

COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69)

(FOURTH LOK SABHA)

THIRTY-FIRST REPORT

**ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE
TWENTY-EIGHTH REPORT OF THE
COMMITTEE ON PUBLIC UNDER-
TAKINGS (THIRD LOK SABHA)**

HEAD OFFICE OF HINDUSTAN STEEL LTD.

(MINISTRY OF STEEL, AND HEAVY ENGINEERING)



**LOK SABHA SECRETARIAT
NEW DELHI**

January, 1969/Pausa, 1890 (Saka)

Price : Re. 0.95

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C O R R I G E N D A

THIRTY-FIRST REPORT OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (1968-69) ON ACTION
TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS
CONTAINED IN THE TWENTY-EIGHTH REPORT OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(THIRD LOK SABHA) ON THE HEAD OFFICE
OF HINDUSTAN STEEL LIMITED.

<u>Page</u>	<u>S.No. of Recommenda- tion</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
I. Report	1
II. Recommendations that have been accepted by Government	2
III. Recommendations which the Committee do not desire to pursue in view of Government's reply	21
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	33
V. Recommendations in respect of which final replies of Government are still awaited	34
 APPENDICES	
I. Ministry of Steel, Mines & Metals, (Deptt. of Iron & Steel) Notification No. DUR-21(4)/66 dt. 19.7.1967	35
II. Ministry of Finance (Bureau of Public Enterprises) O.M. No. 2(32)/65-F.I. dated the 16th March, 1967	49
III. Note on market survey/Studies carried out by Sales Office of HSL	51
IV. Statement made by Minister for Steel, Mines & Metals in Parliament on the 20th March, 1968 on the Management organisation of Hindustan Steel Limited.	53
V. Analysis of the Action Taken by Government on the recommendations contained in the 28th Report of the Committee on Public Undertakings (Third Lok Sabha)	58

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1968-69)

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2. Shri C. C. Desai
3. Shri Surendranath Dwivedy
4. Shri Bhogendra Jha
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15. Shri D. Thengari

SECRETARIAT

Shri A. L. Rai, *Deputy Secretary.*

Shri M. M. Mathur, *Under Secretary*

INTRODUCTION

1. The Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this thirty-First Report on the action taken by Government on the recommendations contained in the Twenty-eighth Report of the Committee (Third Lok Sabha) on Head Office of Hindustan Steel Ltd.

2. The Twenty-eighth Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 20th April, 1966. Government furnished their replies indicating the action taken on the recommendations contained in the Report in several batches during the period 4th November, 1966 to 28th September, 1968.

3. The replies of Government to the recommendations contained in the aforesaid Report was considered by the Committee on the 29th November, 1968 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

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 action taken by Government on the recommendations contained in the Twenty-eighth Report of the Committee (Third Lok Sabha) is given in Appendix IV. It would be observed therefrom that out of 49 recommendations made in the report, 69.39 per cent have been accepted by Government and the Committee do not desire to pursue 30.61 per cent of the recommendations in view of Government's reply.

G. S. DHILLON,
Chairman,

Committee on Public Undertakings.

NEW DELHI;

January 13, 1969

Pansa 23, 1890(S)

CHAPTER I

REPORT

Recommendations at Serial Nos. 1 to 8 (Para Nos. 11, 15, 16, 20, 21, 22, 24, 26 & 27)

In recommendations Nos. 1 to 8 of their 28th Report (3rd Lok Sabha) on Head Office of Hindustan Steel Limited, the Committee on Public Undertakings had suggested various measures for the reorganisation of the Head Office, the composition of the Board of Directors and functions and powers of the Chairman of Hindustan Steel Limited. The Government, in their reply have stated that the observations of the Committee have been noted. These would be duly taken into consideration in the contemplated reorganisation of the Steel Industry in the public sector. In doing so, the recommendations of the Administrative Reforms Commission in their report on the Public Sector Undertakings, the assessment made in the report of the Pande Committee, the impact of the working of the scheme of de-centralisation introduced in 1963 and the Minister's assessment of the Nationalised Steel Industry in Britain would also be taken into account.

2. In view of the fact that the Steel Industry in the public sector is undergoing extensive changes and also in view of the complex nature of the problem, the Committee have tentatively accepted the replies of the Government to these recommendations. The Committee would, however, like to reserve their comments on the implementation of these recommendations till the reorganisation of the Steel Industry in the public sector is over.*

*It was stated by the Ministry of Steel, Mines and Metals at the time of factual verification that since the time Government replies had been sent, the undermentioned developments have taken place which the Committee might like to incorporate in the Report:

(i) The Minister for Steel, Mines & Metals made a statement in Parliament on the 20th March, 1968 on the Management Organisation of Hindustan Steel Limited. A copy of the statement is enclosed for ready reference (Appendix IV).

(ii) Government decisions on some of the recommendations of the Administrative Reforms Commission in their Report on Public Sector Undertakings were laid on the Table of both the Houses of Parliament on the 10th May, 1968. These decisions cover the recommendations of the Commission relating to the establishment of statutory corporations, functions of the sector corporation, powers to be reserved by Government, appointment of Chairman, Functional Directors and General Managers of the Constituent Units etc.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 9)

The Committee note that the Estimates Committee in their Report on Personnel Policies of Public Undertakings had recommended that since the success of an undertaking depended to a large extent on the direction and guidance provided by the Chairman/Managing Director and it took him sometime to acquire an intimate knowledge of the problems and programmes of the enterprise, the incumbent of these posts should be selected carefully and for a minimum term say of 5 years. This Committee are not aware of the decision taken by the Government on this recommendation.

The Committee urge that the question of fixing a minimum tenure for top posts such as Chairman, Managing Director, Director, General Manager, etc. should be examined by Government and a decision taken soon. The Committee are aware that in some cases, the continuance of an incumbent may be detrimental to the efficient performance of the Undertaking. In such cases, it should always be possible for Government to remove an unsuccessful incumbent before the expiry of his term. (Paras 30-31).

REPLY OF GOVERNMENT

Government had already taken a decision in this regard *vide* reply to Recommendation at S. No. 61 in Appendix V (para No. 158) in the 51st Report of the Estimates Committee 1963-64 on H.E.C. Ltd. The relevant reply is reproduced below:—

"In the interest of efficient working of the Public Enterprises, it has since been decided that appointments to Top Management posts should be in the nature of contract appointments for a minimum period of 4 years, which could be extended to 6 years, the appointing authority having the right to terminate the appointment after the first year. In case of such contract appointments, it has been decided to incorporate in the contracts a clause for three months' notice for termination of service by either party."

[Ministry of Steel Mines & Metals (Deptt. of Iron & Steel) O.M. No. Part 6(9)/66, dated the 19th December, 1967]

Recommendation (Serial No. 10)

The Committee feel that it would be advantageous to restore the previous system where promotions to Deputy Heads of Departments and above were made by a Committee consisting of the Chairman and the three General Managers. In the opinion of the Committee, the Chairman's presence on the Appointment Committee would act as a safeguard against favouritism. The return to the old system in this respect should not be considered a retrograde step as the General Managers will continue to enjoy enhanced powers under the decentralised scheme in respect of other matters. (Para 38).

REPLY OF GOVERNMENT

This recommendation has already been accepted and implemented. In this connection reference is invited to Government Resolution No. DUR-21(4)/66 dated the 19th July, 1967 containing Government decision on the report of the one-man Committee consisting of Shri G. Pande on the problems of Durgapur Steel Plan. Copies of the Report and of the Government Resolution have already been placed on the Table of the House and circulated to Members. A copy of the Resolution is also enclosed for ready reference. (Appendix I).

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. 6(9)/66, dated the 19th December, 1967]

Recommendation (Serial No. 11)

The Committee agree that for the present it would suffice if the Controllers of Stores and Purchases meet periodically and keep each other informed. A watch should however, be kept with a view to arrest trends towards inter-Plant rivalries for the purchase of materials and with a view to adopt corrective measures in time. (Para 39).

REPLY OF GOVERNMENT

Noted.

[Ministry of Iron & Steel O.M. No. Parl. (6)-9/66, dated the 4th November, 1966]

Recommendation (Serial No. 12)

The satisfactory working of the system of inter-communication presupposes mutual trust, co-operation and team spirit between the Plants and the Head Office. It is not so much the delegation of powers as the adoption of right attitudes by the persons concerned that really matters. The Committee found that the spirit of co-operation was not forth-coming to the desired extent. If decentralisation is to succeed, there should be willingness

on the part of the Plants to freely communicate with the Head Office on all important matters. This spirit has to be fostered. (Para 41)

REPLY OF GOVERNMENT

Noted. The need for free communication between the Plants and the Head Office on important matters has been emphasised to the H.S.L.

[*Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. 6(9)/66, dated the 19th December, 1967*]

Recommendation (Serial No. 13)

The Committee recommend that, based on the experience gained by Rourkela Steel Plant, the sub-delegation in other plants should be reviewed and the plant authorities induced to undertake maximum sub-delegation of powers consistent with operational efficiency. (Para 44)

REPLY OF GOVERNMENT

Noted. The scheme of sub-delegation of powers in the Bhilai Steel Plant has been revised suitably on the lines of the scheme in the Rourkela Steel Plant. Necessary action in this regard has also been initiated in the Durgapur Steel Plant and the scheme is likely to be finalised shortly.

[*Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. 6(9)/66, dated the 15th January, 1968*]

Recommendation (Serial No. 14)

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. (Para 47).

REPLY OF GOVERNMENT

The One—Man Committee appointed by Government in September, 1966 to conduct an expert review of the shortcomings in the performance of the Durgapur Steel Plant under H.S.L. also emphasised the need for a scientific assessment of the requirements of manpower. It recommended that work studies should be undertaken in a big way in order to de-

termine the requirements of the manpower on a sound basis. The Committee was of the opinion that the function of manpower planning was a technical function involving intimate knowledge of the equipment and technology used and was, therefore, better done by the Industrial Engineering Department. The Committee also expressed the view that larger benefits would accrue if the work of manpower planning done by the different plants was coordinated centrally and the central agency finally decided the manning at all levels on a rational and comparable basis. This recommendation of the Committee has been accepted by Government as notified in the Department of Iron and Steel Resolution No. Dur-20(4)/66, dated 19-7-1967. Systematic studies, unit by unit, are presently being made by the Industrial Engineering Departments in each of the plants. In Bhilai, standard force has been worked out for 2.5 million tonne stage for works, administration and township departments excepting the requirements of non-technical staff in the works departments, which is presently being studied by the Industrial Engineering Department. In Rourkela, standard force has been worked out for 1.8 million tonnes stage for the non-executives in the Works Departments. Studies are proceedings to fix the standard force for executives in works departments and for executives and non-executives for non-works departments. In Durgapur, standard force has been worked out for 1.6 million tonne stage in respect of executives for all the works departments. Assessments in respect of non-executives for works departments and executives and non-executives for other departments are under preparation. In addition, *norms of labour productivity have also been worked out at the Head Office for the purpose of putting a ceiling for plant estimates and for controlling manpower through personnel budgets.*

[*Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. 6(9)/66, dated the 15th January, 1968*]

Recommendation (Serial No. 15)

The Committee find that manpower requirements for the Steel industry in the Fourth Five Year Plan period have been estimated by the "Committee on Manpower for the expansion of the Steel Industry during the Fourth Plan period". The Committee recommend that based on this and other studies, the norms of work loads and manpower requirements should be determined for each steel plant expeditiously. The surplus staff should be absorbed in the expansion programme. (para 49)

REPLY OF GOVERNMENT

This is being implemented.

