

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

(FOURTH LOK SABHA)

FORTIETH REPORT

**Action taken by Government on the Recommendations
relating to Public Undertakings, contained in the
Twenty-Third Report of the Public Accounts
Committee (Third Lok Sabha) on
Audit Report (Commercial), 1963**



LOK SABHA SECRETARIAT

NEW DELHI

March, 1969/Chaitra, 1891 (Saka)

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C O R R I G E N D A

FORTIETH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69) ON ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS RELATING TO PUBLIC UNDERTAKINGS, CONTAINED IN THE TWENTY-THIRD REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (THIRD LOK SABHA) ON AUDIT REPORT (COMMERCIAL), 1963.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1968-69)

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Shri G. S. Dhillon

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2. Shri C. C. Desai
3. Shri Surendranath Dwivedy
4. Shri Bhogendra Jha
5. Shri S. S. Kothari
6. Shrimati T. Lakshmikanthamma
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9. Shri Prem Chand Verma
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12. Miss M. L. M. Naidu
13. Shri Gaure Murahari
14. Shri Rajindra Pratap Sinha
15. Shri D. Thengari

SECRETARIAT

Shri S. C. Mookerjee, *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 Fortieth Report on the Action Taken by Government on the recommendations relating to public undertakings, contained in the Twenty-Third Report of the Public Accounts Committee (Third Lok Sabha).

2. The Twenty-Third Report of the Public Accounts Committee (Third Lok Sabha) on Audit Report (Commercial), 1963 was presented to Lok Sabha on the 23rd March, 1964. Out of 142 recommendations contained in that Report, 24 recommendations (Serial Nos. 118 to 141) relating to various Ministries have already been dealt with by the Public Accounts Committee in their 40th Report (Third Lok Sabha). The remaining 118 recommendations (Serial Nos. 1 to 117 and 142) contained in that Report relate to the following undertakings:

<i>Name of Public Undertakings</i>	<i>Serial Nos. of Recommendations</i>
Air India	1 to 9
Indian Airlines Corporation	10 to 19
Hindustan Steel Ltd.	20 to 50
Hindustan Machine Tools Ltd.	51 to 55
National Coal Development Corporation Ltd.	56 to 82
State Trading Corporation	83 to 97
National Newsprint & Paper Mills Ltd.	98 to 105
Indian Rare Earths Ltd.	106 to 108
Bharat Electronics Ltd.	109 to 110
Garden Reach Workshops Ltd.	111 to 114
Mazagon Dock Ltd.	115 to 117
General Pricing Policy of Government Undertakings	142

3. The replies to the recommendations contained in the Report were received on various dates during the period from 12th November, 1964 to the 12th March, 1969. Replies of Government in respect of one recommendation (Serial No. 55) had not been received till 28th March, 1969 when the Committee finally considered the replies.

4. The Committee considered the replies on the 17th December 1968 and 28th March, 1969. They approved Chapter I of the draft Report on 28th March, 1969 and authorised the Chairman to finalise the Report for presentation to Parliament.

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

(i) Report

(ii) Recommendations which have been accepted by Government

(vi)

(iii) Recommendations which the Committee do not desire to pursue in view of Government's reply.

[(iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

(v) Recommendations in respect of which replies from Government are still awaited.

6. An analysis of the action taken by Government on the recommendations relating to Public Undertakings contained in the Twenty-Third Report of the Public Accounts Committee (Third Lok Sabha) is given in the Appendix-XL. It would be observed therefrom that out of 118 recommendations relating to public undertakings contained in the Report, 54 per cent have been accepted by the Government and the Committee do not desire to pursue 40 per cent of the recommendations in view of Government's replies. Replies in respect of 5 per cent of the recommendations have not been accepted by the Committee, while replies in respect of 1 per cent of the recommendations are still awaited.

G. S. DHILLON,

NEW DELHI;

April 26, 1969

Vaisakha 6, 1891 (S)

Chairman,

Committee on Public Undertakings.

CHAPTER I

A. CONSTRUCTION AND ERECTION OF STEEL WORKS AT HSL— PARA 47 OF THE TWENTY-THIRD REPORT OF P.A.C. (THIRD LOK SABHA)

Recommendation (Serial No. 38)

HSL entrusted erection of Steel Works to the "Indian Steel Works Construction" Company (ISCON) and employed Messrs International Construction Company to approve the design, supervise the manufacture of plant and equipment, supervise the construction and erection work at site etc. and act as consultants. It was revealed that terms of the contract entered into with the contractors were too wide which led to an overpayment to the extent of Rs. 100 lakhs though according to the Director of the HSL, the amount of overpayment involved was Rs. 38 lakhs out of which HSL had already recovered Rs. 13 lakhs. The Public Accounts Committee recom-
mended that:

- (i) HSL should have checked up the position before making payments to the contractors;
- (ii) terms of the agreement may be re-examined and suitably revised, if possible at this stage, and
- (iii) Government should appoint a high level Inquiry Committee to investigate the cases of alleged overpayments reported by the Civil Engineering Officer.

2. In their reply, the Government stated that having employed a firm of consulting Engineers of international repute, to arrange for separate counter-check by HSL would have been unnecessary duplication. In regard to (ii) Government stated that the work relating to the contract is complete and even the few outstanding claims and counter-claims by HSL and ISCON have been discussed by a Committee of Directors on either side and a final settlement has been arrived at and as such it is not feasible or worthwhile at this stage to re-examine the terms of the Agreement. With reference to (iii) the Government have stated that the Report of the Special Officer was scrutinised by a Director of H.S.L. and thereafter the observations of the Director were further examined by the Finance Director. The Hindustan Steel Ltd. were fully satisfied that there were no overpayments in respect of the items covered by the sum of Rs. 62 lakhs. With regard to the items of the value of Rs. 37.64 lakhs, H.S.L. have been able to adjust claims for Rs. 16.40 lakhs. H.S.L. considered that there was no point in pursuing claims worth Rs. 17 lakhs. For the balance of Rs. 4.24 lakhs, they had lodged claims which were taken up by the Negotiation Committee. The claims and counterclaims against ISCON have since been settled by negotiations. In view of these facts, the Government felt that at this stage it will not serve any purpose to appoint a high level enquiry Committee to investigate the cases of alleged overpayments. In their reply, the Government have stated that the Officer on Special Duty appointed by HSE to investigate the question of alleged overpayments in respect of Civil Engineering works at Durgapur Steel plant had worked out a saving of Rs. 17 lakhs in respect of stone used by Contractors for Railway ballast. The basis

of his calculation was that the cost of 'Pakur Stone' at 1956 base price was Rs. 64/- per 100 cft as given in the 5th Schedule to the Contract with ISCON but the stone actually used by the Contractors appeared to be of local quarries instead of 'Pakur stone' and the cost of that stone was Rs. 20 per 100 cft less than that of Pakur stone. In view of this, the O.S.D. was of the view that there was a case for fixing a new rate altogether for the stone actually used by the contractors. The points raised by the O.S.D. were considered by Hindustan Steel Limited who came to the conclusion that there was no necessity of revising the rates as it was found that the cost of Pakur stone was not more than the rate of the stone used by the contractors. Further, the 'Engineers' of HSL—M/s International Construction Company Ltd., advised that the stone ballast actually used was of the same quality and value as 'Pakur stone' and it had also come from districts around Pakur. It was, therefore, considered by HSL that there was no point in revising the rates and in pursuing the claim worth Rs. 17 lakhs calculated by the Officer-on-Special Duty.

3. The Committee do not consider the reasons advanced for not pursuing claims worth Rs. 17 lakhs as convincing. While it may be a fact that the stone actually used by the contractor was of the same quality and value as 'Pakur stone', but what is not clear is why the contractor did not use 'Pakur stone' when the contract stipulated use of that stone. HSL had a good case on that score alone and should have pursued that claim. The Committee also cannot look with equanimity the fact that HSL did not appoint a high level enquiry Committee to look into these cases of overpayments.

**B. IRREGULARITIES IN PURCHASE OF INGOT MOULDS,
FROM M/S. BHANDARI IRON & STEEL COMPANY, INDORE
BY BHILAI STEEL PLANT—PARAS 55-56**

Recommendation (Serial Nos. 46 and 47)

4. Open tenders were invited in March, 1957, for supply of 400, 7.45 tonne ingot moulds and 400 corresponding hot tops and 208, 6-ton ingot moulds and corresponding 208, hot tops.

5. 19 offers were received but only M/s Bhandari Iron & Steel Company, Indore had quoted both for ingot moulds and hot tops. The tender of M/S Bhandari Iron & Steel Co., was accepted both for ingot moulds and hot tops, because orders for these could not be placed separately as moulds and hot tops were to fit each other.

6. In January, 1958 formal orders for the supply of 284 ingot moulds and 100 hot tops for a total value of Rs. 43.5 lakhs were placed after obtaining the approval of the Board of Directors and the Government sanction.

7. Before the orders were placed, the Soviet Expert (Mr. Kushsch) and the equipment Planning Engineer incharge (Shri V. K. Rajagopalan) visited the Bhandari Iron & Steel Works in August, 1957 and reported that "though they do not possess, at the moment, full technical facilities for the manufacture of ingot moulds, we are of opinion that they will be able to manufacture these from January, 1958 onwards. . . . they will be able to supply a minimum of 30 moulds per month and thus would be able to complete our requirements by the end of October, 1958 which is agreeable to us.

8. The Financial Adviser of Bhilai Steel Plant had given the advice that payments for moulds and not hot tops should be non standard conditions,

namely, 90% on inspection certificate and 10% on despatch receipt and on final test, stressing that strict inspection would be necessary.

9. In February, 1958, the firm asked for financial aid amounting to Rs. 7 lakhs stating that the State Government had been approached by them for a loan of Rs. 7 lakhs under the State Aid to Industries Act and that they were prepared to give bank guarantee for this loan. They indicated that this money was required by them to enable them to lift the imported pig iron which the Iron and Steel Controller had allotted to them. The Director of Industries, M.P., had also stated in a letter to the firm that the State Aid to Industries Board had recommended a loan of Rs. 5 lakhs, of which orders have been passed to pay an amount of Rs. 2 lakhs by the end of February 1958. The remaining amount was under the consideration of the State Government. The Financial Adviser of Bhilai Steel Plant pointed out that in the event of a change being made in the contract and financial assistance being given to the firm, a proportionate change in the rates would be necessary. The proposal was ultimately recommended to the Board of Directors who agreed to supply raw materials (pig iron) to M/s Bhandari Iron & Steel Co., of the value not exceeding Rs. 4 lakhs against the bank guarantee, recoveries being made within a period of 6 months together with interest @6% on outstanding balance. It was also agreed that Rs. 2 lakhs which the firm was to receive from the Madhya Pradesh Government should be adjusted immediately on the grant of loan and the balance should be recovered from the bills of the firm.

10. By the end of December, 1958 by which time the entire supplies were supposed to be completed, the firm had supplied only 8 ingot moulds out of the total order and 20 more castings were reported to be in stock. In view of this unsatisfactory delivery and the technical difficulties faced by the firm, a second team consisting of Superintendent Steel Melting Shop (Mr. S. N. Ghosh) and a Soviet expert on Steel Melting (Mr. M. E. Savoshkin) visited the firm's premises by the end of December, 1958. This team was of the view that the firm's technical personnel and methods of manufacture were not upto the mark and they would not be able to keep to the schedule of the delivery. They were also of the opinion that the contract price of Rs. *15,480 per mould was abnormally high, and according to them the cost price should have been not more than Rs. 2,500. Similarly the cost price of one hot top should have been about Rs. 260 as against the agreed price of Rs. *880.

11. On the basis of the above report, the orders of the value of Rs. 14.58 lakhs on M/s Bhandari Iron & Steel Co., for 100, 6.2 ton ingot moulds and 50 hot tops were cancelled.

12. 2 ingot moulds, as recommended by the above team supplied by the firm were sent to TISCO for service tests, as it was necessary to be sure that the moulds would stand the temperature of molten steel and not crack. Both the ingot moulds failed in the first test itself—one broke into pieces completely and the other fully cracked. Similar test carried out at Bhilai Steel Works also revealed the same results.

13. At that time, the total amount adjusted and paid to the party was Rs. 4.93 lakhs.

14. On the basis of the above test results the order with M/s. Bhandari was cancelled.

*According to pass 55 of the 23rd report of P.A.C. the figure is Rs. 15482 and Rs. 888.

15. In August, 1962, a suit for a claim of Rs. 12.23 lakhs was filed against M/s Bhandari Iron & Steel Co. and against the State Bank of Indore (for not honouring the guarantee for Rs. 5 lakhs). This claim includes liquidated damages amounting to Rs. 5.98 lakhs.

16. The Public Accounts Committee had, *inter alia*, recommended that the entire deal should be investigated and they be informed of the final outcome. Accordingly, an enquiry Committee consisting of Sarvashri S. C. Guha Maulik, Chief Superintendent Iron & Steel, A. Y. Mehta, Deputy General Manager and R.s. Bery, Deputy Financial Adviser was appointed by the General Manager, Bhilai Steel Plant to enquire into this case. The findings of the Committee were that all acts done in connection with the purchase of ingot moulds from M/s Bhandari Iron & Steel were covered by proper sanction of the Board and Government, wherever necessary.

17. The Committee however, felt that the judgement exercised in placing the order by the engineering department, purchase department and the finance department was not sound.

18. The Committee was not however, able to apportion blame or fix responsibility on any individual officer. The Committee also mentioned in their report that the technical officers who indented for these items and advised about placement of orders erred in their judgement in regard to the capacity of the firm to produce big castings of this nature. At the time of entering into the above deal, the Bhilai Steel Plant was not equipped with experienced technical personnel specialised in the field and the team that was actually deputed seems to have accepted the assurances given by the firm either without proper investigation or in ignorance or perhaps the inadequacy of the investigation was due to comparative ignorance of the process and the problems involved. On being enquired as to what action had been taken by Government on the findings of the Enquiry Committee, the Government have replied that no action could be taken against any officer due to the following reasons:

- (i) the technical officers who indented for the ingot moulds and hot tops and advised in regard to the placements of the orders on M/s Bhandari and Co., erred in their judgement in regard to the capacity of this firm to produce big castings of this nature. Apparently, the intricacies of producing such heavy castings were not known to them, and they accepted in good faith the assurances given by the firm.
- (ii) Inquiry Committee has also not been able to apportion blame or fix responsibility on any individual officer.

19. This is an old case dating back to 1958. Nevertheless, the Committee on Public Undertakings feels that the HSL and for that matter every public undertaking should invariably ascertain the financial soundness and technical capability of a firm before awarding any contracts so as to avoid recurrence of such cases.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee recommend that the Air-India should continue to endeavour to improve the utilisation of the available capacity. (Paragraph 7)

Reply of Government

Every effort is being made to improve the utilisation of the available capacity.

The following are the steps taken to improve the utilisation of the available capacity *i.e.* for achieving higher load factors:

- (i) Opening of off-line offices in various countries after considering the revenue potentials of the areas.
- (ii) Revenue pooling arrangement with important airlines who are competitors of the Corporation so that wasteful competition can be avoided.
- (iii) Selective allocation of funds for publicity and a judicious utilisation of such funds so as to ensure that the publicity is quite effective.
- (iv) Incentive by way of introduction of reduced fares over the Atlantic.
- (v) Reduced specific commodity rates for carriage of cargo.

The results achieved from the efforts made above will be seen from the following figures of overall load factors:

1962-63	45.3%
1963-64	47.8%
1964-65 (up to December, 1964)	51.7%

Breakeven Load Factor :

1962-63	41.2%
1963-64	40.2%

[*Ministry of Civil Aviation O.M. No. 4-CA(7)/64, dated the 9th August, 1965*]

Recommendation (Serial No. 4)

The Committee do not appreciate the abnormal delay involved in finalising the formal regulations regarding grant of loans. The Committee hope that the draft regulations will be finalised without delay and strictly adhered to in future. (*Paragraph 10*)

Reply of Government

The Corporation have reported that the formal regulations have since been drafted and these will be put up to the Board and the Govt. early for approval.

[*Ministry of Civil Aviation O. M. No. 4-CA(7)/64, dated the 9th August, 1965*].

Further Reply of Government

The Corporation have already set up a Welfare Fund. Rules have been framed regulating the grant of loans to the employees or Societies formed by employees of Air-India for the purpose of constructing or purchasing dwelling houses including the purchase of land or plots therefor, as well as miscellaneous loans.

[*Ministry of Transport and Civil Aviation O. M. No. 4-CA (22)/64-Part I, dated 14th October, 1968*].

Recommendation (Serial No. 5)

The Committee are surprised to note that such important decisions as disclosed in this para are left to be decided at lower levels without being brought to the notice of the higher authorities at any stage. They recommend that suitable instructions should be issued in this regard to avoid the incurring of such infructuous expenditure in future. (*Paragraph 11*)

Reply of Government

Suitable instructions have been issued for the guidance of all concerned and a copy of the same is enclosed (Appendix I)

[*Ministry of Civil Aviation O.M. No. 4-CA(7)/64, dated the 9th August, 1965*].

Recommendation (Serial No. 6)

The Committee are glad to note the sound financial position of the Air-India. They hope that Govt. will take an early decision with regard to the proposals of the Corporation to start paying interest on the Government loans and to deposit about Rs. 3 to Rs. 4 crores with the Govt. The Committee also hope that Govt. will take care to see that handsome profits brought by the Air-India do not lead to extravagance. (*Paragraph 12*)

Reply of Government

Noted. It has been decided that the Air Corporations need not "fund" their depreciation provisions in future. The question of amending the provisions of the Air Corporations Act is being examined in Consultation with the Ministry of Law. The question of refund of a part of Air-India's surplus Funds to Govt. is under consideration.

Air-India, apart from paying dividend on their equity capital have, on their own volition, decided to pay interest on the debenture portion of the Capital effective from 1963-64, in spite of the moratorium and the Corporation have already paid a sum of Rs. 60·34 lakhs as interest for the year 1963-64. The amount was credited to Govt. under the head 'VI-Interest; C.

Other Interest Receipts-Miscellaneous' during the year 1964-65. It may also be added that the Corporation is now appropriating substantial amounts to the Development Rebate Reserve.

[Ministry of Civil Aviation O.M. No. 4-CA(7)/64 dated the 9th August, 1965].

Recommendation (Serial No. 7)

The Committee are of the view that the Air-India should expedite framing of rules laying down suitable criteria according to which loan should be sanctioned and interest charged thereon. Setting up of the Welfare Fund and framing of rules for its utilisation should also be expedited (*Paragraph 13*).

Reply of Government

The Regulations for the grant of miscellaneous loans and the scheme for setting up the Welfare Fund and the rules for its utilisation have since been completed and approved by the Board at the meeting held on 18-8-1964. As suggested by the Board, the Rules were discussed informally by the Management of the Corporation with the Ministry of Finance. The Corporation revised these regulations on the basis of the suggestions made by the Ministry of Finance and submitted them for Central Govt.'s approval under Section 45 of the Air Corporations Act, 1953. Certain additional clarifications have been asked for from the Corporation which are awaited.

[Ministry of Civil Aviation O.M. No. 4-CA(7)/64 dated the 9th August, 1965].

Further Reply of Government

The Corporation have already set up a Welfare Fund. Rules have been framed regulating the grant of loans to the employees or Societies formed by employees of Air-India for the purpose of constructing or purchasing dwelling houses including the purchase of land or plots therefor, as well as miscellaneous loans.

[Ministry of Transport and Civil Aviation O. M. No. 4-CA(7)/64-Pt. I, dated the 14th October, 1968].

Recommendation (Serial No. 8)

The Committee are surprised at the lethargy shown in settling the pending matters relating to the staff till the end of 1961 resulting in the loss of about Rs. 15,500. As admitted by the General Manager, an increase could have been made in the man hour rates in November, 1960 itself and the sum of Rs. 15,500 could have been collected. The Committee hope that such delays will be avoided in future. (*Paragraph 14*)

Reply of Government

Noted.

[Ministry of Civil Aviation O. M. No. 4-CA(7)/64, dated the 9th August, 1965].

Recommendation (Serial No. 10)

(i) The Committee wanted to know the expenditure incurred on the grounded Herons during the year 1962-63, The information is awaited.

(ii) The Committee are unhappy to note the failure on the part of the administration in referring the offers received from U.K. in June, 1957 for Rs. 3.33 lakhs and from America in July, 1957 for Rs. 5.52 lakhs to the Board for their consideration. Had the Board been properly apprised of the falling market price of the Heron Aircraft, the Board might have fixed a more realistic sale price of the seven Herons, thereby minimising the loss of Rs. 16 lakhs. The Committee cannot help observing that the question of the disposal of unwanted Heron Aircraft was handled in an unbusiness-like manner and the downward trend of the market for Heron Aircraft was not given due weight. The Committee trust that the Corporation will benefit from this experience and avoid such erroneous judgements in future (Paragraph 16).

Reply of Government

A statement (Appendix II) giving the required information is attached.

The observation of the Committee has been noted by the Corporation.

[Ministry of Transport and Aviation (Deptt. of Aviation) O. M. No. 4-CA (22)/64 dated the 26th April, 1966].

Recommendation (Serial No. 11)

The Committee are glad to learn that the operation of Hyderabad-Vizag Service at the request of the Andhra Pradesh Government has now been continued on a shortfall guarantee basis. The Committee are of the view that whenever the Corporation is asked to operate a commercially non-profitable route at the request of a State Government, it should invariably be on a shortfall guarantee basis. (Paragraph 17)

Reply of Government

The Committee's observations have been noted by the Corporation.

[Ministry of Transport and Aviation O. M. No. 4-CA (22)/64, dated 26th April, 1966].

