-60 | Rs. 217.74 | per tonne. |
| 1960-61 | Rs. 192.45 | per tonne. |
| 1961-62 | Rs. 166.35 | per tonne. |

When the C. R. Ranganathan Committee prepared their estimates in 1953, the plant was still under erection and therefore, no operating data were available to compile the correct production cost estimate. Later on, when newsprint was produced for the first time in 1955 in this country it was found to be of sub-standard quality because of very dull yellowish shade, which was not acceptable in the market. This dull yellowish shade was due to salai ground wood pulp. To overcome this difficulty to some extent bleaching of salai ground wood pulp was resorted to which has added to the cost of Chemicals. This is the first newsprint factory in the world using salai for ground-wood pulp. Normally softwood is used in foreign countries and bleaching is not necessary.

The Ranganathan Committee did not envisage bleaching of the Mechanical Pulp from Salai and so it did not provide for the extra cost involved in bleaching. This accounts for the somewhat wide

deviation between the figure estimated by Ranganathan Committee and the actual expenses incurred on Chemicals.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 18)**

In view of the wide disparity in the prices of the Nepa Newsprint and imported newsprint the Committee consider it desirable to pool the prices. They, therefore, recommend that the feasibility of creating a centralised organisation to distribute both the imported and Nepa Newsprint at equated prices may be examined at an early date.

#### **REPLY OF THE GOVERNMENT**

The current newsprint import and distribution policy regulates the allotment of different types of newsprint, i.e., Nepa Newsprint, and newsprint imported from rupee and other sources, and ensures that almost the entire production of Nepa Mills is distributed among the big newspapers—which account for the bulk of that offtake—alongwith imported newsprint and the balance to new newspapers without any price reduction. While mere equalisation of the prices is not, therefore, likely to result in any substantial advantage in so far as disposal of Nepa Newsprint is concerned, it might adversely affect the small and medium newspapers which are presently allowed to obtain their entire requirements from imported stocks. In the circumstances, it is not considered necessary to equalise the prices of Nepa Newsprint and imported newsprint now and to create a centralised organisation for distribution. (Paragraph 45).

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June, 1963.]

### **Recommendation (Serial No. 19)**

The Committee suggest that so long as the Nepa newsprint remains exempted from excise duty the feasibility of water marking the duty-free newsprint might be examined in order to ensure that it does not find its way to unauthorised users. (Paragraph 46).

#### **REPLY OF THE GOVERNMENT**

The position has been examined and it is not considered feasible.

[Ministry of Commerce and Industry O.M. No. CH (I)-18(6)/62, dated 12th June 1963.]

### **Recommendation (Serial No. 23)**

It is an elementary requirement that plant and machinery should be maintained in excellent condition by annual overhaul and running maintenance. The Committee value the assurance given by the Managing Director regarding the condition of the plant and machinery of the Mill. Nevertheless they feel that to avoid a repetition of what happened at Sindri Fertilizers and Chemicals Factory it would be very desirable if a common-purpose team of Engineers is appointed to inspect periodically the condition of the plant and machinery of

all the public undertakings. The Secretary of the Ministry viewed the suggestion favourably. The Committee would recommend that the feasibility of appointing such a team may be examined. (Paragraph 55).

#### REPLY OF THE GOVERNMENT

The type of machinery installed in each industry is typical of the processes of that industry and therefore, the concept of maintenance except for common machinery in normal machine shops would differ and could be assessed by specialists, knowledgeable in handling such machines. Government, therefore, is of the opinion that the appointment of a common purpose Team of Engineers may not be feasible.

[Ministry of Commerce and Industry O.M. No. CH(I)-18(6)/62, dated 12th June, 1963.]

#### Recommendation (Serial No. 27)

From the details of the existing staff furnished to the Committee, it is seen that the operating staff of the Mills is 943 against the estimate of 741, given by the consultants. Thus even in this category there is an excess of 202 men. The Committee regret that the estimates of the Consultants should have proved wrong in these important matters which vitally affect the working and efficiency of the concern. They feel that local standards should be specifically brought to the notice of Consultants at the time of framing of estimates. The Committee have already suggested an expert enquiry into the working of the mill with a view to achieving efficiency and economy. They suggest that the manpower requirements of the company should also be reviewed by those experts. Further, there should be a periodical review of the staff position and their out-turn according to well defined standards so as to ensure that there is no surplus or idle manpower. (Paragraph 61).