[*Ministry of Iron and Steel O.M. No. (6)-9/66, dated the 4th November, 1966*].

Recommendation (Serial No. 17)

The observations of the General Manager, Bhilai Steel Plant, regarding the reasons for not sending any trainees to the Management Training Institute, Ranchi support the earlier findings that there was not the fullest co-operation between the plants and the Head Office. But these observations also prove that there was (i) some duplication of training programmes conducted by the Head Office and the Plants; (ii) the Plants were not consulted as to the availability of the trainees for the courses arranged; and (iii) the content of the courses was not very useful.

The Committee think that the Management Training Institute at Ranchi has a useful purpose to serve, in addition to such Institutes at the plants. That TISCO and Burmah Shell have such central institutes lends support to this view. But so far as the contents of the courses and the timings are concerned they need re-examination. (Paras 54-55).

REPLY OF GOVERNMENT

It has been reported by Hindustan Steel Limited that all management programmes for the future courses at the Management Training Institute at Ranchi have been/are being re-evaluated in consultation with the Plant's Management.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967]

Recommendation (Serial No. 18)

It might not be feasible for the steel plants where heavy investments have to be made on expansions to attain 1:2 Equity Debt ratio. But the ratio of 1:1 which is the accepted ratio for all public undertakings should have been achieved by now. The Committee recommend that the future investment should take this aspect into consideration. (Para 58)

REPLY OF GOVERNMENT

Suitable steps have already been taken to secure 1:1 equity debt ratio in order to rectify the imbalance between equity and loan. No share capital was subscribed by Government during the years 1965-66 and 1966-67. At the end of the year 1966-67, the share capital of the Company stood at Rs. 5280 million and the loan capital at Rs. 5005 million giving an equity-loan ratio of 1:0.95.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. 6(9)/66, dated the 19th December, 1967].

Recommendation (Serial No. 19)

The forecasts for the years 1964-65 and 1965-66 were off the mark. Since the reasons for the lower or adverse working results were of a continuing nature, it was clear that the actual profits likely to be earned during the years 1966-67 to 1968-69 would be much less than the forecasts. To enable Government and Parliament to have a clear picture about the working of H.S.L., a revised realistic forecast should be drawn up taking into consideration the extra investment likely to be made, the production likely to result from expansion and other relevant factors. (Para 62).

REPLY OF GOVERNMENT

A forecast for the years 1967-68 to 1970-71 has been received from Hindustan Steel Limited and is under examination of Government.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. 6(9)/66, dated the 19th December, 1967].

Recommendation (Serial No. 20)

The Committee hope that the Committee on cost structure set up by Government to go into the cost structure of the Steel Industry will examine the question of steel prices vis-a-vis capital block of HSL. (Para 67).

REPLY OF GOVERNMENT

The terms of reference of the Committee on cost of production of steel were to examine the problem of the rising cost of production of steel, assess the reasons for the increases and to advise Government on the measures necessary to reduce the cost. The Committee has not made any recommendations about the fixation of selling prices but it did come to the conclusion that the level of ex-works prices determined on the basis of the 1962 Tariff Commission recommendations which were related to the capital block per tonne of saleable steel capacity (Rs. 1176 per tonne) was admittedly unrealistic, the capital block for the three H.S.L. Plants being about Rs. 2500 per tonne of saleable steel capacity. At the end of the current expansions of the H.S.L.'s steel plants which would absorb the in-built capacities of the 1 million tonne stage, this capital block would be nearer Rs. 2000 per tonne on predevaluation basis. Even at this level and in so far as capital charges are concerned, the current ex-works prices were inadequate to the extent of about Rs. 100 per tonne of saleable steel.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6) 9/66, dated the 15th January, 1968.]

Recommendation (Serial No. 21)

The Chairman, H.S.L. informed the Committee that the works costs of production of steel of Hindustan Steel Limited were very well comparable

to international works costs. But higher cost of raw materials due to escalation, excise duty, higher depreciation etc. led to higher selling prices. This aspect was also stated to be under the consideration of the Committee on Cost Structure referred to earlier. It was stated that if higher differential prices were granted to H.S.L. Plants on account of their being, new, the financial picture would be altered. It is not understood as to how the raw material costs were higher in India than abroad. Any way, the suggestion made by H.S.L. must have been put forward to Government who would examine its feasibility. (Para 68)

REPLY OF GOVERNMENT

Government control on prices and distribution on some of the items of Iron and Steel was lifted from 1.3.1964 and the process of decontrol continued till 1.5.67 when control was lifted from all items. Distribution and prices are now regulated by the Joint Plant Committee which includes the representatives of the main producers as its members.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)9/66, dated the 15th January, 1968.]

Recommendation (Serial No. 22)

The Committee feel that utilization by H.S.L. of the depreciation provision on working capital is not correct. The working capital requirements should have been determined and arrangements made to obtain the necessary funds from the Bank. As working capital either in the shape of cash credit facility or loan from Govt. would be available only on payment of interest, there would be a natural restraint on its use. The Committee desire that Government should issue instructions in the matter to all the public undertakings. (Para 72)

REPLY OF GOVERNMENT

Necessary guidelines have been laid down to assist the public undertakings in assessing and meeting their working capital requirements. (Copy of Ministry of Finance O.M. No. 2(32)/65-FI dated the 16th March, 1967, enclose). (Appendix II)

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 2(32)/65-F.I. dated the 4th April, 1967].

Recommendation (Serial No. 23)

The Mahtab Committee was also expected to investigate into the increase in the cost of raw materials. The Committee hope a sizeable reduction in cost of production will be achieved. (Para 75)

REPLY OF GOVERNMENT

The Committee on cost of production of steel has made a number of recommendations for reducing the cost of production of steel. These have been brought to the notice of the steel producers for information. Cost of production both in the public and private sector steel plants has, however, shown an upward trend since 1964-65 on account of a number of external cost-raising factors including devaluation; implementation of the recommendations of the Central Wage Boards for Iron & Steel Industry, Iron Ore Mining Industry and Limestone and Dolomite Mining Industries; increases in railway freight; slackening demand leading to non-utilisation of full production capacity; increases in electricity tariffs and duties etc.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6) 9/66, dated the 15th January, 1968.]

Recommendation (Serial No. 24)

The Committee consider that the institution of a body of Chief metallurgists of the Plants and another governing body consisting of the General Managers of the three plants can at best only secure co-ordination of individual programme undertaken by the laboratories in each plant, but not initiate and direct a comprehensive programme of research in various aspects of steel technology, which is so vital for the steel industry. The Committee feel that establishment of a Central Research Institute would be advantageous. (Para 78)

REPLY OF GOVERNMENT

The Mahtab Committee has also recommended a Central Research Body for the Iron and Steel Industry as a whole—Chapter IV. This is being considered by Government.

Meanwhile some initial steps have been taken by Hindustan Steel Limited towards achieving this objective and a senior Metallurgist of repute has been appointed as Research and Scientific Adviser to co-ordinate and organise research activity on a planned programme for all the plants under Hindustan Steel Limited.

[Ministry of Iron & Steel O.M. No. Parl. (6) 9/66, dated the 4th November, 1966].

Recommendation (Serial No. 25)

The importance of utilising Indian talent to the maximum extent for meeting the technical requirements of Public Sector Industries needs no emphasis. Since the Central Engineering and Design Bureau, by successfully preparing the Detailed Project Reports for the expansion of the Rourkela and Durgapur Steel Plants, has established its competence for the pre-

paration of such Detailed Project Reports, Government should entrust the preparation of the Detailed Project Reports for future public sector Steel Plants to it.

The Committee are glad to learn that the Bureau was associated in the study made by the Anglo-American consortium for the fifth public sector Steel Plant. The experience thus gained should be fully utilised in future planning. (Para 85)

REPLY OF GOVERNMENT

Agreed.

[*Ministry of Iron & Steel O.M. No. Parl. (6) 9/66, dated the 4th November, 1966*]

Recommendation (Serial No. 26)

The Committee are not convinced by the reasons advanced for not entrusting the work for preparation of the Detailed Project Report for the expansion of the Bhilai Steel Plant to the Central Engineering and Design Bureau. When an expert organisation had been built by the H. S. L., which is competent to undertake such work, there was no justification in spending foreign exchange to the tune of Rs. 70 lakhs by entrusting it to an outside authority. It was known to the Government in advance that the Bhilai Steel Plant was to be expanded; if the Bureau had been forewarned, it could have recruited and trained the necessary staff to undertake this work. The Bhilai Design Cell was also in existence and was familiar with the design and layout of the Plant. With the assistance of this Cell, it should have been possible for the Bureau to undertake this work. This might be done when preparation of the Detailed Project Report for the second stage expansion is taken up. (Para 87)

REPLY OF GOVERNMENT

For the 4th Plan expansion of Bhilai, Project Reports are being done only by H. S. L. agencies. Foreign assistance will be taken only in respect of very specialised areas, but within the overall responsibility of H.S.L.'s design organisation.

[*Ministry of Iron & Steel O.M. No. Parl. (6) 9/66, dated the 4th November, 1966*]

Recommendation (Serial No. 27)

It is regrettable that even after a decade of its existence, the H. S. L. had not been able to so equip the Bureau as to be able to undertake all the work that is offered to it or which could be procured if it had the necessary complement. The Committee feel that urgent attention should be paid to the strengthening of the Bureau and widening its scope of activities, so that it is made into a first class consulting agency for all designing and engineer-

ing work for the steel industry. Government's plans should also be made known to the Bureau well in advance so as to enable it to arrange and train sufficient staff for the task. The present state of affairs of the Bureau not being able to arrange requisite staff because Government had not given advance indication of work that they intended entrusting to it and Government on their part not entrusting the work to the Bureau because its hands were full, should be ended. (Para 88)

REPLY OF GOVERNMENT

Expansion and strengthening of the Central Engineering & Design Bureau is in hand. Additional recruitments have been made and training programme started. In this context it is important to note that apart from C.E.D.B. there are other consultants available to the Government of India and the Government makes full use of them.

[Ministry of Iron & Steel O. M. No. Parl. (6)-9/66, dated the 4th November, 1966]

Recommendation (Serial No. 28)

The Committee find that the Bureau has undertaken some consultancy work on behalf of the N. C. D. C. While such attempts deserve encouragement, the Committee hope that it is not being done at the cost of essential work of the Steel Plants. The Bureau's primary aim should be to render an efficient and competent consultancy service for the steel industry both in the public and private sectors. (Para 89).

REPLY OF GOVERNMENT

The National Coal Development Corporation work (Ramgarh Project) was completed in April 1965. This was done during the period Government were considering the scope for the project reports on Rourkela, Bhilai and A. S. P.