Recommendation (Serial No. 13)

The Committee are of the view that such "interpretational errors" should be avoided and that suitable procedure should be devised to ensure that the HQ is in a position to promptly detect and rectify such errors if they do occur at all. (Paragraph 19)

Reply of Government

The Corporation have issued necessary instructions to their Areas that in all doubtful cases, the matter should be referred to Headquarters for clarification. A copy each of an extract from the I.A.C. Reservations and Ticketing Manual circulated to their Areas on 17-12-64 (Vol. V Section 15) and a copy of the further instructions issued by I.A.C. with their O.M. No. CCM/IATA-I dated 15-4-66 to their Areas are enclosed. (Appendix III)

[Ministry of Transport and Aviation (Deptt. of Aviation) O. M. No. 4-CA (22)/64, dated the 26th April, 1966].

Recommendation (Serial No. 14)

While the Committee agree that the Corporation is competent to decide administrative questions of promotions etc. they are not happy about the decision to give retrospective effect to those appointments when the employees were not actually performing the duties attached to the posts. The Committee hope that the Corporation will scrupulously avoid such irregular procedures in future. (*Paragraph 20*)

Reply of Government

The observations of the Committee have been noted by the Corporation. [*Ministry of Transport and Aviation O. M. No. 4-CA (22)/64, dated the 26th April, 1966*].

Recommendation (Serial No. 16)

Since the General Manager accepted that (i) the agreement entered into with the AIROA was to come into force only with the introduction of the Pilot operated RT Scheme and (ii) that the RT scheme itself has not been introduced till the 1st of February, 1964, the Committee are of the view that the ex-gratia payment of Rs. 33,337 to the Radio Officer who left service on the 1st January, 1962 at his own request, was not warranted.

In this connection the Committee would like to refer to the decision of the Government of India, Ministry of Finance (Department of Coordination) contained in their D.O. No. 837-SCDN/63, dated the 18-11-1963 regarding directions to be given by the Government to their representatives on the Boards of Directors of Public Undertakings. The Committee feel that the Government representatives should look into such financial irregularities of the Corporation and report them promptly to Government. (*Paragraph 22*)

Reply of Government

Noted.

[*Ministry of Transport and Aviation (Deptt. of Aviation) O. M. No. 4-CA (22)/64 dated the 26th April, 1966*].

Recommendation (Serial No. 18)

The Committee would like the Corporation to ensure that the stock verification is carried out regularly as per the schedule that has been laid down. (*Paragraph 24*)

Reply of Government

A report on **Physical Verification and Reconciliation** of assets of the Corporation and the Biennial Report on Physical Verification and Reconciliation of stores for the period ending 31st March, 1964 which were prepared by the Corporation and put up to their Board at its meeting held on the 17th December, 1965 are enclosed (Appendix IV & V). The Board accorded approval to the same. The Corporation have also impressed on the FA & CAOs. and Audit Officers at a meeting called by the Financial Comptroller on 1st and 2nd March, 1966 the importance of timely completion of this work in future in accordance with the laid down time schedules. A copy of extract from the minutes of the meeting are enclosed (Appendix VI).

[*Ministry of Transport and Aviation (Deptt. of Aviation) O. M. No. 4-CA (22)/64, dated the 26th April, 1966*].

Recommendation [Serial No. 21 (i)]

The Committee feel unhappy that such misclassification of expenditures should have occurred in the cases of Bhilai and Durgapur. They hope that suitable measures will be taken by the management to avoid such misclassifications of expenditure in future. (Paragraph 29)

Reply of Government

Noted.

[*Ministry of Iron and Steel, O. M. No. Parl. (10)-10/64, dated the 14th November, 1966*].

Recommendation [Serial No. 21 (ii)]

Regarding the increase in foreign exchange components for Bhilai (from the revised estimate of Rs. 85.60 crores in 1961 to the actual expenditure of Rs. 91.33 crores upto 31st March, 1962 and Rs. 97.98 crores upto 31-3-63) it was stated in evidence by the representative of the Hindustan Steel Limited that the estimate of Rs. 85.60 crores did not include the estimate of foreign exchange on certain items, viz.,

1. Salaries to the Soviet experts;
2. Consultant's fee;
3. Incidental charges on USSR Stores.

The Committee are surprised to learn that these important factors were lost sight of despite two earlier upward revisions of original estimates, first in 1957 and again in 1961. This indicates that sufficient care is not being taken at the time of framing the estimates. The Committee would like Government to issue suitable instructions to all the Public Sector Undertakings to ensure that the estimates are prepared more realistically and such important factors are not omitted from the estimates. (Paragraph 30)

Reply of Government

The Committee on Public Undertakings, in their 30th Report on the Bhilai Steel Plant, had also examined in detail, the upward revisions in the Project Estimates of the Bhilai Steel Plant at the one million tonne stage during the period from 1956—1963 and the reasons for the increases. In this Report also the Committee had reiterated that estimates of capital investment for setting up a project should, as far as practicable, be complete in all respects, *vide* S. No. 34, para No. 141 of the 30th Report. A reply to this recommendation has already been sent *vide* this Department Office Memorandum No. PARL (6)-10/66, dated the 22nd January, 1968. A copy of the reply is also attached for ready reference (Appendix VII). The revised procedure referred to therein should meet the requirement in view.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron, and Steel), O. M. No. Coy-3(58)/64, dated the 27th August, 1968*].

Recommendation (Serial No. 23)

The representative of the Hindustan Steel Ltd., promised to furnish a statement on the following points regarding the delay in the dates of completion of the erection of the various units of the plant at Rourkela:

- (a) When were the drawings actually received from the German firm?

- (b) When did the Hindustan Steel Ltd., ask the German firm for the supply of drawings and whether the firm was informed at that time that the delay in the supply of drawing should affect the completion of civil engineering work within the scheduled time?
- (c) When did the civil engineering work actually commence after the receipt of the drawings?

The Committee regret to note that the information on the ~~above points~~ is still awaited. This should be expedited.

In view of the fact that each delay in big projects, has a consequent effect on other units, the Committee would like the Government to keep a strict watch over timely completion so that such delays are avoided as far as possible. (Paragraph 32)

Reply of Government

It is much regretted that the reference made before the P.A.C. in respect of delay in getting detailed drawings from Germany was inadvertent and may please be treated as withdrawn, as delay in receipt of drawings was only for a short period and was consequently negligible. The real reasons for the delay were, delay in site formation, civil engineering work, Labour strikes at port and collapse of a Railway bridge near the plant in 1958, which adversely affected the receipt of equipment etc.

The Committee's recommendation that Government should keep a strict watch over timely completion so that such delays are avoided as far as possible, has been noted. In fact, the Ministry is already keeping such watch.

[Ministry of Iron and Steel, O. M. No. Parl. (10)-10/64, dated the 14th February, 1966]

Recommendation (Serial No. 25)

In reply to a question, the Secretary, Department of Iron & Steel and the representative of Hindustan Steel Limited admitted that the answer given by the management to Audit as included in the audit para on delay in commissioning was incorrect. The Committee, therefore, desired to be furnished with a note giving the actual reasons for the delay in commissioning of Coke Oven No. III and the Potash Plant at Rourkela.

The Committee regret that the information is still awaited on the above point. The committee would like to emphasise that the Ministries/Departments should furnish correct information to Audit based on indisputable facts. (Paragraph 34)

Reply of Government

Coke Oven No. III

The commissioning of this unit was delayed due to the poor off-take of coke by the Blast Furnace which in turn was caused by the following:

- (i) Delay in the erection of Blast Furnace No. III which was ready for commissioning in June, 1960 only.

- (ii) Poor off-take of hot metal by the Steel Melting Shop due to (a) delay in the erection of the Rolling Mills (erection was completed between September, 1960 and August, 1961) and (b) break-downs in the Blooming & Slabbing Mill in June, 1961 and December, 1961 when the mill was closed for 44 days and 26 days respectively.
- (iii) Major repairs in Blast Furnace No. 1 from January, 1962 to May, 1962.
- (iv) Inadequacy of the auxiliary equipment such as locos, wagons and ladles on account of which Blast Furnace No. 1 could not be recommissioned till August, 1962.

Potash Plant

The delay in the commissioning of the Potash Plant was due to (i) troubles in the screw tube compressors in the Coke Oven & By-product Plant and (ii) inadequacy of the gas available from the Coke Oven Batteries to ensure trouble-free operation of the plant which in turn was due to the non-commissioning of the Coke Oven Battery No. III for the above reasons.

This plant has been commissioned with effect from 5th September, 1962.

[Ministry of Steel and Mines (Deptt. of Iron and Steel), O. M. No. Parl. (10)-10/64, dated the 17th May, 1965]

Recommendation (Serial No. 27)

The Committee were also informed in evidence that in spite of protests from the Rourkela Plant authorities, somewhat higher target was fixed in their case. The Committee felt that there should be a uniform basis and procedure for fixing targets in all the Steel Plants.

Reply of Government

Noted.

[Ministry of Iron and Steel, O. M. No. Parl. (10)-10/64, dated the 14th November, 1966].

Recommendation (Serial No. 28)

The Committee are perturbed to learn about the conflicting views of the terms of German and Indian Experts. They trust that the Hindustan Steel Limited will take adequate steps to rectify all the defects in the plant and its maintenance, and that shortfalls in production will be avoided in future. (Paragraph 37)

Reply of Government

A copy of Hindustan Steel Limited's note detailing the procedure for the maintenance of various units of the Rourkela Steel Plant is enclosed (Appendix VIII).

[Ministry of Iron and Steel, O.M. No. Parl. (10)-10/64, dated the 15th June, 1966].

Recommendation (Serial No. 29)

The Committee hope that every effort will be made to reduce the cost of production. It would be useful for the Ministry to make periodical comparison of the cost of production in Hindustan Steel Limited with that in TISCO & IISCO.

The Secretary, Department of Iron and Steel, assured the Committee that with the increasing efficiency in production, the Hindustan Steel Limited would better even the TISCO figures and that was their aim. The Committee hope that this aim will be fulfilled soon. (Paragraph 38)

Recommendation (Serial No. 30)

The Committee note that steps are being taken to reach peak production and to reduce the costs of production. They hope that the concrete results of these steps in the shape of reduced cost of production in the plants under Hindustan Steel Limited at least to the extent of cost of production of private producers would be visible soon. (Paragraph 39)

Reply of Government

The enclosed statement (Appendix IX) gives the works cost per tonne of ingot steel for Rourkela Steel Plant, Bhilai Steel Plant and Durgapur Steel Plant under Hindustan Steel Limited as also that of TISCO Ltd. and also IISCO Ltd. for the years 1961-62 to 1964-65. It will be seen that the works cost in Hindustan Steel Limited plants has shown a declining trend except during 1964-65 in the case of Bhilai and Durgapur when the works cost was a little higher than the works cost during 1963-64, whereas in case of TISCO & IISCO there has been a reverse trend. Inter-plant comparison has been limited to the ingot stage which is considered fairly representative. There are certain inherent difficulties in comparing costs of finished products due to differences in costing practices, product-mix of the plants and other variations. The information has been given for the period 1961-62 to 1964-65 the calculation for which has been duly verified and vetted by the local audit.

The suggestion of the Committee that the Ministry should make periodical comparison of the cost of production in Hindustan Steel Limited with that in TISCO and IISCO has been noted in the background above. In fact, such a comparison is already being made from time to time. A scheme of Quarterly Performance Reviews has been introduced at the Head Office of the Hindustan Steel Limited and at the Ministry level according to which performance is measured against prescribed targets. This includes, a review of the cost of production also. Efforts are being continuously made to control costs and these include attempts at improved operational practices, better inventory control, control of overhead costs, etc.

It might be added here that the Committee on Public Undertakings had, among other things, examined the cost of production in the Hindustan Steel Limited Plants and had made certain observations/recommendations in this behalf in their 28th Report (Third Lok Sabha) on the Head Office of Hindustan Steel Limited. In reply to Recommendation No. 23 (para 75) of this report, it has been indicated that cost of production both in the public and private sector steel plants had shown an upward trend since 1964-65 on account of a number of external cost-raising factors such as

devaluation, implementation of the recommendations of the Wage Board, increases in Railway freight, Electricity Tariffs and duties, slackening of demand leading to non-utilisation of full production capacity, etc.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel), O.M. No. Coy.-3(59)/64, dated the 14th March, 1969.*]

Recommendation (Serial No. 31)

The Committee would like to be informed about the final outcome of the case relating to Dolomite Calcining Plant. (Paragraph 40)

Reply of Government

The Lime Dolomite Calcining Plant at Rourkela is now working satisfactorily. Regarding the release of last 5% payment to M/s. Fariedrich Siemens, Contractors for the Dolomite Calcining Plant, it has not yet been made, pending settlement of certain counter claims made by the Rourkela Steel Plant.

[*Ministry of Iron and Steel, O.M. No. Parl. (10)-10/64, dated the 15th June, 1966.*]

Recommendation (Serial No. 32)

The Committee consider it unfortunate that as a result of the wrong judgement on the part of the authorities a saving of about Rs. 30 lakhs in foreign currency could not be effected. They hope that proper thought and consideration would be given in future to such matters so as to avoid recurrence of such cases. (Paragraph 41)

Reply of Government

No specific action seems to be necessary with regard to S. No. 32. However the recommendation has been noted.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel), O.M. No. Parl. (10)-10/64, dated the 28th September, 1968.*]

Recommendation (Serial No. 35) -

The Committee are sorry to note that the trouble in the first Blast Furnace was due to faulty way in which the bricks were arranged which had led to certain leakages near the top hole. This resulted in an extra expenditure of Rs. 99,474 on clearing up the lining and relaying it. The Committee hope that such costly errors would be avoided in future. (Paragraph 44)

Reply of Government

Noted.

[*Ministry of Steel and Mines (Deptt. of Iron and Steel), O.M. No. Parl. (10)-10/64, dated the 17th May 1965*]

Recommendation (Serial No. 36)

The Committee trust that the overall improvement claimed to have been achieved in the plant as a result of the steps taken will continue to be maintained. (Paragraph 45)

Reply of Government

Noted.

[Ministry of Steel, Mines (Deptt. of Iron and Steel), O.M. No. Parl. (10)-10/64, dated the 17th May, 1965].

Recommendation (Serial No. 40)

The Committee feel concerned to note that the demurrage charge-incurred by the Hindustan Steel Ltd., which were Rs. 20.33 lakhs in 1960-61, had gone upto 63.83 lakhs during 1961-62 and Rs. 56.65 lakhs in 1962-63. The Committee would like to draw attention in this connection to para 32 of their 7th Report (Third Lok Sabha) wherein they had recommended that demurrage charges would not only push up the cost of end product at the project but also impede the optimum utilisation of wagon capacity of the country. The Committee cannot accept that incurring the demurrage charges as a regular feature is totally unavoidable. In their view demurrage charges are avoidable and wasteful expenditure. In the evidence the Committee were informed that the matter was discussed with the Railways at various levels. The Committee trust that effective steps will be taken in co-operation with the Railway administration to minimise/eliminate the demurrage charges. (Paragraph 49)

Reply of Government

The recommendation of the Committee was brought to the notice of Hindustan Steel Ltd. for necessary action. As was explained in evidence there are a number of factors contributing to detention of wagons and incurring of demurrage charges and any remedial action which can substantially lower these charges involves modifications and changes in rules and practices of the Railways. For example, the 'permissible free time' allowed for the handling of wagons is not enough considering the practical difficulties. There is also the problem of bunching which result on many occasions in a number of wagons coming in which are beyond the daily handling capacity of the Plants. There is also on occasions detention necessitated by the Railways' own inability to receive them. Constant efforts are being made to overcome these difficulties to the extent possible. Unfortunately, there has not been much improvement in the quantum of demurrage charges paid by the Steel Plants except in the case of Durgapur Steel Plant. The position (as in September, 1968) over the last few years is indicated below :

(Rs. in lakhs)

		Amount actually paid				
		1963-64	1964-65	1965-66	1966-67	1967-68
Durgapur Plant	Steel	10.93	11.16	18.20	0.20	0.96
Rourkela Plant	Steel	19.45	21.38	39.64	26.60	45.29
Bhilai Plant	Steel	11.49	21.96	26.40	16.70	18.90

Efforts to bring down demurrage charges are continuing.

[Ministry of Steel and Mines (Deptt. of Iron and Steel), O.M. No. Coy-19(14)/68, dated the 1st November, 1968].

Recommendation (Serial No. 43)

The Committee are glad to learn that the system of internal audit has been reorganised and improved. They would, however, like to point out that the system of internal audit can be really effective only if the audit objections are attended to with promptitude. The Committee would like the H.S.L. to take steps to ensure prompt and adequate attention to points raised by the Internal Audit Department. (Paragraph 52)

Reply of Government

The points made by the Internal Audit Department are being attended to promptly and regularly. The Internal Audit Department is directly under the control of the General Manager and remedial action is taken at the highest level of the Management. During 1963-64 Internal Audit Section issued 64 memos and 52 were finally disposed of. Two memos involved remedial action which was also taken simultaneously.

[*Ministry of Steel and Mines (Deptt. of Iron and Steel) O.M. No. Parl. (10)-10/64 dated the 12th November, 1964.*]

Recommendation (Serial No. 44)

The Committee need hardly emphasise the necessity of reducing the percentage of rejections to the minimum as ultimately rejections mean loss to the Company. (Paragraph 53)

Reply of Government

The recommendations of the Committee have been noted.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Parl. (10)-10/64, dated the 6th May, 1967.*]

Recommendation (Serial No. 49)

The Committee find from the Audit comments and the facts placed before them in the course of evidence that certain items which were not to be taken credit of, have been included in the credit side. The Committee feel that to that extent the profit and loss account will be affected. Since it is desirable that the profit and loss account and the balance sheet of the Company should give accurate and correct picture of their working, the Committee desire that the Hindustan Steel Limited should take suitable measures so that such lacuna do not creep in the accounts (Paragraph 58)

Reply of Government**DEPRECIATION—FIXED ASSETS AND WORKS-IN-PROGRESS**

In respect of the Bhilai Steel Plant, an amount of Rs. 381 lakhs representing the cost of works certified to have been completed has been capitalised from work-in-progress to the respective units on prorata basis and necessary depreciation has been provided since the inception upto 31st March, 1967. This includes the sum of Rs. 203 lakhs specified in the observation. As on date, there is no balance left under work-in-progress as far as MTP is concerned.

Balance Sheet :**CURRENT ASSETS—LOANS AND ADVANCES**

Most of the cases shown in "Stores-in-Transit" in the year 1962-63 were adjusted in the year 1964-65.

It has been certified from the 'Store-in-Transit' account for the year 1966-67 that no items relating to the years 1957-58 to 1961-62 were outstanding for adjustment at the end of March, 1967.

Profit and Loss Account

In the accounts of Rourkela Steel Plant, a sum of Rs. 11.84 lakhs taken credit of for 1962-63 representing the difference between the retention price subsequently fixed and the provisional price originally charged to Tata Iron and Steel Company for sale as Steel ingots has since been realised from TISCO in the year 1963-64.

Constant efforts are being made to bring about improvements in the system of accounting and the timely rectification of errors. An increasing use of mechanical devices for speedy and accurate accounting and the introduction of a system of Audit by the Internal Audit wing of the Company in addition to the Statutory Audit by the Chartered Accountants has helped to minimise such errors. An exact provision in respect of depreciation has, however, not been possible because of the current expansions of the steel plants and periodical commissioning of the various expansion units. In such cases, initial capitalisation is usually made on an estimated basis pending the finalisation of the completion reports which does not always permit an exact provision but the differences are generally marginal and necessary adjustments are carried out with retrospective effect, wherever necessary.

[Ministry of Steel, Mines and Metals O.M. No. Coy. 19(9)/67, dated the 3rd December, 1968].

Recommendation (Serial No. 51(i))

(i) The Committee enquired about the targets of production in terms of H-22 lathes fixed by the board of Directors for the years 1961-62 and 1962-63 and the actual production in terms of H-22 lathes during these years. The witness promised to furnish the information. The Committee also enquired about the percentages in terms of money value, of imported components used in H-22 lathes and other machine tools manufactured or assembled during each of these two years. The witness promised to supply the information. It is still awaited. (Paragraph 60)

Reply of Government

The Hindustan Machine Tools Ltd. originally fixed the capacity at 400 lathes in terms of H-22 lathes. When the company was producing only H-22 lathes in the beginning, the target for 1965-67 was 57 H-22 lathes reaching the full production of 400 lathes in 1960-61 in single shift. However, from the year 1961-62 onwards the targets were fixed not solely in terms of H-22 lathes but in terms of total number of machines which also included the diversified machines e.g. milling, drilling machines etc., besides H-22 lathes. With the introduction of multiple shifts the production programme

was diversified and revised to 135 machines in 1956-57 progressively increasing to 1000 diversified machines in 1960-61.

Year	Pro-grammed	Actual production	Actual production
	(No. of machines)	(in terms of H-22 lathes)	(in terms of diversified machines)
1961-62	1,302	1,295	1,251*
1962-63	1,601	1,619	1,615*

*(Figures do not include Special Accessories).

The percentage of imported components to production costs during the years 1961-62 and 1962-63 are indicated below :

	1961-62	1962-63
Lathes -H- family	Nil	Nil†
LB family	Nil	2.39%
Milling machines	9.70%	4.37%
Radial Drills	6.75%	1.56%
Grinding machines	78.70%	30.37%

†Even though indigenous manufacture of components was taken up in full from 1961-62 supplies of components ordered in earlier years were delivered and utilised in 1962-63. This represents 2.39% of the 1962-63 production.

[Ministry of Industry O.M. No. 6(72)/63, dated the 2nd February, 1966].

Recommendation (Serial No. 51(ii))

(ii) The Committee observe that the figures of production included machines assembled from ready-to-assemble parts. It was admitted by the witness that the assembly of machine tools from imported ready-made parts required less time than the actual production of complete machine tools from raw materials. The Committee, therefore, feel that in order to present a correct picture of production the figures of production in both cases should be maintained and shown separately by the Company in their documents. The Committee feel that fixation of targets on the basis of value of production in terms of selling prices will only give an unrealistic picture. The Committee also suggest that a uniform procedure on the basis of standard man-hours should be adopted by the company while fixing the targets so that there can be no ambiguity in judging actual performance against these targets. (Paragraph 60).