#### REPLY OF THE GOVERNMENT

The consultants had not taken into account the staff required for Security, Time Office, Drawing Office, Works Manager's Office, Laboratory, Civil Engineering Works and labour and canteen. The out-turn of the Mill is increasing and the doubling of capacity is also under consideration.

A team of foreign experts visited the factory and their recommendations are under consideration by the Board of Directors.

[Ministry of Commerce and Industry O.M. No. CH(I)-18(6)/62, dated 12th June, 1963.]

#### FURTHER REPLY OF THE GOVERNMENT

The report of the experts who visited Nepa Mills was studied and with the adoption of some of the suggestions made therein as also by effecting certain other improvements in the working of the Mills, the rated capacity of the Mills has been achieved without any increase in staff.

[Ministry of Industry and Supply O.M. No. LI(III)-18(6)/62, dated 13th July, 1964.]

### Recommendation (Serial No. 29)

The problem of exodus of trained people to the private sector is undoubtedly one which should cause anxiety. One way to secure them would be to enter into agreements of service for specific periods. Another alternative would be to examine to what extent the existing pay scales can be put on a parity with those obtaining in the paper industry so as to prevent the drift of trained hands to the private sector. This is a matter of general importance to all public sector projects and requires early consideration. (Paragraph 67).

#### REPLY OF THE GOVERNMENT

This problem has been engaging the attention of Government. The study of this question was entrusted to the Indian Institute of Public Administration. Dr. Paranjpe of the Institute had made a detailed study of the problem. His report which has been received by Government is being examined and suitable action will be taken.

[Ministry of Commerce & Industry O.M. No. CH (I)-18 (6) /62, dated 12th June, 1963.]

#### FURTHER REPLY OF THE GOVERNMENT

The matter is under Government's urgent consideration.

[Ministry of Industry and Supply O.M. No. LI (III)-18 (6) /62, dated the 13th July, 1964.]

Further information called for by the Committee

".....Final action taken by Government on Dr. Paranjpe's Report".

[L.S.S. O.M. No. 23-PU/64, dated 7th December, 1964.]

#### FURTHER REPLY OF THE GOVERNMENT

The recommendations contained in Dr. Paranjpe's Report have more or less been covered by the Estimates Committee in their 52nd Report of Personnel Policies of Public Undertakings, presently under consideration by Government. Accordingly it is not considered necessary to pursue separately the recommendations contained in Dr. Paranjpe's Report on "Flight of Technical Personnel".

[Ministry of Industry and Supply O.M. No. LI (III)-18 (6) /62, dated 2nd February, 1965.]

## CHAPTER III

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

#### Recommendation (Serial No. 13)

It was admitted by the Secretary of the Ministry during evidence that the turnover of the Company was very low and that it should be at least 1:1 in a factory of this kind. The turnover had also to be viewed against the fact that the concern was slightly over-capitalized. The Committee hope that energetic steps would be taken to increase production and improve the turnover to normal standards. (Paragraph 37).

#### REPLY OF THE GOVERNMENT

The principal newsprint producing countries of the world are Canada and the Scandinavian countries, where newsprint is produced from soft woods like fir, spruce and pine on a large scale on high speed machine (i.e., 600 to 1000 tons per day capacity). These countries have been able to establish large newsprint mills because of favourable geographical and climatic conditions which are conducive to the extensive growth of soft woods. Moreover, in these countries extensive plantations on a planned scientific basis are undertaken to sustain large paper mills. The lack of such facilities in India has been the reason for the setting up of a comparatively small newsprint mill at Nepanagar. While issuing licences for new newsprint mills, consistent with the availability of raw materials, this aspect is being borne in mind. The question of doubling the capacity of the NEPA Mills is also under consideration.