It is considered that C. E. D. B. was suitable for undertaking consultancy work in respect of Coke Oven Plants, By-products Plants and iron making plants.

[Ministry of Iron & Steel O. M. No. Parl. (6)-9/66, dated the 4th November, 1966]

Recommendation (Serial No. 29)

The Bureau has been entrusted with the work of preparing a special Report regarding the Coke Oven unit at the Rourkela Steel Plant with a view to ensure adequate quality and quantity of Coke Oven gas to the Fertilizer Plant. The Committee welcome this work and desire that the Bureau should increasingly be assigned such roles. (Para 90).

REPLY OF GOVERNMENT

Noted.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O. M. No. Parl. (6)-9/66, dated the 24th April, 1967].

Recommendation (Serial No. 30)

The Committee are surprised that although the intention from the very beginning has been to unite the Central Engineering Design Bureau and Bhilai Design Cell, steps towards integration have not been taken. On the other hand, the factors forcing the two to remain apart have been allowed to grow. Till, 1961 the Bhilai Design Cell was allowed to remain separate because it was in the midst of one million tonne stage. Before further expansion to the 2.5 million tonnes stage was entrusted to the Cell, it could have been merged with the Central Engineering and Design Bureau. This was, however, not done. Again, there seems to be presently no serious effort to merge, because the Bhilai Design Cell has taken up the work of 3.5 million tonne expansion. In 1964 when the matter was reviewed by the Chairman, H.S.L., the difficulties of integration and conflicts about seniorities stood in the way. This is an untenable reason, as this position would continue to exist as long as the two organisations are separate. In fact, the longer they are kept apart the problem will be further aggravated as more men would be involved because of further recruitment and promotions in the two organisations. It is not an unsurmountable difficulty and several organisations faced with this problem in much larger dimensions, e.g. the Life Insurance Corporation, Air Corporations etc. have solved it successfully. (Para 95).

REPLY OF GOVERNMENT

Noted. H.S.L. has since decided to merge the Bhilai Design Cell with the Central Engineering and Design Bureau.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O. M. No. Parl. (6)-9/66, dated the 24th April, 1967].

Recommendation (Serial No. 31)

The Central Engineering and Design Bureau and the Bhilai Design Cell have been developed separately. The Bureau had acquired the know-how from the German and the British Designers while the Bhilai Design Cell had been nurtured in the Russian Technology. According to the Chairman, H. S. L., both had 'tended to go in parallel lines'. When both the institutions are under the H. S. L. and do the same type of work, this inclination to work in water-tight compartments has not been appreciated by the Committee and specially when head of the Gipromez had even stated that designing work should be completely centralised. There is no doubt, it will be to the benefit of the H. S. L. and ultimately that of the country to pool

the skill and experiences of the two institutions. It would result in some economy also. The difficulties about integration and conflict of seniorities which the H. S. L. seems reluctant to deal with, will always be there whenever a merger of these two parallel establishments is attempted. In the Committee's opinion this two-fold system ought to be unified at the first convenient opportunity. (Para 96).

REPLY OF GOVERNMENT

Noted. H. S. L. has since decided to merge the Bhilai Design Cell with the Central Engineering and Design Bureau.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O. M. No. Parl. (6)-9/66, dated the 24th April, 1967].

Recommendation (Serial No. 32)

After considering the advantages and disadvantages in centralising sales work, the Committee feel that the balance of advantages lies in favour of keeping the sales work centralised particularly so long as the three Steel Plants are under one management. The working of the Sales Office, however, needs improvement. (para 104).

REPLY OF GOVERNMENT

Noted.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. (6)-9/66, dated the 3rd October, 1967].

Recommendation (Serial No. 35)

The Committee agree that in the initial stages it might not be possible to get commensurate return on development expenditure. But they do not think that there was need for incurring so much expenditure on promotion of sales. The percentage of increase in selling expenses should not be allowed to exceed the percentage of increase in gross sales. A close watch should be kept to see that the percentage of selling expenses to gross sales does not rise disproportionately. (Para 114).

REPLY OF GOVERNMENT

Noted.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. (6)-9/66, dated the 3rd October, 1967].

Recommendation (Serial No. 36)

It will be seen that the percentage of establishment expenses of sales Office to gross sales has increased from 0.04 in 1961-62 to 0.14 in 1964-65. The Committee trust that the Sales Office would keep the tendency towards rise in its establishment expenses under check. (para 116).

REPLY OF GOVERNMENT

Noted.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 3rd October, 1967].

Recommendation (Serial No. 38)

The Market Research Unit of the Sales Office should also be geared up to the task of assessing demand for steel products. A programme of work should be drawn up and the plants should be kept in touch with the work done by the unit, so that they may benefit from its studies. Hitherto this unit has been mostly engaging itself in collection and collation of statistics and it has been associated with only three studies. (Para 122).

REPLY OF GOVERNMENT

Noted. During 1966-67, the Market Research Unit of the Sales Office has completed|undertaken the following studies:

1. Demand for medium and high carbon billets.
2. Demand for wire rods and ribbed bars.
3. Demand pattern for H.R. sheets quality-wise.
4. Demand survey for killed quality flat products from Rourkela Steel Plant.
5. Demand survey for skelp to be produced by Durgapur Steel Plant.
6. Demand for electrical steel sheets.
7. Demand for Special and Alloy Steels.

In addition, some data have been collected for the following items:

- (a) Octagonals
- (b) Bulb angles
- (c) Galvanised sheets

The programme for the year 1967-68 includes the following:

- (i) Demand survey of wire products to be produced by the Wire Rod Mill of the Bhilai Steel Plant.
- (ii) Size-wise demand for light merchant mill products.
- (iii) Raw materials for seamless tubes.

It may, however, be stated here that during the last about 18 months, the steel processing industries and the trade have suffered a great slump due to a variety of reasons. It is, therefore, becoming a little difficult to anticipate the requirements or the demand for steel on a long term basis. There is

at the moment surplus in a large number of products. A vigorous attempt is, therefore, being made by H.S.L. to find overseas markets for their products.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No Parl. (6)-9/66, dated the 23rd October, 1967].

Recommendation (Serial No. 40)

The Committee recommend that a study should be made of the demand and supply position of various items of steel and to release more items of steel for export, particularly those in respect of which export potential exists. Hot rolled sheets in coils, chequered plates and pig iron are cases in point. (para 129)

REPLY OF GOVERNMENT

Before finalising the export policy for the period April, 1966 March, 1967, the entire position of demand, availability and surplus was discussed in a meeting held in Calcutta with the Iron and Steel Controller and all producers. Export of Hot Rolled Coils, Chequered Plates and Pig Iron has been allowed in the current policy. The following targets were fixed for export during 1966-67:—

	<i>tonnes</i>
Rounds and flats ..	150,000
Rails	75,000
Structurals	50,000
Sheets (10-14 G), including Coils ..	50,000
Chequered Plates	5,000
Billets	25,000
Pig Iron	50,000

Important orders have been secured for Pig Iron from Japan and Hot Rolled Coils from U.S.A.

[Ministry of Iron and Steel O.M. No. Parl. (6)-9/66, dated the 4th November, 1966].

Recommendation (Serial No. 41)

The Committee recommend that Government should take steps to remove the difficulties faced by the HSL in fulfilling its export target. The Committee have in mind difficulties such as the non-announcement of subsidy in time, and the non-availability of shipping space. As for the HSL more vigorous steps are necessary to increase exports because the present expectation of 70,000 tonnes is only 74 per cent of the original target. The in-

ability to offer flat products is likely to affect the exports in future also. The feasibility of making flat products available, at least to a limited extent, to purchasers abroad should be examined. Their further production in the newer plants might also be considered. (para 131)

REPLY OF GOVERNMENT

Government have been giving the highest priority to all problems of Hindustan Steel Limited relating to exports. A High Level Committee has been appointed to deal with all problems relating to steel exports and to take all possible steps to facilitate achievement of export targets. This Committee will *inter-alia* look into all the problems regarding exports of steel. The composition of the Committee is as under:

1. Secretary, Ministry of Iron and Steel	Chairman
2. Secretary, Ministry of Commerce	Member
3. Secretary, Ministry of Transport	„
4. Secretary or Additional Secretary, Ministry of Finance (Expenditure)	„
5. Chairman or Member, Transportation Railway Board	„
6. Development Officer (Export Promotion) Directorate General of Technical Development	„
7. A representative of TISCO	„
8. A representative of TISCO	„
9. A representative of Re-rolling Mills	„
10. A representative of Steel Exporters' Association	„
11. Iron & Steel Controller, Calcutta	„
12. Chief Sales Manager, Hindustan Steel Limited	Member Secretary

In the current policy, export of certain flat products, like Hot Rolled Sheets in Coils and Chequered Plates has been agreed to, in order to promote exports.

[Ministry of Iron and Steel O.M. No. Parl. (6)-9/66, dated the 4th November, 1966].

Recommendation (Serial No. 42)

It is rather early to determine whether the stockyards set up by the Sales Office have achieved the objective for which they were set up, particularly the objective regarding checking the rise in prices, as substantial capital expenditure has been incurred on the establishment of these stockyards, the Committee recommend that their performance should be reviewed after some

time with a view to see how far the objectives for their establishment have been realized. (para 137)

REPLY OF GOVERNMENT

Noted.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No Parl. (6)-9/66, dated the 3rd October, 1967*].

Recommendation (Serial No. 44)

The Committee feel that the delay in the receipt of shipping documents is not justified. The instructions sated to have been issued to the London and Dusseldorf Offices of the H.S.L. do not appear to have had any effect because delays have continued for the last three years. The persistent failure of the London and Dusseldorf Office to send the documents in time should have been taken seriously by the HSL. There is hardly any point in having these offices abroad if they cannot attend to their duties speedily and effectively. The Committee recommend that urgent and vigorous steps should be taken to examine the reasons for the delay and to ensure that in future all the shipping documents are received in time and complete in all respects. (para 147)

REPLY OF GOVERNMENT

The reasons for delay in the receipt of shipping documents have been analysed by Hindustan Steel Limited, and certain corrective steps have been taken by them as indicated below:

- (i) The U.K. Agents of Messrs. Schenker & Co., Hamburg (Sole Shipping Agents for all Government cargoes, including those of Hindustan Steel Limited, emanating from the continents and U.K.) have been replaced and an agreement has been reached with Messrs. Schenker & Co., that their U.K. Agents would act on instructions issued directly by the London Office of Hindustan Steel Limited.
- (ii) The shipping and transport procedures laid down in the acceptance of tenders issued by the Rourkela and Durgapur Steel Plants have been modified in respect of supply of spares and maintenance materials so as to secure that the suppliers send shipping documents direct to HSL office, and not to Messrs. Schenker & Co., Hamburg in the first instance.
- (iii) The procedures for handling of documents at various stages have been tightened all around so as to eliminate delays and bottlenecks as far as possible. It has been laid down that in such cases where delays in receipt of documents are anticipated due

to one reason or other, the necessary particulars are cabled to the Shipping and Transport Office at Calcutta, to enable them to take delivery of the cargoes.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 4th April, 1968].