Reply of Government

The quantitative production targets during any year are based on the sales patterns, pending order position and the availability of production facilities measured in terms of standard hours. During the course of the year, these estimated are reviewed and pruned to meet the changing conditions.

The suggestion has, however, been noted for future guidance.

[Ministry of Industry O.M. No. 6(72)/63-M.T., dated the 2nd February, 1966].

Recommendation (Serial No. 56)

The Committee are not convinced that the abnormal delay in assessing the assets and liabilities in this case was unavoidable. All the eleven collieries, even though some of them might be very old, were owned by the Government of India. These were transferred to a Government Corporation. Therefore, there ought not to be any difficulty in the matter of assessing the assets and liabilities. The only reason that would be responsible for the difficulty could be the fact that the Accounts of these collieries and the records of topographical maps had not been maintained properly by the original owners (Government Departments). Such lapses, in the opinion of the Committee are serious and merit special notice and remedial action.

The Committee hope that now the topographical maps have been prepared, there would be no further delay in effecting final transfer of the assets and liabilities to the Corporation. (Paragraph 65)

Reply of Government

Noted.

The delay in the finalisation of the deed of transfer of assets and liabilities of the ex-State Collieries to the National Coal Development Corporation was mainly owing to the fact that in the assets to be transferred to the Corporation, there are certain items which according to the N.C.D.C. were ineffective balances. With a view to expediting the execution of a formal deed of transfer, it was proposed that as a First Part Agreement such of the assets and liabilities in regard to which there is no doubt or dispute should be transferred straightway to the Corporation by a deed of assignment. In the meanwhile, on the basis of the legal advice received by the Government, it became apparent that outstanding bills due to the ex-State Collieries as also the liabilities of these Collieries cannot be legally transferred by the Government to the N.C.D.C. This necessitated revision of the First Part Agreement as prepared earlier in consultation with the N.C.D.C. The revised First Part agreement transferring formally the ownership and management of the ex-State Collieries to the N.C.D.C. was executed between the Government of India and the N.C.D.C. on 27-11-63. By this Agreement, the Government have transferred to the N.C.D.C. the bulk of the assets valuing Rs. 5,54,03,679 of the ex-State Collieries comprising buildings, plant and machinery equipment etc.

Regarding the remaining assets of the ex-State Collieries, the correctness of which is disputed by the N.C.D.C., it has been decided by the Government that they too may be transferred to the N.C.D.C. after their correct value has been ascertained. The work of ascertaining the correct value of these assets has been assigned to an Accounts Officer who has been specially detailed for the job by the Comptroller and Auditor General of India. The Accounts Officer has completed scrutiny of the bulk of the records of the ex-State Collieries with a view to ascertaining the correct value of the assets which remain to be transferred to the N.C.D.C. The Second Part of the Agreement for transfer of the remaining assets of the ex-State Collieries is proposed to be executed shortly in consultation with the N.C.D.C.

and the Accountant General, Commerce, Works and Miscellaneous as soon as the Accounts Officer completes his assignment and the correct value of the assets to be transferred to the N.C.D.C. has been ascertained.

Regarding the liabilities of the ex-State Collieries which, according to legal advice cannot be transferred to the N.C.D.C., Government have decided to assume the same. Similarly the outstanding bills due to the ex-State Collieries which, again on legal advice cannot be transferred to the N.C.D.C. are now to be realised by the Government. The Government have, however appointed the N.C.D.C. as their attorneys for realisation of the outstanding dues of the ex-State Collieries as also for discharge of the liabilities of the ex-State Collieries on behalf of the Government. Apart from this, Government have set up a special cell in the N.C.D.C. to expedite recovery of the outstanding debts due to the ex-State Collieries.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O.M. No. C. 2-10(7)/64, dated the 7th September, 1965]

Recommendation (Serial No. 59)

The Committee learn with regret that initially due to inadequacy of transport (shortage of wagons as well as line capacity) and later mostly due to slump in the market, the production of coal had to be deliberately kept down. This only indicates that initial targets were not fixed realistically. Since scaling down of production below the targets initially fixed results in a large proportion of the machinery being rendered idle and workers laid off, the Committee desire the Government and the Corporation to make long-term planning with the help of the Ministry of Railways and Transport and maintain close liaison amongst themselves so that such situations do not arise in future. (Paragraph 68)

Reply of Government

The recommendation has been noted.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O.M. No. C. 2-10(7)/64, dated the 7th September, 1965].

Recommendation (Serial No. 62)

While the Committee are glad to know about the remedial measures which are being taken to avoid losses by fire they cannot find any justification for not taking such measures as soon as stocks had begun to accumulate. They also feel that in anticipation of the accumulation of stocks, the National Coal Development Corporation should have taken a decision to scale down the Production at the appropriate time. In their opinion, it was hardly prudent on the part of the Corporation to display their capacity to achieve the target despite heavy accumulation and attendant risk of fire which eventually resulted in a total loss of about Rs. 2.40 crores to the public exchequer. (Paragraph 71)

Reply of Government

The observations have been noted. The actual expenditure incurred on fire stoppage was Rs. 44.06 lakhs up to 31-3-64 (This does not take into account the loss of production valued at over Rs. 2 crores).

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O.M. No. C. 2-10(7)/64, dated the 22nd December, 1965].

Recommendation (Serial No. 63)

The Committee are sorry to learn that a loss of Rs. 16·70 lakhs occurred due to deterioration in quality of coal stacked in various collieries. The Committee would impress upon the Corporation the need to avoid such losses by taking preventive measures at appropriate time. (Paragraph 72)

Reply of Government

Noted by the Corporation:

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C2-10(7)/64, dated the 7th September, 1965.*]

Recommendation (Serial No. 64)

The Committee would like to be informed when the two walking draglines and the crawler mounted dragline are actually commissioned. They would also like the Corporation to ensure that delays involved in assembling such costly machinery are reduced to the minimum. (Paragraph 73)

Reply of Government

The observations of the Committee have been noted. One walking dragline was commissioned on the 30th November, 1964. The second dragline which was under erection would have been commissioned in July, 1965, but the commissioning has been delayed because of some damage to its electrical control equipment on 3rd June, 1965.

The crawler mounted dragline was commissioned in February, 1963.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O.M. C2-10(7)/64 dated the 22nd December, 1965.*]

Recommendation (Serial No. 65)

The Committee may be informed of the latest position regarding the utilisation of the plant and machinery. (Paragraph 74)

Reply of Government

Out of Rs. 120 lakhs of plant and machinery transferred to stores due to curtailment of production, plant and machinery worth Rs. 99·70 lakhs have since (from April '64 onwards) been issued from the stores to works.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C2-10(7)/64 dated 22.12.1965.*]

Recommendation (Serial No. 66)

(i) The Committee desired to know the percentage of spares to the total value of consumable stores held as on 31-3-1957 and 31-3-1962. This information is still awaited.

(ii) Even after making due allowance for the various factors explained during evidence, the Committee feel that the increase in the closing stock of stores and spare parts etc. from Rs. 60·78 lakhs on 31-3-1957 to Rs. 1,059·03 lakhs on 31-3-1962 (or 1742·4 per cent) is far too excessive. In the opinion of the Committee the holding of stores much in excess of the actual requirements not only locks up capital but is attendant with the risk of loss due to

deterioration of storage. They suggest, therefore, that the requirements should be assessed more realistically than what seems to have been the case hitherto. The Committee would like the Corporation to take early steps to reduce the closing stocks of stores and spare parts etc. to a more reasonable proportion. (Paragraph 75)

Reply of Government

(i) The value of spares and other consumable stores held as on 31-3-57 and 31-3-62 is as under :

	As on 31-3-57	As on 31-3-62
(a) Value of spares	Rs. 6.89 lakhs	331.07 lakhs
(b) Other consumable items including P.O.L.	35.44 lakhs*	229.02 lakhs
TOTAL	42.33 lakhs	560.09 lakhs

*The closing balance of other consumable stores including P.O.L. as on 31-3-57 has been arrived at Rs. 35.44 lakhs after taking into account a figure of minus balance of Rs. 1.03 lakhs at Jarangdih Colliery.

The percentage which the spares bear to the total value of consumable stores held on the above dates are given below:

	As on 31-3-1957	As on 31-3-1962
Percentage of spares to total value of consumable stores	Rs. 16.3%	Rs. 59.1%

(ii) This has been noted by the Corporation.

(iii) The steps taken to reduce the closing stock of stores, spare parts etc. to a more reasonable proportion have been indicated in the statement attached (Appendix X).

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C2-10(35)/63 dated 20-1-1966].

Recommendation (Serial No. 68)

The Committee do not appreciate such delays in the examination of the Accounts and desire that this work should be expedited. (Paragraph 77)

Reply of Government

The Accounts Officer appointed to determine the balance of ex-State Collieries has submitted details in respect of Rs. 24.48 lakhs and these are under scrutiny in connection with the finalisation of the second part of transfer deed. As regards the sum of Rs. 39,000/-, this has been adjusted in 1963-64 accounts.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C 2-10 (7)/64, dated 7th September, 1965].

Recommendation (Serial No. 69)

The Committee consider it unfortunate that it had not been possible to conduct cent per cent physical stock-verification of stores. They need hardly emphasise the importance of this work in order to safeguard against losses owing to pilferage or otherwise. They hope that cent per cent annual stock verification will be conducted regularly in future, (Paragraph 78)

Reply of Government

Steps have been taken to achieve cent per cent annual stock verification by recruiting and training the requisite manpower required to carry out stock-verification in the depots attached to the collieries, workshops, etc. The actual stock verification for the year 1964-65 has since been completed and the percentage of verification made ranged from 60% to cent per cent.

[*Ministry of Steel and Mines Deptt. of Mines and metals*, O. M. No. C2-10(7)/64, dated the 28th January 1966].

Recommendation (Serial No. 70)

The Committee hope that the work relating to reconciliation of the cost sheets with the financial accounts of collieries would be completed without undue delay. (Paragraph 79)

Reply of Government

Steps have been taken to ensure that the Cost Department is kept briefed periodically in regard to the adjustment to be incorporated in the monthly cost sheets so that the cost of production disclosed by these monthly cost sheets has a close relationship with the figures in the financial accounts. It has also been laid down that the final reconciliation should be carried out between the cost sheets and the financial accounts at the time of the closing of the financial accounts at the end of the year. In consequence the reconciliation between the cost sheets and the financial accounts will be completed by the time the financial accounts of the Corporation are finalised.

Further remarks

(i) After the close of the financial year 1963-64, the Cost and Financial figures were examined and discrepancies between the two sets of figures were broadly located.

(ii) Steps have been taken for reconciliation of cost and financial accounts. From the past experience it is found that the major reasons of discrepancy between the two sets of figures are due to pricing of stores, depreciation, interest on capital, headquarters charges and deferred revenue expenditure write off. As these adjustments are carried out only at the time of finalisation of accounts and due to delay in Stores Accounting the prices of materials booked not being made available at the time of preparation of cost statement, a month to month comparison between the cost and financial accounts is not possible. However, action has already been taken to take the figures in respect of depreciation, interest on a capital and headquarters charges on a more conservative basis so that the discrepancy between the two is reduced to the minimum.

As regards pricing of stores, the mechanisation of Stores Accounting has already been taken up and it is expected that during the year 1965-66,

this will facilitate to make available stores prices at the time of preparation of cost statements thereby making the two sets of figures in agreement.

It is also being arranged that from October this year, financial accounts will also be prepared at shorter intervals instead of preparing one account at the end of the year only, so that a comparison between the two sets of figures could be made periodically and the discrepancy between the two eliminated.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C2-10(7)/64 dated 22-12-1965.*]

Recommendation (Serial No. 72)

The Committee trust that the Corporation would show better results, now that the production is to be increased. (Paragraph 81)

Reply of Government

This has been noted by the Corporation.

The reasons for substantial reduction in the profit during the year 1963-64 (Rs. 19.54 lakhs) as compared to profits for the year 1962-63 (Rs. 125.56 lakhs) are as follows:—

- (i) There was rise in salaries and wages cost during the year 1963-64 on account of payment of interim relief at the rate of 37 p. per day per worker and increase in the variable D.A. at the rate of 19 p. per day per worker. Further, the payments of arrears pertaining to the previous years were charged to the Revenue account of 1963-64 which also contributed to increase in the expenses.
- (ii) There was some increase in the rate of electricity purchases during the year 1963-64 as compared to 1962-63.
- (iii) The repair cost also went up due to general increase in stores prices.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O.M. No. C2-10(7)/64 dated 22-12-65.*]

Recommendation (Serial No. 73)

The Committee feel that the situation as revealed in this case should not have arisen had there been firm agreement between the National Coal Development Corporation and the Hindustan Steel Ltd. regarding price etc. at the very beginning. It is also unfortunate that there should be difference of opinion at a later stage between two Public Sector Undertakings. The Committee desire that the standard cost of washing should be fixed without further delay and firm agreement entered into for the period after 31st March, 1963 so that difficulties of the nature disclosed in the Audit Para do not arise in future. (Paragraph 82)

Reply of Government

Noted

The National Coal Development Corporation entered into a general agreement with the Hindustan Steel Ltd. in December, 1961 for fixation of price of washed coal produced at the Kargali Washery which provided for payment in terms of standard cost. In terms of the general agreement,

standard costs of washed coal mutually acceptable to both the undertakings for the periods 1-10-61 to 31-3-63 and from 1-4-63 to 31-3-65 were fixed on 28-12-63.

As a result of the fixation of standard cost, the entire suspense balance was cleared by the end of 1963-64.

Negotiations for fixation of standard cost for the period beyond 31-3-65 are in progress and it is expected that the standard cost valid for the two years 1965-66 and 1966-67 would be fixed soon.

[Ministry of Steel and Mines (Deptt. of Mines and Metals) O. M. No. C-2-10(7)/64 dated the 7th September, 1965].

Recommendation (Serial No. 74)

The Committee do not appreciate the reasons advanced for crediting the sum of Rs. 16.31 lakhs to the Profit and Loss Account. This has resulted in overstating the profits of the Company to the extent of Rs. 16.31 lakhs, otherwise the working results would actually show a loss of Rs. 4.42 lakhs. The Committee, therefore, desire that correct and uniform procedure should be followed in preparing the Balance-Sheet, Profit and Loss Accounts etc. (Paragraph 83)

Reply of Government

This has been noted by the Corporation.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C 2-10(7)/64, dated the 7th September, 1965].

Recommendation (Serial No. 76)

The Committee desired to know the value of the unserviceable stores lying with the Corporation for disposal. The representative of the Corporation promised to furnish the information later. This is still awaited. (Paragraph 85)

Reply of Government

The unserviceable plant and machinery and scrap materials lying in various collieries were auctioned during the years 1962-63, 1963-64 and 1964-65. The details are furnished as under:—

Sl. No.	Name of Colliery	Value realised	Total
1	2	3	4
<i>Financial year 1962</i>		Rs.	Rs.
1.	Sale of scrap in Jarangdih and Sawang Collieries	1,55,215	
2.	Sale of scrap in Bokaro Colliery and Kargali Washery	69,600	
3.	Sale at Bhurkunda Power House	2,51,000	
4.	Sale at Kargali Power House	10,57,000	
5.	Sale at Argada Power House	1,57,000	
			17,07,815

1	2	3	4
<i>Financial year 1963-64</i>		Rs.	Rs.
6.	Unserviceable equipment and scrap materials from Kargali Colliery and Kargali Washery	1,85,200	
7.	Unserviceable equipment and scrap materials from Giridih Colliery	2,29,375	
8.	Unserviceable equipment and scrap materials from Central Workshop, Barkakana	23,785	
9.	Unserviceable equipment and scrap materials from Bokaro Colliery	3,29,663	
10.	Unserviceable equipment and scrap materials from Kurasia Colliery	57,050	
			8,25,073
<i>Financial year 1964-65</i>			
11.	Unserviceable equipment and scrap materials from Talcher Colliery	21,450	
12.	Unserviceable equipment and scrap materials from Deulbera Colliery	36,725	
13.	Unserviceable vehicles from H.Qrs. Ranchi	1,14,400	
14.	Unserviceable plant and equipment from BKO	41,925	
15.	Unserviceable plant and equipment from Kargali Colliery	1,81,300	
16.	Unserviceable plant and equipment from Kargali Washery	58,400	
17.	Unserviceable plant and equipment from Sawang and Bokaro	46,501	
18.	Jarangadih and Kargali	45,550	
19.	Sawang	71,720	
20.	Unserviceable plant and equipment from Gridih	2,63,600	
21.	Unserviceable plant and equipment from Kargali Washery	64,478	
22.	Unserviceable plant and equipment from drilling Section, Barkakana	59,480	
23.	Unserviceable plant and equipment from Central Stores, Barkakana	66,904	
			10,72,403

The reserve value of unserviceable plant and machinery and stores lying with the Corporation for the three years ended 31-3-1963, 31-3-1964 and 31-3-1965 together with the sale value realised are given below:—

Year	Reserve value fixed	Sale value realised
	Rs.	Rs.
1962-63	20,41,105	17,07,815
1963-64	7,34,840	8,25,073
1964-65	10,42,663	10,72,403

(ii) Wherever the materials relate to unserviceable plant and machinery, due credit has been given for profit or loss arising out of such transactions in the accounts of the Corporation for the year in which the actual transfer of properties took place.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O.M. No. C2-10 (35)/63 dated the 12th July, 1966].

Recommendation (Serial No. 77)

The Committee desired to be furnished with a note/statement setting forth the latest position regarding the amount due for recovery for sale of

coal (including those outstandings for more than one year). This information is still awaited. (Paragraph 86)

Reply of Government

A statement indicating the position as on 31-3-64 regarding the amount due for recovery for sale of coal is attached. (Appendix XI)

The Statement showing the latest position as on 31-10-65 and indicating outstandings more than one year against each item is also attached. (Appendix XII)

[*Ministry of Steel and Mines (Deptt. of Mines and Metals) O. M. No. C2-10(35)/63, dated the 20th January, 1966.*]

Recommendation (Serial No. 79)

The Committee do not feel happy over the slackness shown in the realisation of dues from middlemen. They hope that some ways would be devised so that such dues do not accumulate. In the meantime efforts should be made to recover the dues which are more than three months old from private parties. (Paragraph 88)

Reply of Government

All efforts are being made by the Corporation to recover the outstanding dues. The Sales Department of the Corporation is also attempting to get Bank guarantees from the middlemen so that recoveries can be made from Bankers as and when credit period expires.

Further remarks :

The dues, from private parties, which were more than 3 months old as on 31-3-65 amounted to Rs. 68 lakhs.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals) O. M. No. C. 2-10(7)/64, dated the 22nd December, 1965.*]

Recommendation (Serial No. 81)

It is unfortunate that the Company could not get a rebate of Rs. 97,000 owing to delay in getting the bills certified by the collieries. The Committee would like to be informed of the result of working of the new procedure for payment now introduced. (Paragraph 90)

Reply of Government

The new procedure for payment is working satisfactorily. The Corporation is earning rebate on all supplies received from the Imperial Chemical Industries.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals) O. M. No. C2-10(7)/64, dated the 7th September, 1965.*]

Recommendation (Serial No. 86)

The Committee hope that the State Trading Corporation will continue to be vigilant and watch the trend of the world trade to derive maximum advantage to the Indian Industry in exporting iron ore. (Paragraph 95)

Reply of Government

The recommendation has been noted by the Government and the Minerals and Metals Trading Corporation of India Ltd.

[*Ministry of Commerce O. M. No. 7(9)-B and A/64, dated the 5th December, 1964.*]

Recommendation (Serial No. 87)

When asked about the reasons for the disappearance of export of iron ore to Belgium, Netherlands, France and Poland, the Chairman of the Corporation stated that the best buyer of our iron ore was Japan and the next the East European countries, Czechoslovakia, Hungary, etc. The West European countries were not willing to buy from India at the prices offered.

The Committee would like the Corporation to make efforts towards the resumption of iron ore trade with the West European countries, etc. (Paragraph 96)

Reply of Government

There has been in recent years a decline in export of iron ore to West European countries. Efforts are being made not only to retrieve the lost ground but improve our exports.

2. In May, 1964, a delegation of the M. M. T. C. headed by the Chairman visited the West European countries and has made a detailed first hand study of the marketing prospects in West Europe. This study has disclosed that there is large demand for Indian ore but Indian prices for delivery at European ports are out of line to the extent of Sh. 15 to Sh. 20 per ton compared with supplies from alternative sources. This disadvantage is because of poor loading facilities at Indian ports. The delegation has explained to the buyers in great detail the various port development plans and convinced them that the present disparity in price will disappear when these programmes are implemented. The Corporation with a view to cultivate the West European markets has appointed a few firms of standing in international trade as its exclusive Agents for specified countries. These Agents are constantly in touch with the consumers with a view to introduce Indian Iron Ore in Western Europe. The prospects of securing even some *ad hoc* business on a reciprocal basis are being carefully examined.

3. As a result of all these efforts, the M.M.T.C. has been able to conclude contracts with consumers in Germany and Belgium for over 3.16 lakh tonnes. These contracts were concluded during the period October 1964 to May 1965 and the details are as under:—

Cont. No.	Date	Buyer	Quantity
(i) 18/64	21-10-64	AMS Belgium	20,000 L/T
(ii) 19/64	21-10-64	AMS Belgium	15,000 M/T
(iii) 20/64	2-11-64	Neep, Rot- terdam (West Germany)	60,000 M/T
(iv) 21/64	2-11-64	Do.	60,000 L/T
(v) 23/64	9-12-64	AMS Belgium	53,500 L/T
(vi) 1/65	5-5-65	Klockner (West Germany)	54,200 L/T
(vii) 2/65	5-5-65	Cockriles Belgium	54,200 L/T
			3,16,900

With Italy, contracts are under negotiation for shipments of 1·5 lakh tons of ore over a period of three years.