[Ministry of Commerce and Industry O.M. No. CH(I)-18(6)/62, dated 12th June, 1963.]

The matter is under Government's urgent consideration.

[Ministry of Industry and Supply O.M. No. LI(III)-18(6)/62, dated 13th July, 1964.]

*\*Further information called for by the Committee*

A note detailing the steps taken to increase production and improve the turnover to normal standards of NEPA Mills.

[L.S.S. O.M. No. 23-64/64, dated 16th March, 1965.]

NEW DELHI;

April 21, 1965.

Vaisakha 1, 1887(S).

PANAMPILLI GOVINDA MENON,

Chairman,

Committee on Public Undertakings.

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\*At the time of factual verification, the Ministry of Industry and Supply stated thus:—  
“the matter was referred to the Managing Director, Napa Mills. He has stated that it is rather difficult for him to state the precise steps that were taken by him to improve the situation. Broadly speaking, the attainment of the rated production was due to better coordination infused by him in the working of different sections of the mill.”

[Ministry of Industry & Supply O.M. No LI(III)-18(6)/62-Vol(ii), dated 19th April, 1965].

## APPENDIX I

(Vide S. No. 16, page 5)

*Note on as to how the Nepa Products compare with price of imported Items (Newsprint)*

The price of indigenous newsprint has been maintained steadily at Rs. 1050 per tonne over the last six years despite an all round rise in the cost of production such as raw materials, chemicals, transport, power, labour, coal, etc. The price of imported newsprint is subject to fluctuations depending on the international supply position and the country of origin. The average landed cost of imported newsprint at present is of the order of Rs. 900 per tonne.

Very few countries in the world have the advantage of having a surplus production of newsprint for the export market. Some of the leading exporting countries are Canada, Sweden, Norway, Finland, etc. (Even some of the most advanced countries like the U.S.A. have to import large quantities of newsprint.) In the principal newsprint producing countries the sizes of units are very large. They range from 600 to 1000 tonnes per day. On the other hand, the capacity of NEPA Mills—the only newsprint mill in India—is only 100 tonnes per day. While the overseas manufacturers are able to take advantage of the large natural resources of conifers in the temperate zones, our country as well as many other tropical countries which are not bestowed by nature with such resources have to develop production on other types of woods which are not very suitable but which are available within the country. The technology of development of new processes on such unconventional raw materials naturally places us at a disadvantage when compared to the manufacturers to temperate zones. Moreover, most of the principal newsprint producing countries have special reduced prices for export markets. In this context, it may not be quite realistic to make a comparison between the quality and price of imported and indigenous newsprints. In spite of all this, the price of indigenous newsprints is not very much higher than that of the imported newsprint.

Steps have been taken to increase the capacity of NEPA Mills—the only newsprint mill in the country—from 100 tons a day (30,000 tonnes per annum) to 250 tonnes a day (75,000 tonnes per annum) and, when this scheme is fully implemented, it may be possible for the unit to bring down the prices to some extent.

## APPENDIX II

(Vide Introduction)

*Analysis of the action taken by Government on the Recommendations contained in the 157th Report of the Estimates Committee (Second Lok Sabha).*

|      |   |     |
|------|---|-----|
| I.   | Total number of recommendations made  | 33  |
| II.  | Recommendations that have been accepted by (Vide recommendation Nos. 1, 2, 4, 5, 6, 7, 8, 10, 14, 15, 16, 17, 20, 21, 22, 24, 25, 26, 28, 30, 31, 32, 33.       |     |
|      | Number . . . . .  | 23  |
|      | Percentage to total . . . . .   | 70% |
| III. | Recommendations which the Committee do not desire to pursue in view of Government's reply (vide recommendations Nos. 3, 9, 11, 12, 18, 19, 23, 27, 29 . . . . . |     |
|      | Number . . . . .  | 9   |
|      | Percentage to total . . . . .   | 27% |
| IV.  | Recommendations in respect of which final replies of Government are still awaited (Vide recommendation No. 13.  |     |
|      | Number . . . . .  | 1   |
|      | Percentage to total . . . . .   | 3%  |