Recommendation (Serial No. 45)

The Committee hope that the steps taken to give advance information to the Railways would ensure that the required number of wagons would be made available to the steel plants. They suggest that similar estimates, though rough, should be prepared, for the second stage expansion during the Fourth Five Year Plan period, so that the Railways get an idea of the future wagons requirements of the steel plants. Along with the arrangement of railway wagons, other arrangements such as transshipment and handling facilities, etc. required for the transport of raw materials, finished products, and by-products need to be determined and steps taken to ensure that they would be available. (para 151)

REPLY OF GOVERNMENT

Tentative Fourth Plan requirements for transportation requirements were given to the Railways. Revised requirements will be given now that decision on plan targets for expansion have been reached.

[Ministry of Iron and Steel O.M. No. Parl. (6)-9/66, dated the 4th November, 1966].

Recommendation (Serial No. 47)

The H.S.L. did well to set up its own office in London during a period when large consignments of plant and equipment were to be purchased in U.K. and sent to India. There is no doubt that this office will be useful until such time as the plant and equipment meant for second stage expansion of the Durgapur Steel Plant is received in India. If the office is to be continued thereafter, it should be examined whether the benefits would be commensurate with the spending of foreign exchange to the tune of £31,000 approximately per annum. (para 160)

REPLY OF GOVERNMENT

Noted.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 23rd September, 1967].

Recommendation (Serial No. 48)

The Committee feel that it should be possible for the London Office to take over the work of the Dusseldorf Office without any addition to the staff employed at present. This should be possible, because originally the office at London was responsible for purchases relating to both the Plants. The decision in this regard and steps to implement it should be taken early. (para 164)

REPLY OF GOVERNMENT

It has already been decided by HSL to wind up the Liaison Office at Dusseldorf, and it has practically been wound up. Since the imports on account of the current expansion of the Durgapur Steel Plant from 1.0 to 1.6 million ingot tonnes capacity are coming to close, HSL is already considering as to what should be the future shape and size of the London Office.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl. (6)-9/66, dated the 23rd September, 1967].

Recommendation (Serial No. 49)

After an examination of its working, the overall impression which the Committee have formed is that H.S.L. has acquired the much needed experience and know-how of steel production—and after passing through the formative period, it is now well on the road to further development. The same cannot, however, be said of the organizational side.

Various organisational patterns for Management were tried from time to time. These affected continuity and stability. The shifting patterns led to a certain lack of co-ordination and co-operation between its Units. It weakened the influence and control of the Head over the organisation. This, though partly due to the inherent defects in the organisational schemes, was also partly due to the attitudes of the plant authorities towards the Head Office.

The Committee have a feeling that during the period the Ministry of Iron and Steel have also not been able to exercise enough control on the working of Hindustan Steel Limited and the Steel Plants. They could and should have exercised greater vigilance over the working of the Steel Plants e.g. in regard to man-power position, high stock of inventories, production costs, wastages etc.

The Committee trust that Government and H.S.L. will now apply themselves assiduously to the task of keeping production at the rated capacity, of restricting capital expenditure, checking wastages, containing inventories, standardising the working force and above all reducing the cost of produc-

tion, thus leading to the greater efficiency of the plants and the good of the economy. (paras 166—169)

REPLY OF GOVERNMENT

Noted. A more meaningful monthly Progress Report has now been prescribed. It is also proposed to have quarterly Review of the working with the Management to ensure that Government's control is effective and timely. The first such Review meeting is proposed to be held in December, 1967.

[Ministry of Mines, Steel and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

CHAPTER III

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

Recommendation (Serial No. 1)

The Committee feel that too frequent changes have been made in the Board of Directors of the Hindustan Steel Ltd. Before the persons, who were placed in charge had settled down and had time to bring to bear their personality and experience on the functioning of the organisation, the system was replaced by a new one wherein the General Managers of the Steel Plants have been given enhanced powers. When a system was found unsuitable and it was decided to change it, it should have been necessary to analyse what were the defects in that system; to what extent it was due to personal relationships and to what extent it was due to the institutional defect and how it was proposed to remove them in the new system. It was necessary to define the management objectives and lay down clearly as to how these objectives were intended to be achieved. The exact division of functions between the Board, the Chairman, the Plant Manager, etc., should have been very clearly defined so as to facilitate its working. This does not appear to have been done. Dissatisfaction in its working was expressed by Chairman, HSL as well as one of the General Managers of the Steel Plants... (para. 11).

REPLY OF GOVERNMENT

The observation of the Committee have been noted. These will be duly taken into consideration in the contemplated re-organisation of the steel industry in the public sector. In doing so the recommendations of the Administrative Reforms Commissions in their report on Public Sector Undertakings, the assessment made in the Report of the Pande Committee of the impact of the working of the scheme of decentralisation introduced in 1963 and the Minister's assessment of the nationalised steel industry in Britain, would also be taken into account.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 2)

The Committee consider that the functional board will be best suited to H.S.L. The difficulty in adopting such a Board immediately is paucity

of men with adequate qualifications and experience of the industry to occupy the posts of Directors. It would not be in the interests of plants to divert the available competent persons from the operations to the managerial side. (para 15).

REPLY OF GOVERNMENT

Noted. Views of the Committee will be taken into account while re-organising the steel industry in the public sector as indicated in reply to recommendation at S. No. 1.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 3)

The Committee recommend that efforts should be made to develop a team of experienced and able officers from within H.S.L. and the steel industry in the private sector to manage and direct the affairs of H.S.L. (para 129).

REPLY OF GOVERNMENT

Noted. A regular plan for diversifying the experience of the ablest officers in H.S.L. to fit them to shoulder higher responsibilities would be introduced.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 4)

The Committee consider the continued thin attendance at Board meetings as a matter of serious concern. Government were aware of this fact because, it was stated that the proceedings of every Board meeting are sent to them. It is needless to say that the management of the affairs of public Undertaking in which more than Rs. 800 crores of public funds are invested, should be entrusted to such persons who will not only evince keen interest and show aptitude but also devote the necessary time and contribute to the successful working of the Undertaking.

The Committee deprecate that such a state of affairs has been allowed to continue. They recommend that such Directors who have not cared

to discharge their responsibilities and have not been regularly attending the meetings of the Board should be replaced. (para 20).

REPLY OF GOVERNMENT

Noted. The recommendation will be implemented while re-constituting the Board of Directors as a result of the contemplated re-organisation as indicated in the reply against recommendation at S. No. 1.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 5)

Another question which was considered by the Committee was whether it was desirable to appoint persons with qualifications in the steel industry as Directors. The Secretary of the Ministry stated that specialised knowledge was not necessary and that persons who had knowledge of business administration and experience in running big factories would be able to provide good management. Since the number of persons who have specialized knowledge of steel industry is very limited, the Committee consider the present arrangement satisfactory. They would, however, refer to their recommendation at para 15 ante wherein a functional Board is envisaged. When that is adopted most of the Directors would be having intimate knowledge of the steel industry and its problems. (para 21).

REPLY OF GOVERNMENT

If it is ultimately decided by Government to have a Functional Board, the recommendation of the Committee would be implemented to the extent practicable and subject to the availability of suitable persons having intimate knowledge of the steel industry and its problems.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 6)

In the present set up where most of the Directors do not possess any direct experience of steel industry, a Director will need some time to get acquainted with the problems facing the Steel Plants before he can usefully contribute towards resolving them. In order to enable him to do so, a minimum tenure should be fixed for Directorship and the Directors should retire by rotation, say, one-third. (para 22).

REPLY OF GOVERNMENT

This recommendation will be considered in the context of the contemplated re-organisation as indicated in reply to recommendation at S. No. 1 and certain other recommendations made by the Administrative Reforms Commission in its Report on Public Sector Undertakings.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 7)

The Committee have discussed the issue of relationship between Chairman and Board of Directors on the one hand and General Managers on the other and control of the former over the latter in subsequent paras. Here the issue is how far the decision to take them as Directors will help the Board in its deliberations and whether it will not be an ideal way of grooming the future Chairman and Directors of H.S.L. The Committee consider that there are advantages in inclusion of General Managers on the Board, but as Government feel that discipline cannot be adequately maintained after this change they would not suggest its adoption at this stage. This would come about when the recommendation in para 15 ante is implemented. (para 24).

REPLY OF GOVERNMENT

In this connection please refer to the reply against recommendation at S. No. 2. The views of the Committee will be duly taken into consideration when the contemplated re-organisation is finalised.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 8)

The Committee understand that there were differences of opinion among the plants and between the Plants and Head Office. Some of the General Managers were not too happy with an apex Organisation and felt that the Plants themselves were big enough to have separate Board. They would not, therefore cooperate with the Board. Some of these recriminations had reached serious proportions and were within the knowledge of Government. This is not in the best interests of the Hindustan Steel Limited and of the country. The Prime cause for this trouble is the system itself which merely

contemplates good personal relationship between the Chairman and the General Managers of the plants for the successful operation of the company. If this personal equation failed, no remedies were envisaged or developed.

The Committee view the present situation with concern. It does not augur well for the future of the Hindustan Steel Limited and should be remedied. Government should immediately consider this matter at the highest level and take quick remedial action. The Committee would, however, like to make a few suggestions which should be kept in view while arriving at a solution to the present Head Office—Plant relationship. The Committee are not opposed to fullest autonomy being given to the plants in the matter of operations. The intention in making these suggestions is that where the interests of the company as a whole are involved, the Chairman or the Board of Directors should have an effective say in the matter:

(1) The powers of the Chairman should be clearly defined. He should have absolute trust and confidence of the Minister and the Secretary of the Ministry. There should be a system of mutual consultation between the Chairman and Government so that it is ensured that the policy of Government is translated into action by the company and that the Chairman has the fullest backing of Government in his dealings with the General Managers. In case of conflicts between the Chairman and the General Managers, the Chairman should have the powers to issue a direction to the General Managers, with the knowledge of Government.

(2) A code of discipline should be chalked out for the different levels. The hierarchy in the administration should be clearly spelled out. Co-operation should not be left to personal equations—it should be codified. Indiscipline should be looked upon seriously by Government and nipped in the bud by suitable remedial action. It should not be merely looked on as an inevitable phenomenon. Indiscipline at the top is bound to permeate to the lower ranks with detrimental effects on the company.

(3) The authority that the Board of Directors or the Chairman will enjoy over the General Managers should be defined in writing. It may also be examined how far it might be useful to make the appointment of the General Manager in consultation with the Chairman.

(4) A clear cut procedure should be laid down in regard to the solution of inter-plant conflicts. The Chairman should be given the powers to take a final decision if necessary after conflicting view points have been heard by a permanent or ad hoc Committee. His decision should be binding on all. (paras 26-27).

REPLY OF GOVERNMENT

Noted. The recommendation made by the Committee would be duly taken into consideration while evolving the revised set up referred to in

reply to recommendation at S. No. 1 and would be implemented to the extent practicable.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967*].

COMMENTS OF THE COMMITTEE

Please see paras 1 and 2 of Chapter I.