[*Ministry of Commerce O .M. No. 7(9) B and A/64, dated the 19th November, 1965*].

Recommendation (Serial No. 88)

The Committee note that owing to the lack of adequate experience of the STC at the beginning and other factors there was a loss of Rs. 5·26 lakhs on this deal. They hope, however, that the STC will benefit from this experience and that it will take all possible steps and precautions to avoid such losses in future. A state agency like the STC should take all precautions to ensure that it does not default in fulfilling the terms and conditions of contract accepted by it. (Paragraph 97)

Reply of Government

The recommendation has been noted by the Minerals and Metals Trading Corporation. The Corporation is now making purchases and sales on parallel terms and conditions and no forward purchases are now made.

[*Ministry of Commerce O. M. No. 7(9) B and A/64, dated the 25th January, 1965*].

Recommendation (Serial No. 90)

The Committee hope that the Manganese Ore Committee would be able to finalise their study early and it will be possible for Govt. to take steps on their recommendation for improvement of the position relating to export of manganese ore. (Paragraph 98)

Reply of Government

The Committee on Manganese Ore was appointed by the Government at the instance of the Board of Trade in 1963 in order to make a comprehensive study of the problems of manganese ore mining industry with particular reference to the need for reducing cost in the face of growing competition from other manganese producing countries. The Committee submitted its report on 4-9-1965.

On the recommendations of the Board of Trade, the Report of the Committee was remitted for consideration to the Mineral Ores Export Advisory Committee set up by the Ministry of Commerce for stepping up export of various minerals, including manganese ore and for establishing close liaison between the Government, Minerals and Metals Trading Corporation and mining and trading interests concerned. The Mineral Ores Export Advisory Committee made certain recommendations and based thereon the action taken by the various organs of the Government has been indicated against various recommendations of the Committee on Manganese Ore in the enclosed statement. (Appendix XIII)

Delay in reply is regretted.

[*Ministry of Commerce O. M. No. 28(13)/64-S.T., dated the 25th February, 1969*].

Recommendation (Serial No. 91)

"The Committee would like to suggest that it is desirable to ensure that the ore content of the minerals exported by the private sector was also up to the prescribed standard as it might otherwise affect adversely the reputation of India in International Trade. They trust that suitable steps will be taken in this direction soon. The Committee also hope that all out efforts will be made to arrest the downward trend of the export figures of manganese ore". (Paragraph 99)

Reply of Government

The practice followed in the Manganese Ore trade is to have all the consignments of ore analysed at the time of shipment by an approved analyst and assayer. This practice, which is applicable to all shipments including those effected by the private parties, ensures the maintenance of quality of the ore shipped. Some checks are also made by the customs at their discretion. A system of quality control and compulsory pre-shipment inspection has been introduced in the case of mica. In the case of Chrome restrictions have been imposed on the export of certain grades of the ore.

To push up the export of Manganese Ore, barter and link deals were devised. Manganese ore exporters are also entitled to incentive licences for the import of mining machinery equipment, spare parts and chemicals upto 10% of the export earnings.

From 1st January, 1965, the Minerals & Metals Trading Corporation have taken up the export of manganese ore at international prices. This will facilitate exports of manganese ore.

[*Ministry of Commerce O. M. No. 7(9) B & A/64, dated the 6th May, 1965*].

Recommendation (Serial No. 92)

The Committee are glad to know that the export of shoes is being increased. They hope, however, that the STC will benefit by the experience they have gained in the export of shoes and will take all possible precautions including improvement in the quality to avoid such losses in future. The State Trading Corporation should regard it a matter of prestige to see that the goods supplied by it are not rejected on account of being below standard. (Paragraph 100)

Reply of Government

The recommendation has been noted by the State Trading Corporation. Every possible precaution is being taken and will be taken to see that the goods supplied by the Corporation are of the standard acceptable to the foreign buyers.

[*Ministry of Commerce O. M. No. 7(9) B and A/64, dated the 25th January, 1965*].

Recommendation (Serial No. 93)

While the Committee do appreciate that some of the factors resulting in heavy demurrage charges during 1960-61 were beyond the control of S.T.C.,

they cannot accept that incurring demurrage as a regular feature is unavoidable. Demurrage charges are wasteful expenditure pure and simple. The Committee would therefore like S.T.C. to devise ways and means of eliminating the wasteful expenditure. (Paragraph 101)

Reply of Government

Every care is being taken to see that no demurrage is incurred. Statement giving commodity-wise break-up of demurrages incurred by the STC during the years 1957-58 to 1961-62 is enclosed (Appendix XIV). Items 4 to 7 of the statement are the concern of the S.T.C. who have noted the recommendation and would take every care to see that no demurrage is incurred.

Items 1 & 2 (*i.e.* iron ore and Manganese ore) are the concern of M.M.T.C. which started functioning from 1st Oct., 1963 after the bifurcation of the STC. The M.M.T.C. have also noted the observations of the P.A.C.

Most of the demurrage was on account of export of iron ore. Some of the remedial measures taken by the M.M.T.C. to minimise demurrage are given below:—

- (A) At Calcutta the port authorities have ultimately agreed to provide an additional berth for iron ore shipments.
- (B) At Vizag the port authorities have now agreed to berth iron ore vessels at regular berths which were previously earmarked for manganese ore. Earlier, iron ore vessels used to be loaded from Jetty which considerably retarded the pace of loading.
- (C) At Madras the port authorities have besides the mechanical ore loading berth now provided one more manual berth for iron ore loading.
- (D) In regard to roadstead ports such as Masulipatam, Kakinada etc. where loading is done in midstream by means of lighters the corporation has after considerable difficulties, succeeded in persuading the buyers to give benefit of bad weather/surf days duly certified by the port authorities.
- (E) Handling arrangements at the roadstead ports have improved especially at Karwar, Belekeri ports.
- (F) The position in regard to rail movement has improved. Notwithstanding the above measures it may be pointed out that having regard to the circumstances under which vessels incur demurrage the possibility of eliminating demurrage in iron ore shipments cannot be ruled out altogether considering the various unforeseen and variable factors which are beyond the control of shippers. Some of these factors are mentioned below:—

1. The chartered vessels normally have a span of laydays running between three to four weeks during which they can arrive at the designated port on any day. The precise time of arrival of vessels cannot, therefore, be predicted in advance either by reference to the declared E.T.A. (expected time of arrival) or the first or last day of the declared laydays. This being the position, overlapping of vessels fixed for the month for each port becomes inevitable.

2. The problem is further aggravated by the fact that all the buyers do not nominate vessels at the same time. It is difficult for the charterers as well to secure vessel for a particular position that may be convenient to the shipper or to arrange for arrival of vessels at the designated port on a specific date on the basis of the ruling freight.

3. At the time of shipment, consequently it is difficult to ensure that there will be no over crowding of vessels and the arrivals will synchronise with the availability of berths or that there will be no idling of shipment berths.

4. There are other unforeseen factors also e.g. non-availability of berths, stoppage of work because of bad weather and labour troubles which may start at any time in the port, on account of which vessels have to wait for loading and their loading is retarded with the result that other vessels already fixed also arrive and have to wait for clearance of earlier vessels. This gives rise to bunching of vessels and consequential demurrage.

5. It may also be added that maximum intensive utilisation is being made of the limited handling shipment facilities available at the ports. The detention and demurrage to vessels could perhaps be minimised, if available port capacities are utilised to the extent of only 50% of the rated capacity. This would perhaps not be desirable in the interest of export promotion and foreign exchange earnings.

[Ministry of Commerce O. M. No. 7(9) B and A/64, dated the 24th November, 1965].

Recommendation (Serial No. 94)

The Chairman of the H.H.E.C. of India Ltd., added that in 1958 the exports of cotton handloom goods to the U.S.A. was worth Rs. 13 lakhs. This rose in 1959 after the formation of the H.E.O. to Rs. 1.69 crores. Last year's export figures were 2.50 crores and for the current year it was expected to reach the figure of Rs. 3.50 crores to 4 crores.

The Committee are glad to note the steady improvement in the export figures of cotton handloom goods to the U.S.A. They hope that this trend will be maintained and that efforts will be made to popularise cotton handloom goods in other foreign countries also. (Para 102)

Reply of Government

The recommendation has been noted by the Government and H.H.E.C.

[Ministry of Commerce O.M. No. 7(9) B & A/65, dated the 16th Oct. 1965].

Recommendation (Serial No. 95)

The Committee hope that with the merging of the Handlooms Export Organisation with the Indian Handicrafts Development Corporation all duplication of work would be avoided and there would be uniformity of approval to trading and developmental activities. (Paragraph 103)

Reply of Government

The recommendation has been noted by the Government and H.H.E.C.
[Ministry of Commerce O. M. No. 7(9) B & A/65, dated the 16th October, 1965].

Recommendation (Serial No. 103)

The Committee regret to note that the question of setting up the plant through a private party or by the Mills themselves was not dealt with the urgency it deserved in view of the saving of Rs. 2 or 3 lakhs per year expected to accrue as a result thereof.

Reply of Government

Noted.

[*Ministry of Industrial Development and Company Affairs O. M. No. LI(II)-18 (118)/63, dated 18-9-65.*]

Recommendation (Serial No. 104)

The Committee note that the Annual Report of the Company for the year 1961-62 was rather sketchy. They desire that the next Annual Report of the Company should be more informative as regards its achievements against targets fixed, the major problems encountered and solutions found and it should also deal with such matters as cost control, progress of expansion of capacity, training imparted to personnel etc. (Paragraph 112)

Reply of Government

Necessary steps in this direction have already been taken and the last Annual Report has been prepared keeping the Committee's observations in view.

[*Ministry of Industrial Development and Company Affairs O. M. No. LI (III)-18(118)/63, dated the 18th September, 1965.*]

Recommendation (Serial No. 106)

In order to examine the matter further the Committee desired to be furnished with certain further information. From a note furnished by the Company pursuant thereto the Committee observe that the quantity of 11597 kg. of Carbonate (Oxide) was sold to the S.T.R. during November, 1950 to June, 1951. During this period Carbonate (Oxide) weighing 12,803.50 kg. was also sold to outside parties by the S.T.R. Therefore, the plea that the decision to sell carbonate to the French Firm, on the basis of the price for chloride, was taken in view of lack of demand for it is not very convincing. According to the note submitted by the Company the price for carbonate was fixed in accordance with the decision of the Board on 21st April, 1951 that the selling price of rare earths chloride be fixed at £375 per ton ex-works. It has been contended that although the minutes of the meeting of the Board contained no separate reference to the sale of carbonate on the basis of the price of rare earths chloride solution from which it had been obtained by the French firm at its own cost, the management's action was based on the discussion and consideration of the matter at the Board Meeting and within the spirit of the actual minute recorded by the Board. The Committee understand from Audit that the decision taken at the Board meeting held in April, 1951, deals only with the selling price of Rare Earth chloride and does not refer to carbonate. That this decision is not applicable to carbonates sold in question is also evident from the fact that in the statement of accounts rendered upto June, 1951 the S.T.R. gave credit for carbonate taken over by them at the rate approximating to the

market rate less their commission and profits. The rectification entries reversing the original credits at market price were made only in the return of the third quarter for 1951 received from S.T.R. The financial implications of the rectification entries and of the sale at the price of Rare Earth Chloride solution in the light of the market price of carbonate, when they were taken by the S.T.R. in the form of carbonate, had not been brought to the notice of the Board. The Committee are surprised that an important decision having financial bearing should not have been specifically mentioned in the minutes of the meeting of the Board of Directors. They desire that proper records should be kept of all important decisions to avoid any possibility of doubt. (Paragraph 115)

Reply of Government

These observations of the Committee have been brought to the notice of Messers Indian Rare Earths Limited, Bombay for future compliance. The Company has agreed to maintain proper record of all important decisions. [*Deptt. of Atomic Energy Letter No. 43/28/62—Tech-I (M) dated 21-5-65*].

Recommendation (Serial No. 107)

The Committee consider it wrong in principle to utilise the services of internal auditors for the preparation of the accounts, which they themselves are required to audit later on. In order that the audit may be effective it is essential that the two functions should be discharged by different persons. The Committee found that in the case of another Public Undertaking also (Hindustan Shipyard Ltd.) the Audit staff was diverted for the preparation of final accounts. The committee, therefore, desire that their observations should be brought to the notice of all the public undertakings, etc. to avoid the recurrence of such instances. (Paragraph 116)

Reply of Government

The observations of the Committee have been brought to the notice of Indian Rare Earths Limited, and Travancore Minerals Limited* the two undertakings this Department is concerned.

Since these observations are of a general nature applicable to all Public Undertakings, a copy of the same has been sent to the Ministry of Industry and Supply (New Delhi) for circulation among all the Ministries administratively concerned with Public Undertakings.

[*Deptt. of Atomic Energy Letter No. 43/28/62-Tech I (M), dated the 21st May, 1965*].

Further reply of Government

Instructions have been issued to all the Ministries in this Ministry's O. M. No. 13(7)/64-F.I., dated 29-6-65.

[*Ministry of Finance O. M. No. F 13(7)/64-FI dated the 6th July, 1965*].

Recommendation (Serial No. 109)

While the Committee note the difficulties encountered by the Company in the preparation of accurate estimates, they feel that with a closer liaison with the Ministry of Defence and other Government Departments and a

*Since gone into voluntary liquidation.

more realistic basis of assessment, in the light of the Company's past experience, the position can be significantly improved. The Committee trust that the Company will pay due attention to the matter and initiate necessary steps to achieve the desired end. (Paragraph 118)

Reply of Government

The recommendation of the Committee has been noted by Bharat Electronics Limited, Bangalore for guidance. Action is being taken by the Company to restrict provision in the estimates to more definite items and also to take into account likely delays in promised deliveries of supplies. However, the large dependence on foreign sources for supply of critical components etc. make difficult the preparation of accurate estimates.

Director of Commercial Audit has seen.

[Ministry of Defence O.M. No. 11(8)/62/D (Budget), dated the 1st/3rd May, 1965].

Recommendation (Serial No. 110)

The Committee desire the Company to take an early decision regarding the introduction of the above mentioned suggestion of the Comptroller & Auditor General. They also desire the Company to make special efforts for the expeditious realisation of the heavy debts which have already accumulated. (Paragraph 119)

Reply of Government

The suggestion of the Comptroller and Auditor General that the Company might ask for 90% payment on proof of despatch and 10% thereafter has already been implemented. In accordance with the latest standard terms adopted by DGS & D, payment of 95% on proof of inspection and despatch and the balance 5% on receipt of goods in good condition is being quoted by BEL as a condition of sale to Civil indentors.

A large proportion of the outstandings relate to the despatches made in the months of February-March, which are cleared after the close of the financial year. Out of a total of Rs. 132.42 lakhs outstanding as on 31st March 1962, a sum of Rs. 114.64 lakhs has been realised upto 31st August 1964. The balance of Rs. 17.78 lakhs, detailed yearwise breakup of which is as follows, is outstanding due to the reasons given below:—

	Rs.
1959-60	1.13 lakhs
1960-61	1.50 lakhs
1961-62	6.56 lakhs
Amount outstanding from All India Radio for supply of Broadcast Transmitters during 1961-62	8.59 lakhs
	17.78 lakhs

Reasons for which the above mentioned amount is outstanding

- (a) Short remittance on account of damages during transit, deficiencies etc., in supplies.
- (b) Retrenchment of Sales Tax.

- (c) Want of Inspection Notes for final "Acceptance in good condition" certificate by the Consignees.
- (d) Want of amendments to Indents providing for extended delivery dates, rates, sales tax etc.

Rs. 8.59 lakhs outstanding from A.I.R. relate to the A.I.R. Scheme for Broadcast Transmitters covering 27 stations. DGS & D's inspection in some of these cases could not be completed. It has now been decided that the DGS & D would accept the certificate of A.I.R. authorities after installation and it is expected that the outstandings would be realised soon.

Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget), dated the 1st/3rd May, 1965].

Recommendation (Serial No. 111)

The Committee desire that the work relating to the laying down of the duties to be performed by various officers for the maintenance of accounts in the Garden Reach Workshops Ltd., should be completed at an early date. (Paragraph 120)

Reply of Government

The duties and responsibilities of the Accounts Officers were prescribed and the Finance Manager, in his order dated 21st September 1964 made a distribution of work in the Finance and Accounts Department. This Department has again been re-organised and redistribution of work has been done with effect from 1-4-1965 in modification of Finance Manager's order of 21-9-64. The detailed distribution of work between Group Officers, Supervisors and Clerks has now been laid down.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget), dated the 28th/29th Sept., 65].

Recommendation (Serial No. 113)

The Committee view with concern the accumulation of heavy Debts due to the Workshops which appear to be disproportionately large in relation to their turn-over. They desire the Workshops to take effective steps for the expeditious realisation of these dues. They would also like the Ministry to examine the feasibility of implementing the Comptroller and Auditor General's suggestion (referred to in an earlier para) that 90 per cent of the value of the goods sold may be charged before despatch and 10 per cent thereafter. (Paragraph 122)

Reply of Government

The position of outstanding debts as on 28th October 1964, excluding debts worth Rs. 10,000 or less (amounting to Rs. 1.50 lakhs approximately),

was Rs. 68·96 lakhs of which Rs. 37·98 lakhs related to the period of over one year. The details of the latter are as under:—

Govt. Deptts.	Rs.	4,73,978
Quasi Govt. Deptts.	„	16,091
Govt. Companies Corporation	„	581,309
Private Companies	„	27,26,878
Total :	„	<u>37,98,256</u>

Out of this, however, a sum of Rs. 33·25 lakhs only was remaining outstanding on 22-5-1965. Legal action has been taken in respect of the debts worth Rs. 18·69 lakhs and cases valued at Rs. 5·46 lakhs are in the hands of Solicitors.

The CAG's suggestion, to realise 90% value of the goods sold before despatch and 10% thereafter is being implemented as far as possible keeping in view also the general commercial practices. Payment terms for various parties have been revised from time to time in order to provide for advance payment by the parties who have in the past proved difficult. Efforts are also being made to reduce the amounts due from various parties as well as the time element taken by them to pay bills. An interest clause is also being added to the quotations providing for levy of interest if bills are not settled within 30 days. Similarly, as far as possible, full or part advance payments are being insisted upon before commencing of work or before delivery.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget), dated the 29th Sept., 1965].

Recommendation (Serial No. 117)

The Committee feel that as the repair orders, when accepted, would directly or indirectly earn foreign exchange for the country, the expansion scheme of the Company should be accorded a high priority. (Paragraph 126)

Reply of Government

Expansion of the Yard was approved in September 1962 and the work is being progressed on a priority basis. The No. 1 Slipway in the South Yard has already been completed and the construction of No. 2 Slipway has been taken in hand. Some cranes and machinery have also been ordered.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget), dated the 28th September, 1965].

Recommendation (Serial No. 142)

- (i) In a note submitted to the Committee, the Ministry of Industry intimated that the question of reduction in the sale price of penicillin and penicillin products will be considered further in the light of the Committee's views expressed in para 25 of their 7th Report (3rd Lok Sabha). The Committee welcome this move.
- (ii) In regard to the pricing policy in general, while the Committee agree in principle that all industrial and commercial transactions in the public sector should earn enough profits to be able to give a good dividend to the exchequer and to build up reserves to finance their own future expansion, the Committee feel that some principles should be laid down so as to see that the pricing policies do not become an instrument of indirect taxation as the power of taxation is the prerogative of Parliament only. In this connection the possibility of prescribing with the approval of Parliament a ceiling to the percentage of profit, with powers to vary the percentage within that ceiling from industry to industry might be examined. (Paragraph 158)

Reply of Government

(i) As regards reduction in the price of penicillin and penicillin products, the question of price fixation of certain drugs, including two antibiotics, had been under consideration of Government from 1963 onwards. In May, 1966, it was decided that the enquiry into the high cost of pharmaceuticals and drugs in India should be entrusted to the Tariff Commission. It may be mentioned that the Public Accounts Committee in their 7th Report (Third Lok Sabha) (1962-63) had also suggested (Paras 24 and 25) that the sale price of penicillin should be referred to the Tariff Commission. In the final list of drugs and pharmaceuticals to be covered by the Tariff Commission, penicillin and streptomycin produced in the public sector and private sector were also included. The Tariff Commission, who were requested, in August 1966, to make a comprehensive enquiry in this regard were *inter alia* to recommend to what extent the prices of the drugs covered can be lowered taking into consideration among other factors (a) capital outlay including plant and machinery in relation to (i) actual production, and (ii) potential capacity, (b) prices and quantities of raw materials and intermediates, (c) operational efficiencies of the processes, (d) prices at which similar products can be manufactured by small scale manufacturers who do not come within the purview of Industries (Development & Regulations) Act, etc. The Commission were also requested to recommend the minimum and maximum margins of profits covering all stages from the producer to the ultimate consumer, and also the measures necessary to bring down the level of prices of basic drugs and pharmaceuticals, chemicals and intermediates and formulations of drugs. The recommendations of the Tariff Commission, which have been received, are now under consideration of Government.

(ii) Government have recently considered the various aspects relating to pricing policies to be followed by the Public Enterprises, with a view to laying down guidelines, if any, in this area. In this connection, Government had also the benefit of the recommendations of the Administrative:

Reforms Commission in their Report on "Public Sector Undertakings". It has been decided as follows:—

- (a) Wherever there are statutory regulations or voluntary arrangements of a binding type, introduced in the larger interests of the national economy, the enterprises would have to conform to such regulations.
- (b) A number of enterprises produce goods and services in open competitions with other indigenous producers in the private sector, and in respect of their products, the normal market forces of demand and supply will operate and their products will be governed by and large by the prices prevailing in the market.
- (c) In the case of enterprises which operate under monopolistic or semi-monopolistic conditions it will be necessary, however, to have a prescribed procedure. The guidelines lay down that the pricing of their products should be within the landed cost of comparable imported goods; such landed cost would be the ceiling and within this ceiling it would be open to the parties concerned to negotiate and fix prices at suitable levels. If, however, in assessing the landed cost there are reasons to believe that the price of the imported goods are artificially low or in other exceptional circumstances it may be necessary to have the prices higher than the landed cost, the matter should be referred to the administrative Ministry concerned for examination in depth in consultation with the Ministry of Finance, including the Bureau of Public Enterprises and the Cost Accounts Organisation.