Recommendation (Serial No. 16)

The Committee understand that Departmental Selection Committees are constituted for the purpose of recruitment to junior posts in the Steel Plants. In this connection the Committee would invite attention to para 209 of the 32nd Report of the Estimates Committee—(Third Lok Sabha) wherein the setting up of Personnel Commission similar to the Union Public Service Commission was recommended for recruitment to public enterprises. (para 50).*

REPLY OF GOVERNMENT

The recommendation made in the 32nd Report of the Estimates Committee is still under the consideration of Government. It has however been noticed from the Report of the Administrative Reforms Commission on Public Sector Undertakings that the Commission are not in favour of the setting up of Personnel Commission.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th December, 1967*].

Recommendation (Serial No. 33)

The difficulties on account of having the Sales Office between the Plant and the consumers could be removed if the Sales Office had qualified technical experts to negotiate with customers. It is felt that specialists with previous experience in the plants and with a good knowledge of production technology would be better salesmen. If the present personnel of the Sale Office do not have practical and basic knowledge of steel production they should be given training in the Plants. (para 107).

REPLY OF GOVERNMENT

Of the 94 officers presently employed in the Sales Organisation of Hindustan Steel Ltd., 20 possess engineering or equivalent technical qualifications. These include the Chief Sales Manager, the Deputy Chief Sales Manager who possess engineering qualifications and one of the Sales Officers incharge of the By-products Division who possesses a Ph.D. Degree in Chemistry from a foreign University. It would thus appear that this office has, a good leavening of technical as well as non-technical officers are given

either as part of their initial training course or a subsequent orientation course, training in production processes and product uses which includes visits to the Plants, shop floors, laboratories etc. While it is agreed that knowledge of product is necessary in a good salesman, it is also necessary that he should possess knowledge of economics, accounts, contracts etc. as this office has also to handle examination of financial arrangements and agreements with parties in the background of procedures laid down by Law and by the Company itself, market surveys etc. There are, however, certain areas like the sale of Alloy Steels where the intimate knowledge of the products and processes are more important, it is reported that Hindustan Steel Ltd. has taken care to deploy only technically qualified officers with plant experience for the work. Development of new products mainly with a view to import substitution is a function which has necessarily to be performed at the highest managerial levels not only in the Sales Office but at other levels in the organisation and it may not, therefore, be absolutely essential for every Sales Officer either to have technical qualifications or previous experience of production processes.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O. M. No. Parl. (6)-9/66, dated the 6th November, 1967].

Recommendation (Serial No. 34)

As regards discussing sales matters at the meetings of the General Managers, the Committee note that a decision to hold regular meetings of the General Managers was taken on the 31st August, 1964. It is seen that from that date to the end of 1965 the General Managers met four times only. With such infrequent meetings and sales being only one of the topic which they must have discussed, its problems could not have received much attention from them. This, anyway, is not the same thing as securing an active association of the plants in the working of the Sales Office for a fuller appreciation of each other's problems. Being the parties who are called upon to meet the expenditure of the Sales Office, the Plants should have some voice in formulating the sales policy. The Committee suggest that H.S.L. might examine in consultation with the Plants and the Sales Office the best manner in which this should be achieved. (para 110).

REPLY OF GOVERNMENT

As suggested by the Committee, the matter has been considered further by Hindustan Steel Ltd. It has been reported that there has now developed adequate continuous communication between the Plants and the Central Sales Organisation on the one hand and the Head Office on the other in the matter of production and sales planning. The quarterly meetings of the General Managers are now taking place more regularly and at such meetings important broad decisions regarding production-sales are taken and in respect of decisions involving details there has developed constant communication between the Plants and the Sales Organisation, 3032(Aii)LS—3.

particularly when rolling programmes for each month are drawn up at the level of the Joint Plant Committee. The problems of production and sales have assumed added significance and importance in the context of the present slump in the iron and steel industry and this has given a fillip to the need for discussion of issues of common interest oftener than in the past. The Company has recently introduced a system of quarterly performance appraisal when particular care is taken to coordinate decisions with reference to the market situation in a more realistic manner. The Company, therefore, feels that the practice being followed at present is adequate to ensure proper coordination between production and sales.

[*Ministry of Steel, Mines and Metals (Dept. of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 6th November, 1967*].

Recommendation (Serial No. 37)

The Committee urge that a systematic study should be initiated to determine the pattern of demand for steel products, category-wise and section-wise. (Para 121).

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Attention is invited to para 121 of the 28th Report of the Committee on Public Undertakings (3rd Lok Sabha) wherein they had suggested that a systematic study should be initiated to determine the pattern of demand for steel products categorywise and sectionwise. In this connection it is requested that the present position about the demand and supply of various steel products (categorywise), the extent of surplus/shortage in each category and the steps taken to improve the position may please be intimated at an early date.

(*L.S.S. O.M. No. 1-PU/67, dated the 20th May, 1967*)

REPLY OF GOVERNMENT

The National Council of Applied Economic Research have already been requested to prepare a long term demand study for Iron and Steel by types, categories and sizes. On receipt of the study—expected in July, 1967—it is proposed to review the extent of surplus/deficit in each category and formulate the future plan. In the circumstances, the detailed information required may be furnished after the report of NCAER is available.

[*Ministry of Steel and Heavy Industries (Department of Iron and Steel) O.M. No. P&D-10(44)/66, dated the 23rd June, 1967*].

REPLY OF HINDUSTAN STEEL LTD.

Forwarded a copy of Note on Market Survey/Studies carried out by Sales Office of Hindustan Steel Ltd. (See Appendix III)

[*H.S.L. D.O. No. 20(6)|B&C|66, dated the 29th July, 1967*].

FURTHER REPLY OF GOVERNMENT

The Report of the National Council of Applied Economic Research on demand study of steel products is now expected only in early 1968.

[*Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. P&D-10(44)/66, dated 5th/8th December, 1967*].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Reply to Sl. No. 37 may please be expedited.

[*L.S.S. O.M. No. 20-PU/67, dated the 5th January, 1968*].

FURTHER REPLY OF GOVERNMENT

It has already been stated in this Department's O.M.No. P&D-10(44)/66, dated 5/8.12.67, that demand study on steel is being made by NCAER and its report is expected early in 1968. This report has not yet been received. In view of this no further information is available with regard to Sl. No. 37.

[*Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 15th January, 1968*].

FURTHER QUERY OF THE COMMITTEE

It may also be intimated if the Report of the NCAER on demand study of steel has since been received.

[*L.S.S. O.M. No. 20-PU/67, dated the 1st April, 1968*].

FURTHER REPLY OF GOVERNMENT

A long term projection of steel demand was obtained from NCAER in the middle of February, 1968 and is at present under consideration of this Department.

[*Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 19th April, 1968*].

FINAL REPLY OF GOVERNMENT

For the formulation of the Fourth and Fifth Five Year Plans for iron and steel a Steering Group has been formed by the Ministry of Steel, Mines and Metals. This group, after examining the report prepared by the NCAER, would recommend to the Central Government the future programme for development of iron and steel industry both in the Public and Private Sector. It would also keep in view the possibilities of export and availabilities of resources.

[*Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-9/66, dated the 28th September, 1968*].

Recommendation (Serial No. 39)

While the plants need not be asked to produce fast moving items which will make their running uneconomic, at the same time the needs of the market cannot be ignored. They suggest that more attention should be paid to diversification of production. Government should examine the feasibility of having more mills of different size ranges in the newer steel plants as also in the expansion programmes of the existing mills. (para 125)

REPLY OF GOVERNMENT

The product mix of new mills coming up either in new plants or in expansions is based on reasonable estimates of demands for various products that may prevail when the mills come up for operation and production. Even with all possible care in this estimation, it is not always possible to avoid temporary shortages or surpluses in particular sizes and categories of rolled steel. Even though all the mills have a certain flexibility of operation, and are so planned, very wide fluctuations in market demand cannot always be coped with. As for the current units, this is being taken care of in the quarterly production meetings.

[Ministry of Iron and Steel O.M. No. Parl. (6)-9/66, dated the 4th November, 1966].

Recommendation (Serial No. 43)

The Committee recommend that keeping in view the volume of imports to be cleared in the coming years, the staff requirements of shipping department should be determined immediately and a phased reduction in staff effected. (para 143)

Recommendation (Serial No. 46)

It is evident that the Transport & Shipping Office had little to do with the transport of raw materials and finished products of the Plants. The work of the Transport & Shipping Office was mainly confined to liaison work and despatching the imported materials to the Plants. The Committee have already suggested cutting down the size of the shipping department. Since the work relating to despatch can be handled as an extension of clearing work, the Committee feel that there is no need to maintain a separate Central Office for this purpose. It should be possible for a shipping section working as a part of the Sales Organisation to look after this work. (para 155)

REPLY OF GOVERNMENT

The position in respect of the Transport and Shipping Office of Hindustan Steel Ltd., at Calcutta has since undergone a considerable change. The functions of this Office have not only become more diverse but there has been a

considerable increase in its functions and responsibilities. A reduction in staff had been suggested by the Committee on account of reduction in the volume of imports to be cleared in the coming years. However, it has since been decided that the plant and equipment etc. required for the Bokaro Steel Plant should be cleared through this office. A contract has been signed by H.S.L. with Bokaro Steel Limited for clearing their imports. It is anticipated that more than 177, 166 tonnes of equipment etc. will be cleared by this office for Bokrao beginning from 1967-68. HSL have also entered into agreements with the National Mineral Development Corporation, Tribeni Structural and the Oil and Natural Gas Commission for undertaking their clearances. As a result of this, the volume of imports is expected to be considerable as indicated below:—

<i>Year</i>	<i>Tonnage</i>
1965-66	1,00373 (Actual)
1966-67	53,320 (Actual)
1967-68	1,80,000 (anticipated)
1968-69	2,10,000 (anticipated)

The present internal market conditions have placed a premium on exports where a substantial increase has to be secured in order to utilise the production capacities of the HSL Plants to the full. In line with this, a sufficiently high export target has been fixed for Hindustan Steel Plants for the year 1967-68 and an integrated approach to export promotion has been evolved, which involves subsidies to stimulate export effort, improvement in Railway and port facilities and a policy of foreign exchange release whereby HSL can sponsor export promotion delegations so as to investigate export markets and secure export orders. The following Table indicates actual export figures for the years 1965-66 and 1966-67 and anticipated export commitments for 1967-68 and 1968-69.

<i>Year</i>	<i>Tonnage</i>
1965-66	49,800 (Actual)
1966-67	2,34,160 (Actual)
1967-68	10,00,000 (anticipated)
1968-69	15,00,000 (anticipated)

Because of the congestion in the Calcutta Port, HSL have been obliged, in order to fulfil their export contracts, to utilising the ports of Bombay, Madras, Visakhapatnam and Kakinada.

In view of the position stated above, it is not considered advisable at least at this stage, to implement the recommendations of the Committee requiring a phased reduction in the staff strength of the Transport and Shipping Office or attaching this unit as a Cell to the Sales Organisation of HSL.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O. M. No. Parl. (6)-9/66, dated the 23rd September, 1967].