A copy of the instructions issued *vide* O.M. No. BPE/46/Adv-F/68/25, dated the 27th December, 1968, is enclosed (Appendix XV).

[Bureau of Public Enterprises, Min. of Finance, D.O. Letter No. 117/BPE (G.M.)/69, dated the 10th March, 1969].

CHAPTER III

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

Recommendation (Serial No. 2)

The Committee note that the land for the Administrative Building was acquired on lease in February, 1961, and according to the terms of their lease, the Building was to be completed within a period of 3 years from the date of acquisition (*i.e.* by February, 1964). The Committee however, learned during evidence that the construction of the building was expected to commence only after the monsoon of 1964. While noting the various reasons enumerated during evidence, the Committee regret the abnormal delay that has occurred in starting construction specially in view of the fact that the Air-India has been paying a high rent of Rs. 1.78 lakhs per annum for the various offices that are to be accommodated in the new building.

The Committee are of the opinion that expenditure incurred on construction of such buildings should be commensurate with the economic conditions in India and attempts should be made to economise wherever possible.

It was admitted before the Committee that Indian Architects could have built such buildings. As such, the Committee fail to understand why the work of preliminary drawings involving an expenditure of 150,000 dollars was not entrusted to an Indian Architect to save the foreign exchange involved. (Paragraph 8)

Reply of Government

The observations of the Committee have been noted.

The whole question regarding the construction of a prestige building by the Air India which would include the booking offices of both Air India and I.A.C. and which would have considerable publicity value, was carefully examined by Govt. who were satisfied that the project would be economically sound.

So far as the appointment of foreign architects is concerned,² the position is that although Indian architects could have built such buildings, the decision to entrust the work to an American architect was taken in view of the great size, height and complexity of the building. In addition to the office accommodation, it will incorporate a large booking office and an air terminal, both for Air India and I.A.C., which will require twin basements and elaborate underground facilities for passenger coaches and freight trucks to ensure a smooth and unmixed flow of arriving and departing passengers and cargo. These present a number of specialised problems. In order to get a really first class building from both functional and aesthetic points of view, a decision was taken to get foreign architectural assistance. It may be added that it is proposed to associate Indian architects with the project right through.

The construction of the administrative building is expected to commence in the near future. The Indian Architects who will be associated with the building are (a) M/s Pheroze Kudianawala and Associates, Chartered Architects and City Planners—Associate Architects (b) M/s. Meneck Dastur, Air-Conditioning consultant.

The terms of the Associate Architect, are as follows :—

(a) *For Architectural Service :*

Fee at the rate of 1.75% of the total cost of construction excluding :—

- (1) All work pertaining to interior decorations;
- (2) Air-conditioning plant and equipment but inclusive of false ceiling and ducts;
- (3) Cost of installing transformers and cables etc. but inclusive of electrical work, lighting installations, fitting etc;
- (4) All advertising displays.

(b) *For Constructural Engineering :*

A fee of 0.5% of the total cost of the project exclusive of the following items of work :

Elevators, including machinery and installation; sanitary, Drainage work and water works; Electrical Installation, fittings etc., Air-conditioning, false ceiling, ducts, Landscaping, land development, internal roads; Interior decoration and advertising displays etc.

Professional fees for the Air-conditioning consultant will be at the rate of 3% of the Air-Conditioning and ventilation installation subject to a maximum of Rs. 4 lakhs.

The Air-India Board have approved of a total expenditure of Rs. 509.36 lakhs for this project subject to Govt.'s approval.

[Ministry of Civil Aviation O.M. No. (4-CAT)/64, dated the 9th August, 1965].

Recommendation (Serial No. 9)

(i) The Committee desired to be furnished with the break-up of expenditure under the heading "sales promotion with special reference to agents" tours and publicity for the year 1962-63. This information is awaited.

(ii) The Committee are of the opinion that there is some scope for reduction in the expenditure incurred by the Air-India on Publicity and Sales Promotion which comes to Rs. 1.20 crores and they hope that due economy will be effected wherever possible. The Committee also recommend that publicity entertainment and advertisement etc. may be shown under a separate head and not mixed up with sales promotion or commissions paid to agents. (Paragraph 15)

Reply of Government

(i) The required information has been furnished to the Lok Sabha Sectt. separately vide this Ministry's O.M. No. 14-CA(13)/62, dated the 16th October, 1964. (Appendix XVI),

(ii) In reducing the expenditure on publicity and sales promotion, it is necessary to take into account the fierce competition an airline has to face in the industry. The problems become more acute when the airline is a comparatively small member of the world industry as is the case with Air-India. However, every effort is being made to observe maximum economy in regard to the expenditure on publicity and sales promotion consistent with the requirements dictated by the needs of sales campaign in a highly competitive field.

Regarding the suggestion that the expenditure on publicity, entertainment and advertisement, etc. may be shown separately, it may be mentioned that the commission paid to the agents is already being exhibited as a separate item in the published accounts. As regards publicity, entertainment and advertisement, the Corporation are following the terminology and practice used in the industry and, taking into account the commercial and other considerations, further details in published accounts are not considered desirable. However, the books of accounts contain these details and such break-downs as are required from time to time can be made available to the Committee.

[*Ministry of Civil Aviation O.M. No. 4-CA(T)/64, dated the 9th August, 1965.*]

Recommendation (Serial No. 15)

In the absence of the information asked for by the Committee, they are unable to appreciate the increase in payment of overtime allowance when the staff strength was also increasing. The Committee would like the Corporation to analyse carefully the various factors that have caused the increase in overtime allowance and take steps to reduce the same. The Committee would like to watch the outcome. (Paragraph 21)

Reply of Government

Three statements showing :—

- (i) The number of persons category-wise recruited during the years 1960-61, 61-62 and 62-63 (Appendix XVII).
- (ii) The amount of overtime allowance paid to the staff category-wise during the period referred to at (i) above separately for Sundays and other Holidays as also for normal working days; (Appendix XVIII).
- (iii) Comparative figures showing the increase in load of work (Appendix XIX) are enclosed. The increase in the staff strength during the years 1960-61, 61-62 and 62-63 was as under :—
 - 1960-61—Increase of 8 staff only which is less than 0.1% of the staff strength on 31-3-1960.
 - 1961-62—Increase of 271 staff or roughly 2.8% of the staff strength as on 31-3-1961.
 - 1962-63—Increase of 482 staff or roughly 5% of the staff strength as on 31-3-1962.

Against the above increases in the staff strength the work-load in terms of available tonne Km. increased by the following percentages :—

1960-61—1·9% over the previous year.

1961-62—6·8% over the previous year.

1962-63—12·6% over the previous year.

In terms of revenue tonne Km. operated, the increase was as under :—

1960-61—6%

1961-62—5%

1962-63—12·3%

It will be appreciated that the increase in work-load was much more than the increase in the additional staff sanctioned during the respective years.

The Corporation feel that the holiday overtime cannot be eliminated since the Corporation has to operate the services on all days irrespective of a working day or a holiday. The holiday overtime paid during the 3 years 1960-61, 61-62 and 62-63 amounted to Rs. 8·74 lakhs, Rs. 9·75 lakhs and 9·90 lakhs respectively. Omitting this, the normal overtime incurred in these 3 years was as under :—

1960-61—37·92 lakhs.

1961-62—46·29 lakhs.

1962-63—54·24 lakhs.

Thus the normal overtime increased by about 22·01% in 61-62 over the previous year and by about 17·2% in 62-63 over 61-62. The main increases were in the Engineering and the Traffic Departments. The major reason for the incidence of overtime is absenteeism. Absence of an employee without adequate prior intimation particularly of one working in shifts involves the retention of another on overtime. Under the Corporation's rules on employee has to be given 12 hours of rest between off duty and on duty and overtime working in one shift very often creates a chain reaction involving employment of staff on overtime in subsequent shifts also. The late arrival/departure of aircraft also leads to retention of staff on overtime. In respect of flying crew, the rules provided for payment of overtime (excess flying pay for flying in excess, of 80 hours each month). In 62-63 the normal overtime paid to flying operation staff amounted to Rs. 11·46 lakhs which is almost 20% of the total normal overtime incurred in that year.

The Corporation has been endeavouring to control the expenditure on overtime and as a result there has been a substantial reduction in its incidence. In the year 1963-64 the total expenditure on overtime was Rs. 51.52 lakhs including Rs. 10.42 lakhs for holiday overtime. The normal overtime, therefore, was Rs. 41.10 lakhs against Rs. 54.24 lakhs in 62-63 i.e. a reduction of Rs. 13.14 lakhs or about 24%. Every effort is being made by the Corporation to keep a check on this expenditure but for reasons already explained it is not possible for an airline of the size of IAC working on all the 365 days of the year and having its offices and workshops at different places spread throughout the country with work-load increasing as a result of its expansion to keep the expenditure even throughout.

Two statements showing (i) staff position during the years 1963-64 and 1964-65 and increase over the previous year (Appendix XX) and (ii) the amount of overtime allowance paid during the years 1963-64 and 1964-65 and increase over the previous year (Appendix XXI) are also attached.

[Ministry of Transport and Aviation (Deptt. of Aviation) O.M. No. 4-CA (22)/64, dated the 26th April, 1966].

Recommendation (Serial No. 17)

The Committee are sorry to note that there was mis-interpretation of a simple 'four-year rule' resulting in over-payments to the tune of Rs. 18,000. In the absence of a copy of the Board's Resolution to the effect that the excess payments that had been made need not be recovered the Committee are not in a position to appreciate the circumstances under which this decision was taken. The Committee were informed by the Secretary of the Ministry of Transport that the Corporation had not come to Govt. for a formal sanction to waive recovery of excess payment. The Committee would like Govt. to examine whether there is any justification for waiving recovery of excess payments. (Paragraph 23)

Reply of Government

A copy of the Board's resolution is enclosed (Appendix XXII). Govt. have since conveyed their *ex-post-facto* sanction to the over-payments made by the Corporation.

[Ministry of Transport and Aviation (Deptt. of Aviation) O.M. No. 4-CA (22)/64, dated the 26th April, 1966].

Recommendation (Serial No. 19)

The Committee would like to be informed of the results of the efforts made to recover the amounts due (Rs. 13,530) from the Charter parties. (Paragraph 25)

Reply of Government

The matter has been investigated by the Corporation. A review has indicated that the actual short recovery was Rs. 5,747/- only. The Corporation have reported that the short recovery of Rs. 13,530/- was calculated by Audit for the period from 11-2-1962 to 7-5-1962, while it actually related to the period from 15-3-1962 to 7-5-62. The levy of additional charge of 75 paise per lb. for any load carried in excess in each direction was fixed in I.A.C. Circular No. DLH/TM/TS/EI/2279 dated 13-3-1962 and was to take effect from 15-3-1962.

The Corporation have explained that it has not been possible to recover the amount collected short as they fear that the Charter parties would come up with counter claims. According to the Corporation there were many instances (Appendix XXIII) in which the Corporation carried less than the minimum pay load laid down in their circular referred to above and in equity the Charter parties would in such cases be justified in claiming *pro-rata* refunds. The Corporation have added that the amount short recovered and the *pro-rata* refund for the weight short carried are almost the same. The Corporation, therefore, do not propose to proceed further

in the matter and action is being taken by them for writing off of the amount of Rs. 5,747.

[*Ministry of Transport and Aviation (Deptt. of Aviation) O.M. No. 4-CA (22)/64, dated the 26th April, 1966*].

Recommendation (Serial No. 20)

The Committee are of the view, that for future in such cases a procedure should be laid down that any earlier *ad hoc* decision should be specifically reviewed on the basis of the general policy that might be laid down later. (Paragraph 28)

Reply of Government

The position is that before June, 1961, general orders governing the terms and conditions of such loans to Public Sector Undertakings had not been issued and all such cases used to be referred to the Ministry of Finance. Although, in the absence of general orders, the decision of the Ministry of Finance in individual cases could be described as *ad hoc*, the Ministry of Finance did follow a certain policy in this matter. According to this practice, the interest rates on loans advanced by the Central Government were 4-1/2% for States, Statutory Corporations, Municipalities and Port Trusts and 5% for other parties for a period of 20 years and above. Accordingly, the rate of 5% per annum made applicable to the consolidated loan to Hindustan Steel Limited in 1960 did not involve any concession.

2. The rate of interest of 5% was applied in accordance with the practice prevailing in 1960, when the decision to consolidate the loans was taken. Government order conveying this decision to cover all loans upto 31-3-62 was issued in August, 1960. It would not have been correct to change the rate of interest subsequently in June, 1961 on the issue of general orders. It might be added that it is not usual to revise terms and conditions once fixed for any specific loans merely because of a change in general policy. In any case, as far as Hindustan Steel is concerned, the terms and conditions of further loans advanced from 1962-63 onwards were prescribed in accordance with the general instructions issued by the Ministry of Finance (Department of Economic Affairs) Vide their O.M. No. F. 7(2)-W. & M/61, dated 1-6-61.

[*Ministry of Steel, Mines & Metals, O.M. No. Coy-3(32)/64, dated the 27th November, 1968*].

Recommendation (Serial No. 22)

The Committee consider it strange that such an important item like the expenditure on townships and ancillaries was not provided in the original estimates for projects of such magnitude. The Committee were informed that the expenditure on townships was Rs. 14 crores in Rourkela, Rs. 15 crores in Bhilai and Rs. 17 crores in Durgapur and explained that the difficulty was that the Company had to put up townships in two or three years. The Committee desire the Government to examine whether the expenditure on townships is not rather disproportionate to the total outlay of the projects. They would like Government to consider the feasibility of laying down a suitable ceiling of the proportion of expenditure on townships to the total outlay of the project. (Paragraph 31)

Reply of Government

This matter has already been examined exhaustively by the Committee on Public Undertakings in their 8th Report relating to townships and factory buildings of Public Undertakings. In para 6 of the Report, a table has been given showing the extent of capital outlay (actual and anticipated) on the townships of Public Undertakings and its percentage to the total investment. It will be noticed therefrom that in the case of H.S.L., the percentage was 7.4 which was the lowest of all Undertakings included in the table. In para 13 of the Report, the Committee appreciated that it was not possible to apply a uniform yard-stick for expenditure on townships but in view of the present high costs of townships and wide variations in its percentage to the total investment on a project, the Committee considered it desirable that Government should prescribe an upper limit for expenditure on townships taking into account the requirements of various types of undertakings. To this recommendation, Government reply has already been sent by the Bureau of Public Enterprises which is reproduced below for ready reference.

"The Bureau is endeavouring to ensure that the cost of township does not exceed 10% of the Project cost, or in special circumstances 15% thereof. The Bureau, however, feels that prescribing ceilings alone is not sufficient for this purpose, as in some cases even a ceiling of 10% might turn out to be a higher figure than what is actually required. The Bureau is, therefore, evolving standard plans, designs and specifications to ensure that the cost of townships is kept at the minimum. The Bureau has also been advising individual enterprises on their special problems in this respect.

[Ministry of Steel, Mines and Metals O.M. No. Coy-3(33)/64, dated the 20/24th January, 1968].

Recommendation (Serial No. 24)

The Committee were given to understand that a Negotiation Committee was instituted in August, 1962 for settling the contractual issues. The Negotiation Committee with the General Manager, Durgapur, as the Hindustan Steel Ltd.'s representative had, however, not made much progress due to the reported non-cooperation of M/s. ISCON. Apart from this, the Committee were also told in the course of evidence that the contractors were adopting delaying tactics. The Committee are perturbed over these disclosures. The Committee desire that the Ministry and the Hindustan Steel Ltd. should take suitable measures to overcome the non-cooperation of the contractor and take necessary steps to realise the penalty. The Committee would like to be apprised of the final outcome of the negotiations. (Paragraph 33)

*Reply of Government

The Negotiation Committee comprising of representatives of H.S.L. and ISCON was already on the job and was trying to settle all disputed claims and they were fully empowered by the Government of India and

*At the time of factual verification, the C. & A.G. has pointed out as under :—

"A draft note on this subject was received by Chief Auditor, Ranchi and his observations on the merits of the overall settlement were communicated to the Hindustan Steel Ltd. vide his letter No. 13076/Coord/ DSP-1(3)/68, dated 7th March, 1969. The revised draft note, after taking into consideration the audit comments, has not been received from the Ministry so far (April, 1969)."

In view of this, the Committee would like the Government to inform the Committee of the action taken in the matter.

ISCON respectively to arrive at any mutually agreed settlement. The final meetings of the Negotiating Committee were held at Delhi between 29th Nov., 1966 and 1st December, 1966 and it was agreed after protracted discussions that the parties, namely, ISCON and HSL would assume that they had settled all differences between them arising out of their contract and no further sum would be payable by HSL to ISCON and *vice versa* under the said contract. It was also agreed that both parties should make no further claims whatsoever against one another arising out of or in connection with the contract between them and the said contract would be taken as duly discharged.

[*Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) D.O. letter No. Dur. 18(2)/64-II, dated the 28th September, 1968.*]

Recommendation (Serial No. 26)

The Committee feel that at least some of the difficulties mentioned in achieving full production are not of such a nature as could not have been overcome with better coordination with the Department of Mines and Fuel and the Ministry of Railways. As regards shortage of experienced personnel, they would suggest the introduction of a suitable course of intensive training for the working personnel by rotation, so that within a reasonable period of time, a number of well trained persons may be available. The Committee hope that the requirement of technical personnel for the Fourth Five Year Plan will be kept fully in view while chalking out the training programme. (Paragraph 35)

Reply of Government

The Committee on Public Undertakings examined the working of the Bhilai, Durgapur and Alloy Steel projects and the Head Office of HSL during 1965-66 *vide* their 28th, 29th, 30th and 31st Reports. In the 28th Report, the Committee stated in paragraph 55, that the Management Training Institute at Ranchi has a useful purpose to serve in addition to such institutes at the plants. The Committee were apparently satisfied with the training arrangements at these institutes as also the availability of trained personnel for the steel plants in adequate numbers. The deficiencies pointed out by the P.A.C. had, therefore, been removed by the time the Committee on Public Undertakings examined the Steel Plants under HSL during 1965-66.

The Bhilai, Rourkela, Durgapur and the Alloy Steel Plants have well equipped, well organised, and properly manned technical institutes which, among others, undertake the training of graduate engineers, Senior Operatives, Junior Operatives and Artisan trainees. The capacity of each of these training institutes is indicated below. The maximum possible use is now made of these training facilities and consequently foreign training has now been limited to only such types of processes/equipment which are new to the country.

The Management Training Institute at Ranchi handles management training activities. During year 1967, it conducted 15 programmes, in which 264 employees of different levels participated. Training of managerial personnel is also arranged by the Company at the various Management Institutes in the country, Administrative Staff College etc.

The existing training facilities are expected to be sufficient for the training of additional personnel which may be needed for the expansion of the steel plants under HSL during the Fourth Five Year Plan. At present, some of the training facilities required by the Bokaro Steel Limited are also arranged at these institutes.

Capacity of the Training Institutes of HSL

Plants	Graduate Engineer Trainees	Senior Operative Trainees	Junior Operative Trainees	Artisan Trainees
1	2	3	4	5
Rourkela Steel Plant				
Intake	150 (one shift)	250 (two shift)	300 (two shift)	300 (two shift)
TOTAL	300	500	600	600
Bhilai Steel Plant				
Intake	100 (one shift)	300 (one shift)	300 (one shift)	200 (two shift)
TOTAL	200	600	600	400
Durgapur Steel Plant				
Intake	100 (two shift)	250 (two shift)	250 (two shift)	300 (two shift)
TOTAL	200	450	450	550
Alloy Steel Plant				
Intake	25 (one shift)	25 (one shift)	25 (one shift)	..
TOTAL	50	50	50	..

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. Coy-3(34)/64, dated the 12th July, 1968].

Recommendation (Serial No. 33)

The Committee are not convinced of the argument advanced in this case. They do not appreciate why in the case of supplies separately made by individual contractors (members of the Consortium) through the Consortium, profit should be given to two contractors for the same supply. The Committee suggest that the feasibility of safeguarding against such double profit be examined. (Paragraph 42)

Reply of Government

As regards the safeguard against the double profits in future, it is stated that for 1.6 million tonne expansion, the pattern of awarding contracts to a consortium of suppliers was changed and contracts were awarded to individual suppliers in U.K. on open tender basis. However, we have to state that complete safeguard against double profit cannot be achieved in big

contracts like ours. In contracts involving large magnitude of works and supply of diverse types of plants and equipments and their components, some cases of subcontracting by main contractors may naturally arise and these cannot be obviated altogether. There is a limit up to which the contracts can be subdivided and fragmented to reach primary manufacturers without creating serious problems of coordination and guaranteeing of the performance by the main contractors.

[*Ministry of Steel, Mines and Metals, O.M. No. PARL (10)-10/64, dated the 17th April, 1968*].

Recommendation (Serial No. 34)

The Committee were informed that it had not been possible for Audit to assess whether all the defects pointed out by the team of German Experts have been rectified and the extra expenditure involved. The Committee would like the Ministry to furnish this information to the Committee. (Paragraph 43)

*Reply of Government

The PAC had made a mention in para 43 of their 23rd Report about a report on the defects in Rourkela Steel Plant by the Committee of German Experts (also known as Solveen Delegation). All the following defects, which were mentioned in the Solveen Delegation Report had already been rectified. It is not possible to furnish the actual expenditure in rectifying the defects as the same were not separately booked. It is also not easily possible to segregate the figures out of the bulk of the expenditure booked and as such the estimated figures as furnished by HSL have been furnished.

Blast Furnace No. 1 :

The Solveen Delegation had recommended repair measures in respect of Blast Furnace No. 1 only. At the time of visit of the delegation the B.F.I. was actually shut down for major repairs and repair work was undertaken between January 1962 to August 1962. The expenditure incurred in this respect works out to Rs. 79,594 as per detailed estimate shown in the statement enclosed (Appendix XXIV).

Blast Furnace No. III :

The defects noticed by the German Experts in this furnace was that large quantities of water had penetrated repeatedly into the completed Furnace as a result of a poor sealing of the Furnace after it had been completed and this moisture in the Furnace was responsible for the subsequent operation troubles in the Blast Furnace. Before starting the Furnace in January, 1962 the furnace was examined by Dr. Mintrop, the General Superintendent an authority on Blast Furnace operation and by HSL's refractory engineer. These two officers went into the Furnace through the tuyere hole, made a visual examination, took samples of the lining; analysed them to see the

*At the time of factual verification the C. & A.G. has pointed out as under :—

“In the D.C.A.'s D.O. No. 1370-Repl. III/8(1)/67, dated 23rd July, 1968 the Ministry was requested to submit the Note to the Lok Sabha Sectt. with the following audit observation :—

“The draft Note does not cover the position in respect of all the defects pointed out by the team of German Experts and does not contain information regarding the total expenditure incurred in rectifying the same”.

In view of this, the Committee would like to be furnished with this information in due course.

moisture content and found that it was quite satisfactory and it was then only that a decision was taken to light up the Blast Furnace. The Furnace was found to be dry/warm. Further, instead of usual period of 8 days for drying the furnace was dried for a period of 21 days to ensure that the furnace was absolutely dry. In this furnace also, there was trouble near the tap hole but all these have been successfully repaired and the furnace has been giving a steady production of about 28,000 to 30,000 tonnes per month and is considered a good performance. The cost of repairs to this Furnace was Rs. 37,172 as per details in (Appendix XXV).

Hot Rolling Mill :

The delegation had also referred in their report to the large number of breakdowns in the Hot Rolling Mill due to the Crane Rails being of wrong track gauge and soft quality. HSL had placed orders for new rails from Germany. When the new rails were replaced, it was found that crane tyres were being damaged. When crane tyres were replaced, the rails were getting damaged. Various tests were conducted to find out the difference in composition and hardness of the TISCO rails and those of the imported rails and the difference in the quality between the imported and indigenous tyres. For some of the areas in the Rolling Mills HSL have changed the crane tracks and the tyres at the same time. Since the replacement of the previous crane track rails in "FG" and "KM" Bays of Hot and Cold Rolling Mills, subsequent replacement had not been effected till date. It can thus be observed that the performance is not very unsatisfactory. The condition of the rails has deteriorated considerably since the last replacement and it is proposed that the entire length of the track rails in "FG" bay to be replaced by new imported rails at the first available opportunity. This job, however, will require a prolonged shutdown of atleast 6 or 7 days of the bay from columns 26 to 47 resulting in the material movement in the bay coming to complete stand still during this period affecting production of Hot Strip Mill.

As the deterioration of the track rails has been continuous modifications were carried out to the track wheels to avoid further deterioration. (Appendix XXVI) gives the particulars of expenditure incurred in connection with rectification as on 15-4-65. Expenditure incurred subsequent to this date may be considered to be approximately 10% higher than the figures given in this statement.

Lime and Dolomite Calcining Plant :

The recommendation of the Delegation was as follows :

"It is urgently recommended that the supplying firm with due assistance by experts on site, take care that the plant works without imperfections, i.e. that good sintered dolomite and satisfactory burnt lime can be produced without interruptions".

In this connection it may be mentioned that the additional equipment which the Suppliers Messrs. Friedrich Siemens were asked to supply for this plant has been received and erected. After erection the plant is working satisfactorily. The total expenditure incurred for the three fans towards customs, freight and other charges and for installation is Rs. 13,126.66.

Blooming and Slabbing Mill :

The recommendation of the delegation is as under :

“The firm of Sack should immediately find out whether the transmission elements interposed between motor and rolls are adequately dimensioned and properly designed. The fractures do not reveal whether the force was applied or whether they are due to fatigue failure caused by the design.”

A claim was preferred against the firm M/s. Sack on the grounds that the breakdown caused to the wobblers were due to the defect in the design of the wobblers and the sub-standard quality of the materials but the firm has repudiated the claims. HSL had consulted the Solicitors and they had opined that their case for the claim was not strong as the breakdown had occurred after the expiry of the guarantee period.

The cost of wobblers including air freight charges was Rs. 99,000.

Pig Casting Machine :

The comments of the delegation are as follows :

“The pig casting machine is capable of guaranteeing at any time the required output of 100 tons per hour. The tilting mechanism gave trouble for a considerable time in the beginning.

The maintenance is poor.”

The pig casting machine is working satisfactorily now. Maintenance is better now as one German Expert has been placed exclusively in charge of it. Further, more time is available for maintenance as the second pig casting machine has been brought into operation.

Steel Melting Shop :

In the case of Open Hearth Furnace, it was suggested that by employing basic roofs instead of silica roofs, the life of the roofs, can be improved which would result in substantial increase in the furnace capacity. Accordingly 3 out of 4 open Hearth Furnaces have been changed over to a Basic Roof from that of Silica Roof.

The Cost of change over of the individual furnaces are given below :

O.H. Furnace No. 2	. . . . .	Rs. 1,53,000 (Approx.)
O.H. Furnace No. 3	. . . . .	Rs. 1,34,000 (Approx.)
O.H. Furnace No. 4	. . . . .	Rs. 1,54,000 (Approx.)

The cost of change over to basic roof in O.H. Furnace No. 3 is less due to the fact that a 375 mm thick roof was only installed on this furnace, as compared to 425 mm roof on the other two Furnaces.

[*Ministry of Steel, Mines and Metals Letter No. RKL (5)-3/64, dated the 7th October, 1967*].

Recommendation (Serial No. 37)

The Committee regret to note that as a result of use of defective cement in the construction of structures an extra expenditure estimated at about

Rs. 8.03 lakhs was incurred besides a loss of incidental expenditure amounting to Rs. 19.02 lakhs. The Committee are surprised to learn that the Hindustan Steel Ltd., depend entirely on the suppliers' test certificate and no tests were carried out either at the time of despatch or before the cement was used in the construction of structures by the engineers of the project. The Committee desire that an enquiry should be made to fix responsibility for the lapses which resulted in such a heavy loss to public exchequer, and to determine the extent to which this loss can be made good from the Cement Distributors Limited which was responsible for supplying defective cement. (Paragraph 46)

Reply of Government

1. A final settlement has already been reached with M/s. Cement Distributors Limited and according to the settlement they will replace the defective cement but not compensate for the loss.

2. As regards the responsibility for the use of defective cement, this has been examined by a Committee and the Committee had come to the following conclusions :—

“Although, according to the strict interpretation of the terms of contract with CECW, the CECW were responsible for testing the cement before its use, a general impression based on prevalent customs and practices not only in this country but also outside was that since cement supply purported to conform to I.S.I. specifications, it was not customary to test its quality so meticulously in each case before its use. The presumption on which everybody concerned seems to have acted upon so far, was that in the ordinary course of business the cement conforming to ISI specification was in fact so and therefore no further testing of cement before its use was really required. It must have been because of this general impression that SECW were not strictly observing the provisions of their supervision contract. Excepting this mitigating circumstances, the conclusion is inescapable that the CECW, on behalf of HSL, according to the terms of agreement were responsible for testing the cement before use and if there was any failure in this respect resulting in loss it is directly and solely attributable to the CECW.

Regarding actual liability of CECW in case of non-implementation of contractual obligation the liability clause 6 of the Agreement reads as follows :

6. Liability

6.1. The CECW shall execute the work entrusted to them to their best knowledge and capability. The “Purchaser” may claim damages from the CECW, only if and in so far as the CECW have infringed normally applied rules of Engineering Standards and the necessary care and if they thereby have caused damage. The liability of the CECW shall in this case remain within adequate proportion to their remunerations and the damages payable shall not exceed 15 per cent of the remuneration which the SECW shall receive for the proper execution of the respective constructional parts as indicated in the “Scope of the Offer” namely (a) Steel Melting Plant and Rolling Mill (b) Water Supply.

6.2. All rights to damage which the “Purchaser” might claim from the SECW, expire after a period of 2 years from the completion of the total civil engineering work of the construction part or 2 years from the day on which

the achievement of the construction work is stopped completely for any reasons whatsoever.

Under this clause, in order to be able to claim any damage from CECW, which also are limited to 15 percent of the remuneration that SECW would receive for the proper execution of the respective construction part, HSL would have had to establish that in failing to test that cement before use the CECW infringed the normally applied rules of engineering standards and care. There is no evidence available that the point was specifically taken up with CECW. It is debatable and doubtful if infringement of Engineering Standards could be established, as more than 2 years have elapsed, the operative clause of 6.2 has also expired.

We understand that the contract of CECW has already been finalised.

To prevent occurrence of similar lapses in future the Committee also examined the system prevailing at present. It has been understood that according to the present practice, the cement is tested before its use in concrete by the HSL Laboratory. This appears to be satisfactory."

3. The agreement with CECW expired in June 1960 and a reference was, therefore, made to the solicitors on 30-11-64 whether (i) in terms of the contract, M/s. CECW were to test the quality of cement before use (ii) whether the responsibility for failure to test the cement before use and the consequential losses can be fixed on CECW in terms of the agreement with them, in case the reply to (ii) is in the affirmative (iii) whether any claim can be lodged on M/s. CECW now. The Solicitors have replied that no responsibility can be fixed on Messrs. CECW since it is not the standard practice or custom to test the quality of cement as it is purported to conform to ISI standard. Further as it appears that M/s. CECW conducted certain random field physical tests of cement according to German standards in their Laboratory, the liability of M/s. CECW if any in this matter appears to be remote and it may be difficult, in the circumstances of the case, to show that they did not observe the normally applicable rules of Engineering Standard. Moreover, no claim can be lodged now on M/s. CECW since in any event it is beyond the time prescribed in the contract viz., 2 years from the date of completion of the contract i.e. June, 1960.

[Ministry of Iron and Steel O.M. No. Parl. (10)-10/64, dated the 14th February, 1966].

Recommendation (Serial No. 39)

The Committee are glad to note that percentage of losses on various products has come down. The Committee understand that the existing limits of losses fixed by the Company are on the high side and are being reviewed. They would like to be informed of the reduced limits of losses proposed to be fixed by the Company. (Paragraph 48)

Reply of Government

The permissible percentages for losses of raw materials have been reviewed by the authorities of Hindustan Steel Limited more than once. In their meeting held on the 24th December, 1966, the Board of Directors, of the Company decided that the permissible percentage of normal losses for coal

should be reduced from 8 to 5 with effect from the financial year 1966-67. After a further study of this problem in relation to other raw materials, the Board decided in its meeting held on the 28th October, 1967 that there was no need for revising the existing maximum limits for normal losses on raw materials other than coal which might continue as at present. The Board has further directed that since the discrepancies observed at the time of quarterly stock verification were mainly due to incorrect reporting of consumption figures, counterchecks on consumption figures should be done by the Plant as a regular measure. Further, emphasis should be laid on augmenting weighing facilities at the loading and receiving points to ensure correct payments for the quantity actually loaded and checking losses in transit, if any, and insisting on correct reporting of consumption so that inaccuracies in consumption figures are not cited as a reason for a write off of losses. The Railways should also be prevailed upon to instal weigh-bridges at all loading points where these are not available at present.

[Ministry of Steel & Mines (Department of Iron and Steel) O.M. No. Coy-3(61)/64, dated the 7th August, 1968].

Further Information Called for by the Committee

The following information may please be furnished for the information of the Committee on Public Undertakings :—

- (i) the reasons and justification for not reducing the existing limits in respect of materials other than coal;
- (ii) the appropriateness of the reduction of the limit of loss in respect of coal.

2. It is understood from Audit that the Rourkela and Bhilai Steel Plants had appointed special Committees, in pursuance of Board of Directors decision dated the 28th October, 1967 to investigate and fix responsibility for abnormal discrepancies observed at the time of quarterly stock verification. A copy of the recommendations of these special Committees alongwith the action taken thereon may please be furnished.

(LSS O.M. No. 20-PU/65, dated the 4th September, 1968)

Further reply of Government

The question of fixing suitable limits in respect of losses for raw materials has been examined by the authorities of Hindustan Steel Limited in depth and on more than one occasion. Although there were losses in respect of a number of raw materials, the major losses were those relating to coal and iron ore which constitute the two major raw materials in terms of quantities and value. As regards coal, it had been noticed that although the permissible limit was 8%, the actual losses since inception to 1964-65 had actually not exceeded 5.5% in any of the plants. The matter was considered by the General Managers of the Plants and by the Board and it was decided that the norm should be reduced from 8% to 5% from the year 1966-67. It may be clarified here that this is the ceiling and it happens that the actual loss is frequently much lower than this, particularly in the case of Durgapur where coal supplies are received from Collieries in the proximity of the plant.

As regards iron ore, the General Managers had instituted detailed studies in the matter and it had been found that although there were considerable variations between the actual losses and the norms fixed, the prescribed norm of 4% had been exceeded in almost all the plants. The Board, therefore, decided to retain the original norm of 4% so that losses in excess thereof could attract attention for remedial measures. As regards other raw materials losses in monetary terms were comparatively negligible and accordingly the Board decided that there was no need for revising the prevailing maximum limits in respect of these raw materials.

(2) In terms of the decision of the Board, Rourkela and Bhilai Steel Plants have set up Committees to investigate abnormal losses. The recommendations of the Committee set up in the Rourkela Steel Plant are presently under finalisation. As regards the Committee at Bhilai, certain decisions as indicated below, have been taken on the basis of the report:

- (a) Imbalances in the stocks of raw materials, revealed by the half-yearly stock verification and reconciliation are sorted out by adjusting the consumption figures at the different operational units.
- (b) As regards the excessive losses in regard to ferro-alloys, it was felt that the main cause was under-reporting of consumption by the consuming shops and certain wastages enroute the ferro-alloy Depot to the Furnace stage. To avoid this, it was decided to instal a 10-tonne weighing scale at the ferro-alloy, Depot and the quantity issued to the SMS should be reckoned as consumption.
- (c) Regarding weightment of costly materials like ferro-manganese, ferro-silicon and sulphur, efforts should continue for 100% weightment of the incoming wagons.
- (d) In case of manganese ore, the initial weightment would be in respect of wagons coming in the mixed rakes which would further be improved after the commissioning of the inward weighbridge after track modifications.
- (e) In case of coal and iron ore, test weightment of wagons would be started after commissioning of the inward weighbridge. In regard to coal about 75-80% of the coal wagons are being weighed at the despatch end.
- (f) As regards augmenting weighing facilities at the loading points, one 100-tonne and one 200-tonne weighbridge is installed at Rajhara. At Nandini, one weighbridge is in operation for mechanised loading. In regard to Dolomite at Hirri, there is no weighbridge at present but this will be installed during the mechanisation of the Mines. Regarding manganese ore, there are already three weighbridges.

[*Ministry of Steel & Heavy Engineering — O. M. No. Coy-3 (61)/64 dated the 21st Feb. 1969*].

Recommendation (Serial No. 41)

The Committee appreciate that with the heavy capital investment, any large projects of this magnitude are apt to work at a loss in the initial

phases, till the peak production is reached. Since all the three plants have started working to their full capacity, the Committee hope that their future financial results will show profits. (Paragraph 50)

Reply of Government

The Committee while appreciating that capital intensive projects like Steel Plants under Hindustan Steel Limited cannot show profits in the initial stages, expressed the hope that once full production has been reached, the financial results of these Plants would show profits.

Subsequent to the submission of this Report, the working of Steel Plants under Hindustan Steel Limited was reviewed and examined by the Committee on Public Undertakings. In view of this and the fact that the observations of the Public Accounts Committee referred to above were not in the nature of a recommendation, it is presumed that no further action thereon is called for. This may please be confirmed.

[Min. of Steel, Mines & Metals O.M. No. Coy-3 (62)/64 dated the 3rd January, 1967. Presumption confirmed vide Lok Sabha Sectt. O. M. No. 20-Pu/65 dated the 26th September 1967].

Recommendation (Serial No. 42)

The Committee regret to note that there was a heavy balance of Rs. 167·37 lakhs under stock suspense account and purchase advance account at Bhilai on 31st March, 1963. They hope that with the creation of a special cell for clearance of suspense accounts, the amount would be properly adjusted. The Committee would like the H.S.L. to ensure that such heavy balances do not accumulate under stock suspense account in future. (Paragraph 51)

Reply of Government

The sum of Rs. 167·37 lakhs represents the difference between the valued inventory of stores as on 31st March, 1960 and the book balance, revealed as a result of the introduction of priced stores ledger with effect from 1st April, 1960. A separate cell was formed for clearance of suspense in February, 1964. The cell has cleared all the outstandings.

The difference was due to the non-introduction of the priced stores ledger cards in the initial stages. A system is already in vogue for indicating the line Number and the balances in each stores document and simultaneous reconciliation of the bin cards and stock ledgers are effected in the continuous posting. The stores accounts have also now been put on IBM Machines and postings are current. Hence the danger of heavy accumulation of stocks suspense in future may not arise. For the current year's transactions no amount has been debited to "Stock Suspense".

[Ministry of Steel and Mines (Deptt. of Iron and Steel) O.M.No. PARL. (10)-10/64, dated the 12th November, 1964].

Recommendation (Serial No. 45)

The Committee suggest that special efforts be made by the Hindustan Steel Limited to settle early all the outstanding dues from the Government Department, especially from the Railways who are the principal debtors and

also from the private parties. Where necessary the good offices of the Department of Iron and Steel may be availed of. (Paragraph 54)

Reply of Government

Steps taken to reduce the outstandings on sales by the three steel plants are given below Plant-wise:

Bhilai

Efforts for realisation of dues, both through correspondence and personal contacts at the appropriate levels, were intensified. As a result, the outstandings as on 31-3-64 were reduced. This is evident from the fact that although the sale during 1963-64 amounted to Rs. 662.9 millions (as compared to Rs. 566.8 millions in 1962-63), the outstandings as on 31-3-64 amounted to only Rs. 50.3 millions, out of which Rs. 42.17 millions have already been realised upto 31-10-64 and only Rs. 8.13 millions remain unrealised.

Durgapur

(i) The parties are continuously reminded officially and even semi-officially from higher levels requesting prompt payments;

(ii) The Branch Sales Officers are requested to contact the customers within their territory, and they are chasing the parties personally;

(iii) In cases of very big customers owing substantial amounts, their Senior Officers have been personally approached by the Plant's Senior Officers and this has resulted in liquidating the outstandings from big parties like Railways.

Rourkela

Special efforts to reduce the outstandings of various parties particularly the Government parties including Railways, have already been taken by the Plant. The accounts of most of the Government parties have been scrutinised and letters were issued to them and the Plant has received payment against many outstanding bills. There are certain difficulties for recoveries from the Ordinance Factories for non-availability of the inspection certificates either due to supply of wrong materials or supply of materials in excess over the order. These are gradually being sorted out either with DDI (Met) at Rourkela or with the D.G.O.F.

As regards Railways a new procedure for payment has been agreed upon with them with effect from 1-4-64, under which the Railways are making 100% payment against R. R. This system will further reduce the chance of outstanding against Railways.

The Plant had large outstandings against the Indian Refineries and the same have to a great extent been reduced due to the fixation of price by the Ministry. For the balance, Plant is pursuing vigorously with the Party.

Details of outstandings as on 31-3-1962, 31-3-1963 and 31-3-1964 against Railways, Government parties and others and also the amounts outstanding out of the debtors due on 31-3-1963 have been given in the annexure (Appendix XXVII).

[Ministry of Iron and Steel O.M. No. PARL (10)-10/64, dated the 20th February, 1967].

Recommendation (Serial No. 50)

59. The Company had not made any provision for the reclamation charges payable to a contractor at Re. 1 per ton while valuing the closing stock on middlings aggregating to 1,96,344 tonnes on the basis of selling price determined less expenditure to be incurred.

Asked as to why provision was not made in the accounts for the reclamation charges payable to a contractor, the representative of the Hindustan Steel Ltd. replied that the expenditure had not yet been incurred and would be charged when incurred.

In the opinion of the Committee, when the liability for increasing reclamation charges was known, the same should have been taken into consideration in valuing closing stock of middlings. (Paragraph 59)

Reply of Government

Provision for reclamation charges in the valuation of closing stock of middling at Dugda Washeries is given below:

Account 1964-65 :

The quantity of middlings lying in stock on 31st March, '65 was 96,942 tonnes. Total value Rs. 12,05,958.48. The closing stock lying at Dugda was valued as follows:

Cost Gr. III-B Coal	18.93
Less . . . . .	.75
	18.18
Less provisions for wastage	3.64
	14.54
Less reclamation cost (estimated)	1.67
	12.87
Less estimated loading cost . . . . .	.43
	12.44

During 64-65 there was no sale after april, '64 to DVC (Durgapur TPS). Therefore the above price of middlings was calculated on the basis of our stock transfer price to the Steel Plants.

Account 63-64 :

The quantity of stock lying at Dugda Washery on 31st March, 1964 was 1,82,658 tonnes.

Total value Rs. 21,91,896.00.

In the stock certificate the Superintendent of Washeries has certified that the stock of middlings can be taken as Rs. 12/- per tonne. The basis for adopting Rs. 12/- has been explained as below :

	Rs.
Sale price to DVC ..	15.00
Price of closing stock ..	12.00
	3.00
Difference (Reclamation and other provisions) ..	3.00

The price of Rs. 12.00 as compared to our stock transfer price to the Steel Plants would be as under :

Gr. IIIB Coal-price ..	18.06
Less ..	.75
	17.31
Less provision for wastage ..	3.64
	13.67
Less reclamation cost etc. (estimated) ..	1.67
	12.00

From the above breakup of the price, it will be evident that provision has been made for reclamation cost of the middlings lying in the Dump both for the year 1963-64 and 1964-65.