CHAPTER IV

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

NIL

CHAPTER V

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

NIL

NEW DELHI;
January 13, 1969.
Pansa 23, 1890 (S).

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

APPENDIX I

[vide reply to recommendation at Sl. No. 10 (para 38)]

MINISTRY OF STEEL, MINES & METALS

(Department of Iron & Steel)

RESOLUTION

New Delhi, the 19 July, 1967

No. DUR-21(4)/66.—In their Resolution dated the 12th September, 1966, the Government of India had in consultation with Hindustan Steel Ltd. and with their concurrence, appointed a one-man Committee, consisting of Shri G. Pande, ex-Vice-Chancellor, Roorkee University to conduct an expert review of the problems of Durgapur Steel Plant in their individual as well as integrated aspects.

2. The Committee submitted its final Report in April, 1967. It is a very comprehensive study of the working of the Steel Plant and has drawn attention to shortcomings in organisation, inadequacy or absence of management systems and insufficiency of equipment. It has also made recommendations for improving the skills and abilities of the employees and has pointed out the need for developing better employee attitudes and industrial relations.

A summary of the various recommendations and Government's decisions thereon taken after consulting HSL is given in the Annexure.

3. The recommendations are mainly operational in nature. Their implementation would require concerted and detailed action at plant level over a period of time. In order to ensure that the necessary improvements are brought about speedily, Government intend to arrange for periodical reviews of the practical steps taken to give effect to these recommendations.

4. Government wish to place on record their high appreciation of the thoroughness with which the Committee has studied the various problems and made practical and constructive recommendations and in particular, of the efforts made by the Committee in bringing together the Railways and plant authorities and helping them to resolve several outstanding problems relating to wheels and axles production.

ORDER

ORDERED that a copy of this Resolution be communicated to all concerned and that it be published in the Gazette of India Extraordinary.

H. LAL,

Secretary to the Government of India.

ANNEXURE

S.No.	Recommendation of Committee	Government's decision
<i>Overall Plant Performance</i>		
1.	The Plant should improve control over quality of raw materials, processes and products and reduce its off-grade production.	Accepted. Steps are in hand to carry out, systematic reviews of the performance of the plant in this respect against prescribed targets.
2.	The management should take special action to arrest the fall in labour productivity which has been rapid specially in 1965-66 if the incidence of overtime is converted into equivalent number of men.	Accepted.
<i>Coke Ovens</i>		
3.	The pace of repairs should be stepped up and staff of the refractory department be associated with the work for getting trained.	Accepted. The progress of repairs is kept constantly under watch and operational staff including that of the refractory Deptt. have been associated with the work.
4.	Duties should be prescribed for all staff, and proper maintenance schedules be laid down and acted upon and good house-keeping enforced.	Accepted. S. No. 74 may also be seen.
5.	The standard 3-shift-system should be introduced in place of the 7-day rota system.	Accepted. Implementation requires the confirmation of the West Bengal authorities who are being constantly reminded to expedite the same.
6.	Bonus system should be re-examined and put on a more scientific footing.	Accepted. A thorough examination of the incentive bonus system should be undertaken.

S.No.	Recommendation of Committee	Government's decision
<i>By-Products Plant</i>		
7.	Maintenance must be considerably improved and operation of the Plant put on a proper footing.	Accepted.
8.	The plant be placed under the independent charge of a Superintendent reporting directly to the General Superintendent.	Accepted.
<i>Blast Furnace</i>		
9.	Efforts must be made to attain coke rate of 750 KG per tonne. For this additional facilities like use of sinter, top pressure, high blast temperature etc. have to be put to use.	Accepted. Resources for installing the additional facilities have specifically been provided for in capital budget for 1967-68.
10.	Control at the Blast Furnace must be exercised to keep the silicon content within 1.35%.	Accepted.
11.	The rising costs and lower productivity should be examined by the Plant Management.	Accepted.
12.	Excessive loss to the extent of Rs. 47 lakhs in 1965-66 due to the bleeding of blast furnace gas to atmosphere should be looked into and efforts made for its better utilisation, especially in the power plant.	Accepted.
<i>Steel Melting Shop</i>		
13.	A detailed study should be made to reduce the bunching at shift ends and to control off-grade production.	Accepted. The General Manager has already been instructed to have a special study made of these aspects and take necessary remedial steps on a priority basis.
14.	The house-keeping and removal of slag should be improved and the Industrial Engineering Department should be asked to make a study of the problem of removal of slag efficiently.	
15.	FLUE dust cleaning arrangement should be repaired and put into proper working order.	

<i>S. No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
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Rolling Mills

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| 16. | The maintenance should be strengthened and streamlined to reduce the excessive down times. | Accepted. A team headed by the Chief Engineer of the Central Engg. and Design Bureau of HSL should go into the question of the working of the Blooming Mill and advise in the next month or two on the steps to be taken to gear it up so as to be able to roll 1.6 million tonnes of ingots per annum. |
| 17. | The operational practices should be improved and more effective inspections should be introduced at different stages to reduce production of off-grade steel. | Accepted. |
| 18. | The declining trends of labour productivity should be examined and if there is overmanning at any point, it should be rectified at the 1.6 million tonne stage. | Accepted. |

Wheel and Axle Plant and Sleeper Plant

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| 19. | Interstage inspection by Research and Control should be strengthened. | Accepted. |
| 20. | A proper system of production planning for this shop should be instituted at an early date. | Accepted. |
| 21. | A detailed study is called for to correct the defects in the present Bonus Scheme. | Accepted. |
| 22. | The plant should be examined by a team of foreign and Indian experts well versed in wheel steel making and processing. It will be advisable to send to senior officers abroad to make on the spot study of the techniques of the corresponding plants. | Accepted. This Expert Team is expected to start its work early in August, 1967. |

<i>S. No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
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Sleeper Plant

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| 23. Maintenance should be improved at all points and metallurgical, rolling and pressing defects should be minimised by better control on processes and operations. | Accepted. |
| 24. A proper study should be made to determine the correct basis of payment of incentive bonus to the staff based on good performance. | Accepted. |
| 25. D.S.P. should give on loan the sleepers required by the Railways for carrying out certain tests which if successful will bring down the rejections in sleepers considerably and will also help in the reduction of the present stocks. | Accepted. |

C.E.M. Shops

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| 26. Time studies should be made to determine standard time for the different jobs. | Accepted. |
| 27. A study should be made to see if the system of production planning and control for the shops is adequate and effective and if not, it should be streamlined. | Accepted. |
| 28. Balancing tools and additional staff needed to improve production should be considered so that the maximum possible load of making spares may be taken by the shops. | Accepted. HSL is being asked to instruct the C.E. & D.B. to prepare a Project Report and months. |
| 29. Proper studies should be made to determine standard times for different jobs for determination of a rational bonus scheme based on efforts of individuals and | Accepted. |

S. No.	<i>Recommendation of Committee</i>	<i>Government's decision</i>
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| 30. | It should be ascertained if the system of production planning and control is adequate and effective and it should be streamlined. | Accepted. |
| 31. | The control of the Foundry should be removed from the charge of the Chief Superintendent (C.& I.) and should be put under the charge of a new post of Superintendent (S hops and Foundry) so that the shops and the Foundry work as complementary units under him. | Accepted. |

Maintenance

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| 32. | A special organisation should be set up under the General Superintendent for making detailed inspection of the state of all plant assets according to a prescribed schedule. | Accepted. |
| 33. | The centralised Maintenance Organisation should be geared to discharge its duties in an efficient manner to arrange for spares in time and to develop competence in men. | Accepted. |
| 34. | Preventive Maintenance and Inspection Procedures at Durgapur have to be put on a sound footing. Proper preventive maintenance system should provide for detailed annual and monthly plans for shut down of equipments to be prepared in consultation with all concerned. | Accepted. |

Materials management

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| 35. | Stricter consumption norms for various kinds of materials will have to be adopted and any further increases in the usage rates are to be resisted. | Accepted. |
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<i>S. No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
36.	Joints sampling of coal at destination must be made obligatory.	The matter has been under examination. As this requires interdepartmental discussions a decision on this will be taken in consultation with Departments concerned.
37.	Introduction of selective preparation of coal has to be actively considered at least on experimental basis.	Accepted.
38.	The much needed Benefication Plant at Bolani to make available beneficiated fines to the Sinter Plant should be installed early.	Accepted.
39.	Inspection wings for materials must be strengthened in order to improve quality, and quantity control on raw materials.	Accepted.
40.	Efforts should be made to reduce the inventories of spares, stores and semi and finished goods.	Accepted.
41.	The Committee has already recommended to the General Manager the creation of a high level organisation for planning and procurement of spares. This is essential for an effective spares management, as an essential aid in Plant Maintenance.	Accepted.
<i>Production, Planning and Control</i>		
42.	A few senior officers from D.S.P. should study the system in vogue at Rourkela and Bhilai in order to install an effective system of Plant control at Durgapur	Accepted.
43.	Departments of Production Planning and Control and Energy and Economy should be placed under a new post of Assistant	Accepted in part. For the present, it would be adequate if the Department of Production, Planning and Con-

S, No,	Recommendation of Committee	Government's decision
	General Superintendent in-charge of coordination of all Plant activities.	trol is brought into existence under a Superintendent as in Bhilai. The position can be reviewed later, if necessary.
44.	Production Control Cells should also be placed under the Department of Production Planning. At a later date the direct maintenance function of the Energy and Economy Department may be transferred to the Chief Electrical Engineer and he may be redesignated as Power Engineer as in Bhilai.	Accepted.
45.	The services of the Department of Production, Planning and Control should be utilised for codification, upkeep and issue of all operation and maintenance instructions, procedure orders etc. which are of common use by the various departments.	Accepted.
46.	Functions of Manpower Planning should be transferred from the Personnel Department to the Industrial Engineering Department. Similarly, the Production Control Cells at the Steel Melting Shops and the Soaking Pits should be transferred from the Industrial Engineering Department to the Centralised Department of Production Planning and Control.	Assessment of manpower requirements should be undertaken by the Industrial Engineering Department, while recruitment, training, placement etc. would continue to vest in the Personnel Department. Transfer of the Production Control Cells to the Department of Production Planning and Control is accepted.
47.	The Industrial Engineering and the Research and Control Departments should be placed under the General Manager. A separate Wing in the Research Control, Department may be established for carrying out investigation into the failures on the metallurgical and chemical fronts.	Accepted.

<i>S.No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
48	The Management should make a complete review of the existing suggestion scheme and analyse the causes for its ineffectiveness and devise measure to make it work better.	Accepted.
49	A Technical Wing headed by an Assistant General Superintendent and assisted by two qualified and experienced engineers should be created to assist the General Superintendent in watching performance of the different units, removing bottlenecks, improving efficiency and reducing costs.	The need for a Technical Wing is accepted for the present, it is enough of a technical Wing is created with an Assistant Superintendent or a Superintendent-in-charge. The co-ordinations functions could be discharged by the General Superintendent himself. The position may be reviewed later if necessary.
50	It will be most desirable to create in the Head Office half a dozen posts of specialists at a very senior level who should be highly experienced experts in the different aspects of iron and steel Technology.	This recommendation will be kept in view when deciding the top management structure of Public Sector Steel Plants, which is separately under review.
51	For the purpose of assessing the performance and productivity of the various units in HSL in detail and to give suggestions for improvement Performance, Assessment and Development Teams should be formed with one of the Technical Officers in the Head Office as its Convener. The other Members should be the representatives of the Departments concerned. Industrial Engineering Department and the Cost Branch. A scrutiny by such teams must be conducted simultaneously in all the plants in the same units and with the same Head Office, Officer as Convener to ensure uniformity of approach and to get better results.	In addition to inspection by teams as proposed here, studies by high level Expert Commissions with experts from outside HSL may also be desirable.

<i>S. No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
52	Inspection of each section of the plant by officials higher up in hierarchy than the departmental heads must be undertaken as a matter of normal top management policy, the aim being to assist the plant in doing better.	Accepted.
53	A Development Council should be created with the General Manager as its Chairman, Chief Indl. Engineer as Secretary and some key top officials as members in order to frame annual development plans for the various units and departments well in advance of the coming year.	As the Department of Production Planning and Control would be able to spell out the individual development plans and dovetail them into a plant development plan, a separate Development Council is not considered necessary.

Personnel Management and Industrial Relations

54	Detailed work studies must be undertaken to determine the manning requirements of the various Departments of the Plant on a scientific basis. This work should be done by the Industrial Engineering Department. The manpower Planning should be considered by the Head Office and the final decision on manning at various levels taken on a comparative basis for all plants.	As indicated against No. 46 above, while manpower assessment will be done by the Industrial Engineering Department, manpower planning including recruitment, training placement, etc. will be done by Personnel Department. The rest of the recommendation is accepted.
55	The existing imbalance on the ratio of direct recruits to promotees to posts in the grade of Rs. 400—950 should be corrected.	Accepted. HSL is being asked to take corrective action.
56	The flight of experienced personnel from the plant should be checked.	Accepted. HSL should undertake a detailed investigation of this problem.
57	It is necessary to finalise the promotion policy for non-executive and make it known to all concerned.	Accepted.

<i>S. No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
58	Effective Channels of promotion should be laid down.	Accepted.
59	The training effort has to be intensified to take care of the training needs specially in Departments like Wheel and Axle Plant. The Training Department should be placed under the Personnel Manager.	Accepted. A Training Advisory Committee may also be set up.
60	The Industrial Relations situation at Durgapur has not been very happy, and efforts should be made to improve staff discipline making various Committees like Works Committee, Labour Committee function properly.	Accepted.
61	The calibre of Officers in the Personnel Department has also to be improved.	Accepted.
62	Instead of getting a Personnel Manager from the State Services, it will be more prudent to select a proper person having requisite qualifications from HSL Plant, cadre, or if such a person is not available, from outside sources on a permanent basis.	Accepted in principle, in keeping with the policy of developing talent from within the steel plants to take up the higher management positions. Till such time as suitable persons from within the plants cannot be found for this position, deputation from other sources including State Services will have to be continued
<i>Incentive Scheme</i>		
63	Management should rationalise the scheme on individual or inter-dependent group basis after Work Studies have been conducted by the Industrial Engineering Staff to the necessary extent.	Accepted in principle. Invoking the assistance of experienced Management Consultants in the conduct of the studies is also under consideration.
64	The system of production reporting and computation of bonus earnings should be streamlined. The Industrial Engineering	Accepted in principle. As it is not considered desirable to impose line functions on the Industrial Engineering De-

S. No.	<i>Recommendation of Committee</i>	<i>Government's decision</i>
	Department should compute the earnings on the basis of the production on reports rendered by the Inspection Agencies.	partment as far as possible, the Management will select an appropriate agency to compute incentive earnings on an independent and objective basis.
65	All levels of all the Departments of the Plant should be covered by properly instituted bonus schemes.	This Question is separately under examination.
	<i>Financial Management, Cost Control and Sales</i>	
66	The Plant should prepare realistic operation budget based on sales, the final budget culminating in planning action in various areas for achievement of profit objectives. The budget must be regarded as an instrument for profit planning and control.	Accepted.
67	Adequate control must be exercised to minimise all kinds of losses but special attention should be given to the large number of thefts in the Plant.	Accepted.
68	Strict watch on overtime payments should not only be continued but efforts should be made to reduce them.	Accepted. The management are already taking steps to curtail overtime and these steps are appreciated.
69	There is a very good case for effecting economy in the subsidy/deficit due to the provision of amenities and conveniences to staff. Facilities provided by the Plant for transport should be gradually withdrawn without causing any undue hardships to workers and staff.	This is left to Hindustan Steel Limited to consider and decide.
70	A permanent Standing Committee for cost reduction should be formed to study costs of departments, one by one. Cost consciousness should be built up in the entire organisation.	Accepted.

S. No.	Recommendation of Committee	Government's decision
71	Cost and performance data should be supplied appropriately and in time to all levels of executives including the Assistant Foreman.	Accepted.
72	The system of standard costing should now be introduced.	Accepted.
73	The entire policy of the Plant must be directed towards meeting the customer requirements. Substantial improvement is required in order to make the products of Durgapur Export-worthy.	Accepted.
<i>Plant Reorganisation and H.S.L.</i>		
74	Duties and responsibilities of all non-executive and executive personnel upto the level of the General Superintendent must be defined and made known to them.	Accepted. A programme for the preparation of job specifications should be worked out so that the progress can be appraised.
75	There should be no intermediary level between the General Superintendent and the Departmental Heads, who should report to the former directly.	Accepted.
76	The scale of pay for the Superintendents of major departments should be enhanced.	The form in which the emoluments of Superintendents of major departments should be improved is under consideration.
77	A post of Assistant General Superintendent should be created, who will be incharge of the proposed Department of Production Planning and Control and will effect the necessary co-ordination between the Heads of the various Departments.	For the present, it would be adequate if the Department of Production Planning and Control is brought into existence under a Superintendent as in Bhilai. The position can be reviewed later, if necessary.
78	A reshuffling of some Departments between the Commercial Manager and the Officer-on-Special Duty (Town) would be most desirable.	Accepted. Action on this has already been initiated.

<i>S. No.</i>	<i>Recommendation of Committee</i>	<i>Government's decision</i>
79	Advisory Council should be formed to assist the Officer-on-Special Duty in the sphere of welfare activities of the township. The old designation of OSD should also be corrected.	This is left for HSL to decide.
80	A post of coordination Manager, reporting to the General Manager be created, who will coordinate the work of Industrial Engineering and Research and Control Departments, besides performing other functions.	This is left for HSL to decide.
81	Composite teams of CMERI and HSL should be formed in order that maximum advantages accrue to both organisations.	HSL is being instructed to devise a suitable procedure for periodical consultations.
82	The Superintendents and other senior officers of important departments in HSL should meet regularly for pooling and exchange of knowledge and experience.	This is left for HSL to decide.
83	Promotions to managerial posts should be made on inter-Plant basis and transfers at these levels should also be undertaken in a planned manner.	Accepted.

APPENDIX II

[*Vide* reply to recommendation at Sl. No. 22 (para 72)]

No. 2(32)/65-F.I.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Department of Coordination Bureau of Public Enterprises

New Delhi, the 16th March, 1967.

OFFICE MEMORANDUM

SUBJECT:—*Financing of Working Capital requirements of Public Sector Undertakings.*

The question of providing working capital to the public sector enterprises has been engaging the attention of the Government for some time. While it is true that the case of each undertaking will have to be considered on its merits, the following guidelines are laid down which may assist the projects in assessing and meeting their working capital requirements:—

- (a) The Board of Directors in case of each undertaking should determine the reasonable level of the working capital and review the position from time to time to ensure that the total investment in the working capital is kept as low as possible.
- (b) In the first instance, the enterprises concerned should approach the State Bank of India for the cash-credit arrangements to meet the requirements of their working capital on the security of their current assets including stocks of stores, spare-parts, raw-materials etc. According to the normal bank practices, the State Bank may ask for a certain margin while fixing the cash-credit limits.
- (c) It would be necessary for the undertaking to find ways and means of raising the margin money. The State Bank of India should be requested to provide for the entire working capital needs. If necessary, the excess over the margin money could be covered by a guarantee from the Central Government.
- (d) Whenever the total requirements of the working capital cannot be met by the cash-credit arrangements with the State Bank of

India, the enterprises may approach the Government for short-term loans. Such requests would have to be examined *vis-a-vis* the position of internal resources of the undertakings.

- (e) So far as the use of internal resources and in particular depreciation fund is concerned, this should in the first instance be utilised for meeting capital expenditure. While making a demand for additional funds for capital expenditure, the internal resources including depreciation fund will, invariably, be taken into account.
- (f) Where the undertakings are making losses, the amount of the loss sustained will also be met from internal resources in the first instance.

The Ministry of Industry etc. are requested to bring this to the notice of the Public Sector Undertakings.

(R. C. DUTT),

,
Secretary to the Government of India
and Director General, Bureau of Public Enterprises.

To,

All Ministries/Departments of the Govt. of India.
All FAs in the Department of Expenditure.

Copies to:

Secretary, Department of Economic Affairs.
Secretary, Department of Expenditure.
Secretary, Department of Coordination.
Addl. Secretary, Department of Economic Affairs.
J. S. (Budget).

APPENDIX III

[*Vide* reply to Recommendation at S. No. 37 (para 121)]

NOTE ON MARKET SURVEY/STUDIES CARRIED OUT BY SALES OFFICE, HSL.

The steel processing industries and the trade have suffered a great slump during the last 18 months due to a variety of factors like (1) cut in spending by Railways and various other Government departments, (2) credit squeeze imposed by the Reserve Bank of India and (3) foreign exchange difficulties etc. Consequently both the steel processing industries as well as the trade have been living day-to-day and no one is now able to anticipate on long term basis the requirements of or demand for steel. This has created great difficulties, in analysing the market trends and making projections.

2. As a matter of fact, the Joint Plant Committee undertook a detailed section-wise survey of the demand for merchant mill products in associations with the steel producers including HSL but this survey had to be abandoned as it could make no headway due to the difficult conditions mentioned above.

3. From HSL, however, we have been able to make a number of *ad hoc* reports to ascertain the market position for the immediate requirements as distinct from detailed analysis to predict future trends. Such from reports have however been rather tentative and of short term utility.

4. We have, however, been strengthening our market research Division. We have now a post of Sales Manager (Market Research & Statistics) and it is hoped that once the economy picks up we will be able to analyse the trends and make more reliable estimates.

5. At the moment, there is surplus in practically every product except in Tin plates, cold rolled sheets and tested heavy plates produced by HSL. In items like pig iron, merchant mill products, heavy structurals, H. R. Coils, skelp and rails, supply capacity far exceeds the demand. This has been mainly due to the cut back in Government spending and the Railway budget.