[Ministry of Iron and Steel O. M. No. PARL (10)-10/64, dated the 14th November, 1966].

Recommendation [Serial No. 52(i)]

The Secretary of the Ministry promised to look into the total working hours of the Company. The Committee would like to be furnished with a Note on the subject. (Paragraph 61)

Reply of Government

In 1960-61 the total man-hours available after accounting absenteeism amounted to 28,44,803 man hours. These have been utilised as follows:

O Series—Indirect Work Orders ..	5,75,959
1 Series—Capital Orders ..	47,320
2 Series—Auxiliary Jobs ..	2,38,513
3 Series—Standard parts for main products ..	70,734
4 & 7 Series—Main production ..	18,75,069
5 Series—Outside orders ..	37,208
	28,44,803
TOTAL ..	man hours

In para 61 of the 23rd Report of the Public Accounts Committee (item No. 3), the total number of labour hours, actually utilised for manufacture M7LSS/69—5

and assembly of the lathes during 1960-61 and 1961-62 has been shown as 17,11,191 and 19,80,449 respectively. These man-hours worked were exclusively by the manufacturing and assembling sections and, therefore, do not include the man-hours put in for the manufacture of jigs, fixtures etc.

[Ministry of Industry O.M. No. 6(72)/63, dated the 2nd February, 1966]

Recommendation [Serial No. 52 (ii)]

(ii) In the meantime the Committee trust that every effort would be made to improve the efficiency of the labour so that it reaches the European standard without undue delay. Given adequate experience, proper working conditions and necessary supervision and guidance, the Committee see no reason why the standard of performance in Indian factories should be lower than in European countries. (Paragraph 61)

Reply of Government

The management of the Company is attaching great importance to the problem of improving the standard of performance in the Company and taking every possible step to achieve this objective. The steps taken are briefly as indicated below :

1. A Training Centre is maintained to offer facilities of specialised training to their workmen. The workmen are given in-plant training to keep them abreast of the latest technical development.
2. Provision of better working conditions and amenities to employees to increase their efficiency.
3. Creation of a 'Suggestion Scheme' whereby employees offering good suggestions leading to economies in operations are suitably rewarded.
4. Optimum use of proper production aids like tools, jigs, fixtures and patterns etc.
5. Application of rational methods whereby manufacturing and assembly cycles have been reduced considerably.
6. Constant review of designs and standards to ensure that economy is achieved by improvements in the methods.

[Ministry of Industry, O. M. No. 6(72)/63—M.T., dated the 2nd February, 1966].

Recommendation (Serial No. 53)

The Committee regret to note that although more than seven years have passed since the Reserve Bank of India recommended that funds of statutory bodies and Government companies should be invested in the State Bank of India or its subsidiaries, which was accepted by Government in principle, no decision has been taken so far in this regard. The argument put forth by the representative of the Ministry that due to their past association with the United Commercial Bank it was not considered advisable to transfer the whole amount to the State Bank of India, is hardly convincing. (According to the Annual Report of 1962-63, the Bank Balances of the H.M.T. with the scheduled Banks on 31st March 1963 were Rs. 89,51,552).

The Committee are of the view that once the recommendation of the Reserve Bank of India had been accepted by Government in principle, the Bank account should have been transferred to the State Bank of India by the H.M.T. without any reservation. They desire that the decision of Government in the matter should be expedited and the Bank account of H.M.T. transferred to the State Bank of India without any further delay. The Committee would like Government to ensure that the recommendations of the Reserve Bank of India in this connection, which have already been accepted in principle, are also implemented in practice. (Paragraph 62)

Reply of Government

Necessary orders stipulating that banking arrangements should be made with the State Bank of India have been issued by Government.

Various points involved in the transfer of the accounts from the United Commercial Bank Limited to the State Bank of India, are still under consideration by the State Bank authorities at Madras. The question was discussed by the officials of the Hindustan Machine Tools Limited with the representatives of the State Bank of India, Madras. One of the most important points raised was regarding the interest charges on the cash credit account. The State Bank of India wanted to charge a flat rate of $6\frac{3}{4}\%$ (now $7\frac{3}{4}\%$ after the revision in the Bank Rate) and they also wanted all the business to be entrusted to them exclusively. However, in view of the long term bank guarantees furnished by the United Commercial Bank to the foreign suppliers to the extent of nearly Rs. 250 lakhs, the Hindustan Machine Tools Ltd. requested the State Bank of India to share the banking business alongwith the United Commercial Bank till the bank guarantees were liquidated. The State Bank of India desire to have an interest rate of 8% on cash credit account under such circumstances.

The long term guarantees and commitments made by the United Commercial Bank Ltd., on behalf of HMT cover the Yen Credit and French Credit. The Yen Credit guarantee was issued by the United Commercial Bank in May 1961 and covers a period of ten years. The French Credit commitments are also for a period of ten years commencing from 1964. The commitments as on date would therefore, cover upto 1975. Consequent on the revision of the Bank rate to 6% effective from 17th February 1965, there had been overall enhancement of lending rate by the commercial banks. The United Commercial Bank Ltd. with whom a cash credit accommodation exists, have in line with this general trend enhanced the rate of interest. This is 1% over the bank rate upto 2 crores of this, borrowing and $1\frac{1}{2}\%$ over the bank rate for borrowings exceeding Rs. 2 crores with half yearly rests.

[Ministry of Industry, O. M. No. 6(72)/63, dated the 2nd February, 1966].

Recommendation (Serial No. 54)

The Committee enquired the extent to which H.M.T. had actually spent the amount of Rs. 150 lakhs contributed by Government towards share capital for the III factory for the purpose for which it was given; the amount of balance, if any, and how the balance was utilised. The witness promised to furnish the information. It is still awaited. (Paragraph 63)

Reply of Government

A sum of Rs. 150 lakhs was given to the company in 1962-63 in two instalments—Rs. 100 lakhs in February 1963 and Rs. 50 lakhs in March 1963 for the Pinjore project. Actual expenditure on the factory amounted to Rs. 94.55 lakhs as on 31-3-1963. The balance of funds left over on this date amounted to Rs. 55.45 lakhs and was available under the head 'Bank Balance with the Scheduled Banks' amounting to Rs. 89.52 lakhs. This was utilised for meeting the expenditure of the Pinjore factory during the subsequent months, the details of expenditure during April 1963 to July 1963 being as follows :

April 1963	.	.	18.42 lakhs
May 1963	.	.	28.07 lakhs
June 1963	.	.	25.37 lakhs
July 1963	.	.	50.75 lakhs
Total Rs.			<u>122.61 lakhs</u>

A further sum of Rs. 1.00 crore for the Pinjore factory was given only in the month of August 1963.

[*Ministry of Industry, O. M. No. 6(72)/63- M.T., dated the 2nd February, 1966*].

Recommendation (Serial No. 57)

The Committee are surprised to learn that the Special Officer was appointed for the determination of the balances six years after the event. The Corporation and Government must have been aware of the position relating to effective liabilities from the very beginning. The Ministry has shown a lack of initiative in this matter which is very regrettable. The Committee would like to be apprised of the results as soon as the work is completed by the Special Officer. (Paragraph 66)

Reply of Government

The total liabilities amounting to Rs. 1,23,09,782 as appearing in the Balance Sheet of the National Coal Development Corporation as on 31st March, 1957 were provisionally transferred to the Company along with the provisional transfer of the assets of the ex-State Collieries. Subsequently during the course of scrutiny of the various schedules for the deed of transfer during 1963, Government was advised that the 'liabilities' of the ex-State Collieries cannot be legally transferred to the Corporation. Accordingly, Government have decided not to transfer these liabilities to the Corporation and the same have been assumed by the Government. The Government have however, issued a power of attorney in favour of the N.C.D.C. authorising them to discharge these liabilities on behalf of the Government.

The Special Officer who was to look into the records of the ex-State Collieries for the determination of balances of the ex-State Collieries submitted on 18-4-63 his report on 'liabilities' of the ex-State Collieries. Out of the total liabilities of Rs. 1,23,09,782 as shown in the balance sheet of the N.C.D.C. on 31-3-57, the effective liability that remains to be discharged after 31-3-63 is about Rs. 15.71 lakhs only. Claims in respect of the effec-

tive liability that remains to be discharged are being settled by the Govt. as and when they are received.

[Ministry of Steel and Mines (Deptt. of Mines & Metals), O. M. No. C. 2-10-(7)/64 dated the 7th September, 1965].

Recommendation (Serial No. 58)

The Committee hope that the efforts of the Corporation to realise the outstanding debts (about Rs. 40 lakhs) from parties known to them would bear fruit. They would like to be informed of the result of the efforts. (Paragraph 67)

Reply of Government

In order to expedite recovery of the outstanding debts of the ex-State Collieries, Government have decided to set up a special cell for one year with the following composition:

Accounts Officer	1
Senior Clerk	1
Steno-cum-typist	1

This cell commenced functioning in the N.C.D.C. from August, 1964. The estimated annual expenditure for one year involved in the creation of the cell is Rs. 18,000. It is expected that as a result of the creation of this cell, the outstanding debts due to the Govt. will be realised expeditiously.

Apart from this, as a result of the efforts made by the Govt. a sum of about Rs. 4.17 lakhs which is due from Government of Nepal is expected to be recovered shortly. Thus action is being taken by the Government to realise the remaining dues expeditiously.

[Ministry of Steel and Mines (Deptt. of Mines & Metals), O.M. No. C. 2-10(7)64, dated the 7th September, 1965].

Further reply of Government

In para 67 of the 23rd Report of P.A.C. on Audit Report (Commercial) 1963 the Committee, *inter alia*, observed as under:

“The Financial Controller to the Corporation stated that book debts of the value of about Rs. 183 lakhs as on 30th September, 1956 were taken over by the Corporation. Of these, the debts amounting to about Rs. 143 lakhs have since been realised, leaving a balance of about Rs. 40 lakhs. The parties against whom the debts were outstanding were known to the Corporation and efforts were being made to realise the amounts from them. In reply to a question, the witness, stated that out of the balance of Rs. 40 lakhs the amount due from private parties would not exceed Rs. 1 lakh.”

The National Coal Development Corporation who were asked to confirm the statement made by their Financial Controller that the amount due from private parties would not exceed Rs. 1 lakh have now stated that the amount due from private parties in respect of coal sale bills stand at Rs. 4.99 lakhs on 31-3-64 and not at Rs. 1 lakhs. According to the National Coal Development Corporation, this discrepancy has possibly arisen since the

detailed figures were not readily available with the N.C.D.C.'s representatives at the meeting and possibly an estimated figure was intimated to the Committee. It is also possible according to the N.C.D.C. that their representative in the context of the discussion then taking place might have tried to explain to the P.A.C. that the ultimate amount remaining due from private parties after the existing efforts bore fruit would not exceed Rs. 1 lakh.

The above discrepancy is brought to the notice of the Lok Sabha Secretariat to enable them to place the correct picture before the P.A.C.

[*Ministry of Steel and Mines I. M. No. C 3-10 (1)/64 dated the 29th April, 1965*].

Recommendation (Serial No. 60)

The Committee desired to be furnished with a statement setting forth the yearly targets and actual production of each colliery under the control of the Corporation for the Second Plan period. The representative of the Corporation promised to furnish the requisite information later. This information is still awaited. (Paragraph 69)

Reply of Government

No yearwise targets of production were formulated for the 2nd Plan period.

A statement setting forth the actual production of each colliery during the Second Plan period *i.e.* from 1956-57 to 1960-61 is attached (Appendix XXVIII).

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C 2-10 (35)/63, dated the 20th January, 1966 and 21st March, 1966*].

Recommendation (Serial No. 61)

The Committee would like to know the results of the study by the experts and the action proposed to be taken thereon by Government to improve facilities for transport of coal by means other than rail. (Paragraph 70)

Reply of Government

A Team of Experts nominated in consultation with the World Bank has examined various aspects of coal transport including the comparative economics of transport by various modes including transport by rail. After working out the cost of transport by rail, by road, by ropeways, by pipelines and by inland waterways, they have come to the conclusion that long distance movement of any bulk commodity like coal by means other than rail is uneconomical and should be discouraged. Further, the rails transport position in respect of coal has improved very considerably and Government is of the view that no action is at present called for to improve the facilities for the transport of coal by the above mentioned means other than rail. The need for a rational development of all means of communication and for research in new fields of transport would, however, be kept in view and encouraged to the extent considered necessary.

An extract of recommendation No. 25 contained in Chapter III of Volume IV of the Report of the World Bank Study Team on Coal Transport is given below:

“Because the railways can meet the anticipated demand for the transport of bulk commodities economically, the long distant movement of these by trucks, inland waterways and pipeline should be recognised as uneconomical and should be discouraged.”

[*Ministry of Steel and Mines (Deptt. of Mines & Metals), U. O. No. C 7-12(8)/64, dated 22-1-1965*].

Recommendation (Serial No. 67)

The Committee regret to note that Plant and Machinery valued at Rs. 91 lakhs should have remained un-utilised for a period of 4 years. The Committee would like the Ministry to examine whether there was adequate justification for purchasing such costly machinery without first establishing definitely whether they could be utilised for the purpose in view, and whether the plant and machinery in question had deteriorated to any extent due to their remaining unutilised for 4 years. (Paragraph 76)

Reply of Government

Not all plant and machinery of the value of about Rs. 91 lakhs remained idle for 4 years as now clarified by the Auditors in their letter dated 18-11-65 (Appendix XXIX). This represents the value of various items of machinery purchased over a period of 3½ years from 1-4-59 to 9-11-62. Out of Rs. 91,29,244-90 the total value of the equipment since put to use upto the end of March, 1965 comes to Rs. 51,90,125. The purchase had been made in accordance with the duly approved project reports or in a few cases, as advance action on some important projects, keeping in view the inevitable time lag in delivery periods. These equipment could not, however, be used because of the necessity felt later on to restrict production and consequently slow-down or suspend action on the development of several non-coking coal mines. It may be pointed out that the targets for coal production had to be scaled down as demand for non-coking coal did not materialise as per original expectation. This situation could not have been foreseen at the time of ordering for the equipment. It was thus that some of the machinery was rendered surplus, with reference to the revised production programme. This Department is satisfied that the purchases had been made after establishing as definitely as possible under the circumstances then obtaining that the equipment in question could be utilised and that the reasons, for not being able to use them as originally contemplated, could not have been anticipated at that stage. However, most of these equipment have since been diverted and put to use. Due care was taken for the proper storage of the machinery and there had been no case of deterioration.

In the light of this experience, steps have been taken to ensure that the right type of machinery and equipment are being indented for. Indents for prospecting and drilling equipment are now scrutinised by a Committee comprising representatives of the Corporation's Departments of Geology, Planning, Finance and Purchase. Indents for

Plant and machinery for new developmental projects are also scrutinised by a Committee comprising representatives of the Corporation's Departments of Planning and Development Production, Finance and Purchase. Indents in respect of working mines for replacement of existing equipment are required to be based on the certificate of a Survey Committee with regard to the unserviceability of the existing machines. In order to ensure that the indents are related to actual requirements, it has been laid down that the indenting officers should examine each proposal with extreme care.

The orders for plant and machinery are now placed according to their phased demand as provided in the project report and also keeping in view the advance action taken for some important projects and the time lag in delivery periods. This ensures that the equipment are received in time when these can be put into use.

However, sometimes it may happen that some of the plant and machinery cannot be utilised as per schedule because of certain adverse geological conditions which could not be anticipated or foreseen or on account of factors beyond the control of the Corporation such as power supply position, temporary closing down of mines on account of restricted demand of coal etc. When such occasion arises, due care is taken for the proper storage of the machinery to avoid deterioration.

[*Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C 2-10(15)/65 dated 26-5-1966.*]

Recommendation (Serial No. 71)

The Committee are unhappy to note that an infructuous expenditure of about Rs. 18.54 lakhs had to be incurred by the Corporation due to their failure to reserve power to the phased consumption depending upon the development programme of the coalfields in the Central India. It appears that in charging this amount the Madhya Pradesh Electricity Board had not taken into consideration the employment potential and industrial development created by the National Coal Development Corporation Ltd. Moreover, the Board has also failed to complete their substation owing to which the Corporation have suffered. The Committee, therefore desire that this matter should be reviewed, a written agreement arrived at and the N.C.D.C. should not accept liability where the responsibility was that of the State Electricity Board. The Committee suggest that this matter should be settled, at a high level meeting between the representatives of the Centre and the Madhya Pradesh Government assisted by the N.C.D.C. and the State Electricity Board. (Paragraph 80)

Reply of Government

The factual position leading to the agreement with M.P. Electricity Board in chronological order is given below:

2. In 1958 or perhaps even little earlier N.C.D.C. had asked M. P. Electricity Board for making power available to the extent of 6000 K.W. from their thermal station at Korba to meet the power requirements in respect of the following projects then proposed to be taken in Korba Region.

(a) N.C.D.C.'s own mines with a production of 0.6 million tons annually.

(b) Projects to come up with the collaboration of USSR.

(i) 2 million tons of coal washery project,

(ii) 2 million tons open cast mines project at Manikpur, and

(iii) Central Electrical & Mechanical Workshop.

3. At a meeting held on 30th and 31st of August, 1959 in the office of the Chairman, M.P. Electricity Board at Jabalpur, it was represented by this Corporation that their requirements of power korba would be about 3,000 KW as some of the projects contemplated as above could not be materialised and that they would require power supply for the proposed collieries in Chirimiri, i.e. Kurasia, Korea and Bisrampur to an extent of 4,000 KW. M.P. Electricity Board, was, therefore, requested to take up the work of transmission lines to enable power to be transmitted from Korba to Chirimiri Region in the Central India Coalfields.

4. The next meeting was held on 22-1-60 at Ranchi when the Chairman of the M.P. Electricity Board was present with the representatives of the M.P.E.B. The question of the draft agreement for supply of power at Korba was taken at this meeting. It was pointed out by the M.P. E.B. that power to the extent of 6,000 KW, has been reserved for this Corporation. National Coal Development Corporation represented that out of 6,000 KW, 3000/4000 KW may be given to Chirimiri and Bisrampur. M.P.E.B. stated that in order to provide this demand they will have to lay the transmission line to Chirimiri and Bisrampur not only at considerable cost, but also at financial loss to them as the transmission line had to be laid for much higher capacity to cover few requirements and as such, the Board insisted that National Coal Development Corporation should give certain guarantee for reservation of supply to Central India Coalfields which included 12½% guaranteed consumption on the cost of 132 KV transmission line which was being specially laid in advance for National Coal Development Corporation Limited.

5. The next meeting was held on 13-11-60. It was represented by the Corporation that while it was prepared to pay the usual tariff minimum charges for 2000 KW to be supplied at Korba, the Corporation was not prepared to pay the minimum charges on the remaining 4000 KW to be supplied at Chirimiri until an agreement as arrived at regarding the charges leviable when power was supplied at Chirimiri. The Electricity Board intimated that the capital cost of transmission line from Korba to Chirimiri would mean a payment of Rs. 2,00,000/- p.m. on the basis of 12½% return. There was also no assurance from the Electricity Board that even this estimated cost would not be exceeded when the line was actually laid.

6. National Coal Development Corporation had stated that they would be prepared to pay tariff charges for 2000 KW at Korba w.e.f. 1-4-60 and with regard to Chirimiri Tariff Reservation charges for the remaining 4000 KW from 1-4-60 subject to the following conditions that

(a) Reservation charges to be paid upto a specified date and not on an indefinite basis, i.e. as long as it takes the M.P. Electricity Board to complete the transmission line and

- (b) That when the power supply is actually available, National Coal Development Corporation shall be called upon to pay according to normal tariff charges for power consumed subject to a minimum of 4000 KW.

7. However, the mode of payment for reservation of charges and for the use of transmission lines could not be satisfactorily arrived at.

8. Madhya Pradesh Electricity Board indicated that the transmission line would be completed in June/September 1961 and the line would be extended upto Karonji by January, 1962. National Coal Development Corporation accordingly agreed to pay the reservation charges for power at Chirimiri upto 31-12-1961.

9. A high level meeting was convened by the Chairman, Central Water & Power Commission, on 3-11-61 at New Delhi when the representatives of the Madhya Pradesh Electricity Board and National Coal Development Corporation Ltd. were present. Adviser of Planning Commission and Member, C.W.P.C. were also present. As a result of the discussion held, the Chairman, C.W.P.C. gave a decision regarding the charges to be leviable on account of Minimum Guarantee Clause for reservation of power to an extent of 6000 KW from Korba and also charges to be paid for use of transmission line between Korba and Chirimiri.

10. As per this decision communicated by the Central Water & Power Commission, National Coal Development Corporation were required to pay a sum of Rs. 1,08,605/- p.m. as minimum charges from 1-4-60. The charges for transmission lines viz. Rs. 1,06,875/- p.m. were to be discontinued from the date Korba Chirimiri line was utilised by Madhya Pradesh Electricity Board as inter-connection between Korba and Amarkantak Power Station. During the period under review in para 80 i.e. 1-4-60 to 31-3-62, National Coal Development Corporation was availing power to an extent of 1400/- 1500/ KW. No amount was paid towards the transmission lines during the above mentioned period.

11. The erection of 132 KV line from Korba to Chirimiri was completed by the M.P. Electricity Board in October, 1962. The transmission line was designed to 132 KV which was charged at a voltage of 33 KV and at this voltage M.P. Electricity Board were in a position to transmit power to the extent of 2,500 KW only and not 4000 KW which was as per the agreement. In consideration of this low feed of power, Madhya Pradesh Electricity Board reduced the charges for the use of 132 KV line from Rs. 1,06,875/- p.m. to Rs. 66,797/- on a *pro rata* reduction in the ratio of 2500/4000 KW and the above charges were paid for the period October, 1962 to December, 1963. In January, 1964 the transmission line between Korba and Chirimiri was charged at the higher volume of 132 KV when the full amount viz. Rs. 1,06,875 became payable.