6. A two-fold attempt was therefore made to increase our order position in these items. On the one hand, wherever lack of orders has been due to credit squeeze, lack of money with Government Departments, etc. we extended liberal credit facilities to keep our mills going. We had also to use our stockyards to receive more materials and sell it locally to consumers after a vigorous drive.

7. Since there was a limit beyond which the internal market could not take the materials a vigorous attempt was made to find market overseas. Three teams were sponsored for making market surveys—one in Africa, South Europe and West Asia, the other in the United States, Canada and the United Kingdom and some Middle East countries and the third in Australia. The recommendations made by the teams have been analysed and steps are being taken to implement them.

8. Our exports have gone up by 400 per cent in 1966-67 compared to the previous year and HSL has now become the leading exporter of non-traditional goods. HSL exports in 1966-67 was Rs. 9.3 crores and this is expected to increase to over Rs. 20 crores in 1967-68. These have helped us maintain our order position to some extent particularly in the case of pig iron, billets, rails, structurals and bars.

9. In the case of items in short supply of viz. cold rolled sheets, tested heavy plates and tin plates, action is in hand to complete the expansion programmes in Rourkela rapidly so that supplies are increased.

APPENDIX IV

[*Vide* para 1 (i) of Foot Note at Chapter 1]

REORGANISATION OF HINDUSTAN STEEL LIMITED

Statement made by Minister for Steel, Mines & Metals in Parliament on the 20th March, 1968 on the Management organisation of Hindustan Steel Limited

Since I assumed office a year ago, I have been giving serious and constant thought to the adequacy, efficiency and effectiveness of the present organisation in Hindustan Steel Limited for managing the affairs of its productive units. I was fortunate in having for my guidance the recommendations made by the Committee on Public Undertakings in the Twenty-eighth Report on the Head Office of Hindustan Steel Limited. In April, 1967, the Report of the Pande Committee which went into the working of the Durgapur Steel Plant became available. In this Report, there were many valuable thoughts on the needed changes in the top management organisation of HSL. In October, 1967, the Administrative Reforms Commission presented their Report on Public Sector enterprises which contained several recommendations on the organisation of public enterprises which were of great value and had a direct bearing on the management structure for public sector steel industry. In the same month I visited the United Kingdom where I studied at first hand the initial efforts of the British Steel Corporation in evolving a management pattern for the nationalised steel industry in Britain. I have drawn on all this rich fund of advice, recommendations and experience in formulating my proposals for the future management structure for the HSL plants. In evolving the programme I am announcing today I have had the benefit of close and repeated consultations with my Cabinet colleagues concerned.

2. The framework of the existing arrangements concerning HSL was evolved in 1962-63. Changes were then introduced whereby an ample measure of operating authority was vested at the plant level on the General Managers. The Board of Directors was transformed into a policy making body with only one full time Director, *viz.*, the Chairman. The General Managers ceased to be members of the Board. The important functions retained by the Head Office were Sales, Design and Engineering and the organisation of initial recruitment to the cadre of Graduate Engineers and Junior Officers.

3. These arrangements reflected the priorities of the situation which then obtained. The crying need at that time was firstly to maximise production so that the steel requirements of the economy could be met to the utmost extent from indigenous production and imports kept down to the minimum in order to spare the foreign exchange resources for other developmental needs and secondly to attain and stabilise production at the rated capacities. The internal demand then was such as could wholly absorb the output of our plants. The factors which limited production were mainly organisational and technological. The changes effected in 1962-63 were designed to remove the organisational barriers to greater production. These measures have attained a substantial degree of success.

4. Circumstances have changed materially since then and we are now ready to take the next series of steps to meet the new situation. Even in 1963 the Minister for Steel & Heavy Industries felt that a high degree of autonomy in routine should be conferred at the plant level and the important functions of broader policy making and staff services, advisory and consultative in nature should be reserved for the corporate headquarters. These functions have now assumed great importance in the altered situation and the Board has to be strengthened to enable it to discharge these functions. The present setting is one where the capacities for the production and supply of steel of several categories currently exceed domestic requirements. All that our plants are able to produce is not wholly absorbed by the market. There is need, on the one hand, for sophisticated selling both at home and abroad and, on the other, for closely matching production to the actualities of demand. There is equal urgency for meticulously watching costs and ensuring economies. In a word, the emphasis has shifted unmistakably from sheer production and mere tonnage to consumer-sensitive and profit-conscious planning of both output and sales.

5. In the changed setting the imperatives consist of a vigorous approach to sales, careful and coordinated planning of production so as to maximise profit, systematic control of cost, coordination of production with a view to maximum overall utilisation of the production facilities, careful regulation of inventories, meticulous observance of needed maintenance practices so as to ensure maximum availabilities of plant and equipment in the short as well as long term etc. These are activities involving planning and control where the corporate headquarters have to show sound judgment, initiative and skill as well as provide significant staff assistance to the General Managers. With the change from a Sellers Market to a Buyers Market, the Headquarters with its responsibilities for centralised sales has a much more significant role to play in planning, guiding and advising the plants in respect of production.

6. The Board of Management, as at present constituted, is not equipped for the needed performance of its planning, control and advisory functions as required by the changed circumstances. In this programme of changes, therefore, it is proposed to strengthen the headquarters of the Company by adding a few full time Directors to the Board of Management. The Chairman would continue to be a full time functionary. To assist him in co-ordination and integrated planning and implementation of policy there would be two Deputy Chairmen. To provide specialised functional support to the Chairman, Deputy Chairmen and to the Board of Management, there would be three full time Functional Directors on the Board. While their functional responsibilities would be detailed by the Chairman, it is envisaged that they would deal with three specific areas, namely, Personnel including Industrial Relations, Commercial Activities and Finance where the work of the Board of Management calls for reinforced emphasis. In the field of Personnel including Management, pioneering work needs to be organised in regard to the planned development of managerial talent so that, in the foreseeable future, the public sector steel industry becomes self-sufficient in the matter of high level and top level managers. Furthermore, a planned programme calculated to ensure a uniform distribution among all the HSL plants of the scarce high calibre technical manpower needs to be undertaken. The key to this programme would be to restore promotions on a Company-wise basis especially at the higher levels on the lines of the recommendations of the Committee on Public Undertakings and the Pande Committee. As the first step towards bringing the manning in the HSL plants to levels which are compatible with the sophisticated nature of the facilities installed in these plants, the personnel set-up in HSL would have to organise detailed evaluation of manning requirements such as has been carried out for the Bokaro Steel Plant recently. The Commercial Director would have to take a comprehensive look at the present sales set-up in HSL which has done commendable work in stimulating sales particularly in export markets but which requires to be strengthened in order to meet successfully the challenge of present market conditions both at home and abroad.

7. In addition to these full time Directors, there would be, on part time basis, two Government representatives as well as a maximum of three part time Directors drawn from industry, commerce or other fields of economic and technological activity.

8. A further change which I intend making in the Board of Management is to restore the General Managers of the three steel plants at Bhilai, Rourkela and Durgapur to the Board. In the reorganisation effected in 1962-63, the General Managers were dropped from the Board of Management. Subsequent experience has shown that without the practical

knowledge of the General Managers of the working of the Plants, the Board of Management was handicapped in the shaping of policies. With the General Managers back in the Board of Management, this deficiency would be removed.

9. On the basis of the experience of the working of the existing arrangements, some changes might be necessary in the division of powers between the Board of Directors and the General Managers. Indeed certain changes concerning the fixation of authorised manning at each steel plant, promotions of middle and higher level management personnel on a company-wise basis, centralised bulk purchase of selected raw materials etc. have been considered desirable by the Committee on Public Undertakings and the Pande Committee etc. It is my intention to arrange for the needed changes in the division of powers in consultation with the Chairman of HSL. I should however reassure the House that it would be ensured in the new arrangements that the General Managers would have all the powers they require to organise production efficiently within the framework of targets and budgets approved by the Board of Directors.

10. Another change concerns the constitution of Advisory Boards at the Plant level. There is a large area relating to matters like rehabilitation and employment of displaced persons and other local people, utilisation of land acquired for the plant, development of ancillary industries etc. which have local significance and where the General Managers would benefit by having an advisory body to advise them. In this view, I propose to constitute three Advisory Boards, one for Bhilai, one for Rourkela and one for the Durgapur area comprising both the Durgapur Steel Plant and the Alloy Steel Plant. While the exact constitution of these Advisory Boards would be settled and the members nominated in consultation with Chairman, HSL, it is envisaged that the General Manager would be the Chairman of each Advisory Board which would have on it representatives of the State Government concerned and of the employees of the Plant as well as two or three prominent non-officials with experience of industry, commerce etc.

11. My Cabinet colleagues and I have given careful thought to the question as to whether Bokaro should continue to be managed as a separate entity or should be brought into a common framework along with the HSL plants. Considering on the one hand, Bokaro's massive problems of construction created by its size and inbuilt capacities which require undivided attention for the next few years at the highest corporate level and, on the other, the heavy responsibilities that have developed on the top management of HSL in organising the operation of their plants on an

effective footing, we are convinced that the balance of advantage lies in arranging for a merger of Bokaro with HSL after it has gone into production and in the light of the circumstances prevailing then.

12. In approaching the problems of management and organisation of such a key sector of our economy as has been entrusted to my care, I have derived immense support from the keen and continuous interest which the Honourable Members have evinced in the working of these major national enterprises. The anxiety which this House showed repeatedly in the selection of suitable persons for the top managerial appointments in our public sector steel plants is a measure of your vigilance over these matters of great public import losses incurred by HSL have also been a matter of great concern to the Honourable Members and I shall soon be placing a Paper on the Table of the House, as a preliminary to one-hour-discussion. The goodwill which all this betokens has given me the needed strength in pursuing the search for able men who could be effective in these top positions. I must share with the House my feeling of satisfaction that this intensive search has yielded results. A new General Manager, Shri R. P. Sinha, Chief of the Engineering & Design Bureau, would shortly be taking over at Rourkela and Maj. Gen. B. P. Wadhera, Commandant, College of Military Engineering, Poona, will join at Durgapur as Director-in-charge before the end of this month. A new General Manager for Bhilai has also been selected and should be in position soon. At the Headquarters, a Deputy Chairman is already functioning and discharging the duties of the Chairman. These arrangements would ensure the normal functioning of the headquarters of the three steel plants and of the Company. I also hope to be able to implement the other measures mentioned above to reorganise and strengthen the Management within a short time. I expect we would be able to induct the new Chairman very shortly. It is my hope that within the framework of the reorganised structure the reinforced management team would be able to instil fresh vigour into the administration and to meet the challenge of this new situation.

APPENDIX V

(*vide* para 5 of Introduction)

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

I. Total number of recommendations	49
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at Sl. Nos. 9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 35, 36, 38, 40, 41, 42, 44, 45, 47, 48 and 49).	
Number	34
Percentage to Total	69.39%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 16, 33, 34, 37, 39, 43 and 46).	
Number	15
Percentage to Total	30.61%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.	
Number	Nil
Percentage to Total	Nil
V. Recommendations in respect of which replies of Government are still awaited.	
Number	Nil
Percentage to Total	Nil

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Naran ^o kari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON W.C.—2.	59

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