12. Madhya Pradesh Electricity Board had generally shown consideration and offered reduction of the Guarantee Charges on account of use of transmission line when the Board was not in a position to transmit full power as stated in the agreement. Summarising what has been stated above, the position is briefly as under:

1. National Coal Development Corporation had asked Madhya Pradesh Electricity Board for reservation of power to an extent of 6000 KW at Korba.

2. According to the standard clauses of the H.T. Agreement with the Electricity Board, the consumer (*viz.* National Coal Development Corporation) is required to pay the Minimum Guarantee Charges for reservation of the contracted power.
3. According to the Minimum Guarantee Clause as provided in Draft Agreement for supply of power, if National Coal Development Corporation were to avail power to an extent of 6000 KW at Korba, the Charges at Standard schedule of tariff rates on account of Minimum Guarantee Payment during the contract period, namely, 1-4-60 to 31-3-65 would amount to Rs. 80.27 lakhs.
4. On the basis of proposals made by National Coal Development Corporation to Madhya Pradesh Electricity Board for supplying power to the extent of 4000 KW at Chirimiri and Bisrampur out of 6000 KW reserved at Korba the total payments towards reservation charges including payments on account of minimum guarantee would have amounted to Rs. 74.26 lakhs.
5. On the basis of the decision taken at the meeting at Delhi in the office of the Chairman, Central Water and Power Commission payments to be made during the contract period of reservation of power and under Minimum Guarantee Clause amounts to Rs. 84.47 lakhs.

13. It will be seen from the above, that based on the decision given by the Central Water and Power Commission the agreement was ultimately concluded with the M.P. Electricity Board and the terms were considered satisfactory both to Madhya Pradesh Electricity Board and to the Corporation. It has been mentioned in the Public Accounts Committee Report that the Committee had recommended that the matter should be settled at a high level meeting between the representative of the Central and the State Government assisted by the National Coal Development Corporation and the Madhya Pradesh Electricity Board. It will be seen from the above that in fact the agreement in question had already been completed on 14-9-63 with retrospective effect from 1-4-60 as a result of the high level meeting convened by the Chairman, Central Water and Power Commission.

14. In the circumstances stated it would appear that no further action seems necessary in the matter.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C-2-10(13)/63 dated the 1st September, 1966].

Recommendation (Serial No. 75)

The Committee were glad to be informed that with the exception of Giridih collieries, it should be possible to put all the other collieries on a profit basis. The Committee trust that this hope would be realised in the near future.

The Committee would however, like Government to examine the suggestion made by the C. & A. G. for giving subsidies to the Corporation for collieries which were to run at a loss under a directive from the Central Government, in view of the fact that the National Coal Development Corporation Ltd. has been set up by Government as a commercial organisation. (Paragraph 84)

Reply of Government

Government have examined the suggestion. They do not consider it advisable to grant a special subsidy to offset loss in collieries which are being run under a directive from the President. The surpluses from public undertakings are expected to add to the overall resources of the Government, and there is no point in Government giving a subsidy at one stage, and then taking credit for the same amount in the shape of a surplus.

2. However, in this case it was decided after careful consideration that three pits *viz.* Kolimaran, Jubilee and Bhadua (No. 10-B), should be closed as soon as the reserve of these pits get physically exhausted. Kolimaran Pit and Bhadua No. 10-B were closed in April, 1965. It is proposed to close down Jubilee Pit in November, 1965.

3. As a result of closure of these pits, about 1,000 personnel may become surplus. Efforts are being made by the N.C.D.C. to absorb as many of such labour as possible in new projects. Even then about 400 workers may have to be retrenched. (The amount likely to be involved in payment of compensation on account of retrenchment cannot be indicated at this stage).

4. Various steps are being taken by the Corporation with a view to effecting economy and reducing cost of production in the case of the remaining pits.

[Ministry of Steel and Mines (Deptt. of Mines and Metals) O. M. No. 2-10(7)/64 dated the 7th September, 1965].

Recommendation (Serial No. 78)

The Committee hope that with the appointment of a special officer and inspectors for taking up the arrears with State Governments and an officer of the Accounts Department for taking up the dues with the Railways, there would be improvement in the recovery of dues from Government Departments. (Paragraph 87).

Reply of Government

This is covered by the Reply to S. No. 79.

There has been improvement in the collection of outstanding dues on account of sale of coal due to the setting up of special Cell and due to vigorous credit collection. During the year 1964-65 the outstanding dues on this account has reduced from Rs. 6.56 crores as on 1-4-64 to 6.01 crores as on 31-3-65.

[Ministry of Steel and Mines (Deptt. of Mines and Metals), O. M. No. C 2-10(7)/64, dated the 22nd December, 1965].

Recommendation (Serial No. 80):

It is obvious that there had been not only negligence on the part of Superior officers in the retaining on duty the store-keeper whose suspension was ordered by the Managing Director, but also non-compliance with the orders of the Head of the Department which is a serious matter. This action on the part of the officers amounts to shielding of a person suspected of connivance in the theft, as also breach of office discipline. The Committee would like the Ministry to investigate how the orders of the Managing Director were not carried out and who were responsible for the same. (Paragraph 89)

Reply of Government

The factual position relating to the theft of 550 ft. cables at Bokaro Colliery as stated in the Audit para is correct.

It is true that the Management retained the Store-keeper for more than 2½ years *i.e.* until 6th November, 1960, on the ground that they could not find a suitable substitute earlier. On going through the papers, it is found that the official was not retained through negligence on the part of superior officers. Ever since the orders of the Managing Director to suspend the Store-keeper were communicated to the concerned officers on 12-6-58, the concerned officers had been taking vigorous steps to find out a substitute. At that time there was acute shortage of Store-keepers and every attempt was made to obtain a substitute before the Store-keeper could be suspended. It was necessary before the Store-keeper could be suspended, another Store-keeper had to be put in charge of Stores, as Bokaro Colliery was one of the biggest collieries with innumerable items in Stores which had to be issued day to day. Since no Store-keeper or Assistant Store-keeper from the Kargali Region was available for being posted as Store-keeper. Efforts were also made to post a substitute Store-keeper.

In fact an appointment order was issued by the Management posting one Shri Aziz as Store-keeper at Bokaro. He, however, asked for extension of joining time till 1-3-59 owing to illness in his family. Subsequently Shri Aziz expressed his reluctance to take independent charge of Stores at Bokaro involving stores worth about Rs. 20 lakhs without specialised training. Moreover, the Colliery Manager, Bokaro did not accept Shri Aziz because of lack of experience. All the other regions also regretted their inability to send a Store-keeper as replacement.

Stock verification had also to be undertaken and completed before the Store-keeper could be suspended. The Store-keeper's presence was necessary till all the items of Stores were verified as otherwise responsibility for shortages/losses, if any, in Store stock could not be fixed. During this period, he was mainly entrusted within the job of assisting the stock verifiers.

Although the position regarding delay in suspending the Store-keeper was not specifically brought to the notice of the Managing Director the Deputy General Manager, National Coal Development Corporation was posted with information regarding the case from time to time bringing specifically the orders of the then Managing Director for suspension of Shri Raikar.

Meanwhile, advertisements were also issued for selection of candidate for Store-keeper and on 21-5-59 the interview took place and some candidates were selected with high starting salary and the case was sent to Finance for approval. Finance objected to this proposal of giving higher pay as the candidates did not possess, the requisite prescribed qualifications *viz.*, being graduates. Protracted notes were exchanged from 21-5-1959 to 14-9-1959 between Finance, Administration and Controller of Stores regarding the necessity for re-advertisement of the post prescribing Degree as a minimum qualification but this would be relaxed subjected to minimum educational qualification being Matriculation in case of persons having Stores knowledge, Finance agreed to this proposal on 11-9-59 and the post was advertised and the interview was fixed on 28/29-12-59. Two candidates were selected on

higher starting pay of Rs. 120/- on 30-12-59 and approval was obtained of Finance on 21-1-60 subject to relaxation of educational qualifications by the Managing Director. They also raised objections of over age in respect of one of the candidates selected.

Finally, an Administrative Officer was posted at Bokaro and was asked to take supervisory charge of Stores. The Store-keeper of another sister colliery reluctantly agreed to come to Bokaro as Store-keeper for a short period as he would not be burdened with final responsibility. Final instructions were given by the Chief Mining Engineer, Bokaro and Kargali Region to the Superintendent of Collieries, Bokaro that suspension of Mr. Raikar should be effected. The Store-keeper was accordingly suspended on 7-11-1960.

Although, it was considered at that time that the theft could not have taken place without the connivance of the Store-keeper, prosecution could not be launched because of lack of sufficient evidence. Further the stock verification also showed no further discrepancies.

It will, therefore, be clear from the above that while all the officers had been conscious of suspending the Store-keeper immediately after the orders of the Managing Director were passed, it was not possible to do so only because considerable time was taken before another official could be found to take over charge of the Store. There has been no negligence on the part of the Senior Officers in retaining the Store-keeper and no motives/malafide intentions could be attributed for retention of the Store-keeper in question. Once an official could be posted to take charge, immediate action was taken to suspend the Store keeper.

[Ministry of Mines & Metals O. M. No. C 2-10 (13)/63 dated the 1st September, 1966].

Recommendation (Serial No. 82)

The Committee regret to note that as a result of the interpretation given by the Company Law Administration to the provisions of Act relating to Branch Auditors, Government Companies are appointing their own officers as Branch Auditors. This in the opinion of the Committee is not a healthy practice. It is obvious that the comments of the Branch Auditors who are officers of the Company cannot be as objective and independent and would not receive the same weight as the comments of independent Auditors appointed on the advice of the Comptroller and Auditor General. The Committee desire that this matter should be reviewed and the present practice of appointing Branch Auditors for Government Companies in the manner described should be discontinued. In the opinion of the Committee, the Branch Auditors should also be appointed on the advice of the Comptroller and Auditor General in the same manner as that of the Auditors for the Head Office. (Paragraph 91)

Reply of Government

Though there is a difference of opinion regarding the interpretation of the provisions of the Companies Act, 1956 in regard to the appointment of branch auditors of Government companies, it has now been agreed to by the Comptroller & Auditor General of India that so long as it is ensured that Government companies do not appoint branch auditors for the branches which are audited by auditors appointed either under the directive issued

by the Comptroller & Auditor General of India or under the orders of the Central Government appointing auditors of the company on the advice of the Comptroller & Auditor General of India, the Comptroller and Auditor General would not see any objection to Government companies appointing their own branch auditors for other branches. The Comptroller & Auditor General of India has also agreed that he would issue necessary directives to the auditors appointed in consultation with him indicating the branches or their number which should be audited by them. The Company Law Board proposes to inform the Government companies through the Ministries concerned that for such branches as are actually audited by the statutory auditors or auditors appointed by the Central Government in consultation with the Comptroller & Auditor General of India, no branch auditor need or should be appointed by them. With regard to the other branches which are not so audited, it would be up to the Government companies to make such arrangements for their audit as they consider necessary.

2. It may be added in this connection that under Section 228 of the Companies Act, branch auditors are also required to be persons qualified for appointment as statutory auditors of the company.

3. The above reply issues in consultation with the Comptroller & Auditor General of India and with the approval of the Special Secretary and Chairman of the Company Law Board.

[Ministry of Finance (Deptt. of C. A. & I.) O. M. No. 15/22/64—1 GC dated the 1st December, 1964].

Recommendation (Serial No. 83)

While the Committee appreciate the need to export certain commodities in order to earn foreign exchange, they feel concerned with the manner in which the losses suffered on exports are made good at the expense of the consumers in India. Since the profits on the imported items, to make good the loss, are earned in India, it is the common consumers in India who have to pay extra for these imported items. This, therefore, amounts to a sort of an indirect levy, which in the opinion of the Committee, is not quite justifiable. The Committee hope that Government will consider this aspect of the problem and arrive at a better solution. (Paragraph 92).

Reply of Government

In order to offset the losses on export of difficult-to-sell items, import of certain scarce commodities such as betelnuts, cloves, copra, etc. are canalised through the State Trading Corporation. Since supplies of these commodities fall short of the internal demand and it is not possible to effect large imports to satisfy the demand due to shortage of foreign exchange, the prices of these commodities rise at very high levels yielding a big margin of profit to the intermediaries. When imports of these items of a limited value are canalised through the STC, the Corporation mops up a portion of the large profit which is available on these commodities and which would otherwise entirely go to the trade without giving any benefit whatsoever to the consumers. In mopping up such profits the Corporation fixes the release price invariably lower than the prevailing market prices so that even the limited imports of these commodities by the STC might if at all help towards stabilisation of prices and, at any rate can only be a discouragement to the trade to raise the internal prices further. Accordingly, the STC's margin

is kept at a somewhat lower level even when the gap between the landed cost and the internal market prices may justify mopping up a larger portion of the profit.

2. The release prices for sale to the quota-holders are fixed taking into account the c.i.f. cost, import duty, clearing and handling charges, the distributor's remuneration and STC's 'mark-up'. A statement is attached (Appendix XXX) which shows the quantities of betelnuts, cloves, cassia, copra and coconut oil imported by the STC during the years 1961-62 to 1963-64 and the average c.i.f. prices, landed cost, release prices and wholesale market prices of these commodities during those years.

3. The STC does not at all interfere with the purchase, sale and distribution of the indigenous production of betelnuts and copra which is estimated at about 3 to 4 lakh tonnes and 2.50 lakh tonnes per year respectively (the percentage of imported betelnuts and copra to the indigenous production for the different years works out to 0.37% to 1.0% in case of betelnuts and 0.89% to 11.65% for copra). The entire indigenous production of both these commodities is handled by the indigenous growers and traders of the country. In the case of cloves and cassia there is no indigenous production and the country depends entirely on imports. The market prices of all these commodities, however, rule at a high level on account of much larger demands than supplies even though the STC releases the quantities imported by it at prices lower than the ruling internal market prices.

4. As stated in the statement of Accounts attached to the note furnishing additional information concerning serial No. 96 of para 104, it would be observed that the total profit on imports of betelnuts, cloves, copra, etc. for the years 1961-62 to 1963-64 amounted to Rs. 210.11 lakhs while the loss on groundnut and groundnut oil operations during the same period was about Rs. 214.55 lakhs. If the exports of these items are to be undertaken, the losses involved have to be made good either through direct assistance by the Government e.g. subsidy, grants, etc., or indirectly by permitting the exporters to import certain high profit margin items on the sale of which sufficient profit may be made to cover the losses on exports.

[Ministry of Commerce O. M. No. 7(9)-B & A/64, dated the 26th September, 1966].

Recommendation (Serial No. 84)

The Committee are happy to note that the volume of direct trade of the Corporation has improved from Rs. 64.69 crores to Rs. 77.39 crores in 1961-62 showing a rise of about 20% over the previous year; but they feel that they would have been in a better position to appreciate the position had the information, as asked for by them, regarding the total margin of loss in exporting of commodities in respect of which internal prices are higher than the international prices, and of profits earned on the linked imports under barter trade for 1941-62, been furnished to the Committee. The information is still awaited. (Paragraph 96)

Reply of Government

Enclosed is a statement (Appendix XXXI) giving the details of the barter deals concluded during the year 1961-62 showing the position of imports and exports made under the deals as on 31-3-1962.

(a) A statement (Appendix XXXII) is also enclosed showing the link deals concluded during the year 1961-62 including those which were current during that period, i.e., 1961-62.

(b) All the items of export on which the Corporation has suffered losses during the years 1961-62 and 1962-63, is given in the statement placed at Appendix XXXIII.

(c) The S.T.C. has not suffered any loss in the commodities exported under barter as it earned the fixed remuneration on the imports.

(d) In the case of the export of sugar, the export sales were made at prices higher than the floor prices fixed by the Government of India for preferential and non-preferential destinations [as indicated in the Joint Secretary, Ministry of Commerce & Industry's D.O. letter dated the 13th June, 1962 (extracts of para 1 enclosed)]. It will be seen from this letter that the floor prices fixed by the Government are about 20% higher than the International prices.

(e) The price obtained for the urea was lower than the accepted global tender price.

(f) In the case of the import of a minimum sulphate under barter, the prices obtained were significantly lower than the last global tender price of £ 13.9.6.

(g) In the case of the link agreements, the exports are arranged by the imports at the prevailing Indian prices and the imports at the prevailing international prices. The S.T.C. watches the implementation of the export/import arrangements under the barter deals.

(h) However, in the case of the import of fertilizers (a canalised import) under the Cogis Agreement a provision had been made for a loading of 3% on the import prices of nitrogenous fertilizers and in some cases of Art Silk Yarn, since the margins available to them on the import of these commodities were found to be inadequate to meet the losses that they would have to incur on the resale of the Indian commodities in the Italian markets. Actually, however, it was possible for the S.T.C. to arrange with M/s. Cogis to import the fertilizers at the international prices.

[Ministry of Commerce O. M. No. 7(9)-B & A/64, dated the 23rd January, 1967].

Recommendation (Serial No. 85)

The Committee were informed in evidence that diversion of a commodity imported from India had been resorted to by a country with whom agreements had been entered into. The commodity was bought from India under the rupee trade agreement and it was sold to another country to get foreign exchange. The Committee hope that such cases are promptly taken up with the country concerned as being contrary to the agreements. (Paragraph 94)

Reply of Government

In December, 1963, a case of diversion of commodity supplied to a particular country was brought to the notice of the Corporation. This was immediately taken up informally with the Trade Representative of the country concerned who assured us that they would take suitable action to prevent

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such diversion. In future also as and when such cases come to light, necessary action will be taken promptly.

Ministry of Commerce O. M. No. 7(9) B & A /64, dated the 29th December, 1964].

Recommendation (Serial No. 89)

The Committee would also like the Ministry of International Trade to take up the question of making Railway Wagons available in time for the movement of manganese ore to ports and for this purpose some working arrangements with the Railway Board should be made so that similar situations may not arise in future. (Para 97)

Reply of Government

Prior to 1957 the allotment of wagons on each sector was made by the Railways in proportion to the quantity registered under the movement slips which were correlated to the export quota. The Corporation having no field staff in the earlier period registered the movement slips piece-meal to the extent of firm sales. This resulted in fragmentation of the movement quota and lesser supply of wagons irrespective of the number of indents placed with the Railways. The position improved considerably from 1957 since when, having regard to the operational feasibility the movement capacity is fixed by the Railways each year on a regular basis. The field staff was also posted by the Corporation in 1957 and movement quota was registered in bulk thereafter. Even then the supplies of wagons were made by the Railways *pro rata* to the quotas registered.

Consequent on the abolition of export quota in October, 1962, the entire movement was bulked together and allotment of wagons is made on "FIRST Come FIRST Served" basis.

The Corporation has a Transport Adviser who maintains the Liaison with the various Railway Administrations and the Railway Board for resolving any problems relating to the movement of ores to the Ports.

Ministry of Commerce O. M. No. 7(9)-B & A/64, dated the 25th January, 1965.]

Recommendation (Serial No. 96)

The Committee do not appreciate the policy that when the imported articles were scarce in the country, the STC should charge a much higher price for these articles putting the consumers to much difficulty and suffering. They suggest that some *via media* should be found out to solve this problem.

In order to get a clear picture of the various transactions involved in this deal, the Committee desired to have additional information from the Ministry as per list of points in Appendix I of the 23rd Report of PAC (3rd L.S.)

The Committee regret to note that the information has not yet been received so far (Feb. 1964). (Para 104)

Reply of Government

Regarding high prices charged by the STC on the scarce commodities the answer given in reply to para 92 (Serial No. 83) of the Recommendations

may be seen. The information required in Appendix I of the report is given below :—

Loss on Stock of Groundnut Oil :

1. TOTAL QUANTITY OF GROUNDNUTS IN SHELL PURCHASED DURING 1961-62 AND THE PRICES PAID :

(i) *Quantity :*

Groundnuts-in-shell purchased in 1961-62 : 38,349 M. Tons.

(ii) *Price Paid* Rs. 281·24 lakhs.

2. THE TIME, PLACE AND RATES OF PURCHASE AND HOW THEY COMPARED WITH MARKET PRICES THEN PREVALENT :

(i) *Time :* Procurement of groundnuts was done during the period :—

from 3rd week of November, 1961 to 15th March, 1962 in various centres in Gujarat.

from 1st week of December, 1961 to 7th July 1962 in various centres in Andhra.

from 15th November, 1961 to 7th July, 1962 in various centres in Mysore.

(ii) *Place :* Procurement was done at the following places :—

<i>Gujarat</i>	<i>Andhra Pradesh</i>	<i>Mysore</i>
Kolki	Adoni	Mandya
Talala	Guntakal	Gubbi
Junagarh	Yammiganur	Davangere
Kavadra		Ranibennur
Gadu		Challakere
Una		Hagari Bomman Hall
Vanthali		Gulbarga
Keshod		Raichur
Veraval		Koppal
Bhavnagar		
Jalia		
Talod		
Kapadwanj		
Savarkundla		
Sonsan		

(iii) *Rates of Purchase :* The rate of purchase varied from day to day, and place to place. Purchases were made at prevalent market prices by the Apex Cooperative Societies on behalf of STC in accordance with the contracts with the Societies which provided as follows :—

“The Corporation will pay the market price for groundnuts-in-shell conforming to quality under 1·3 on the day of procurement. The price payable, however, shall not exceed the average of the maximum market prices, which prevailed on all working days in the preceding weeks, plus two per cent. For the purpose of calculating the average ‘market price’ of the preceding week, price notified on the prescribed regulated market shall be used. The average of the preceding week plus two

per cent is the ceiling. No procurement on behalf of the Corporation shall be undertaken, if the market price exceeds the ceiling. The groundnuts procured will be delivered to the Corporation at the actual market price paid."

3. THE ARRANGEMENTS MADE FOR STOCKING THE COMMODITY AND THE HIRE CHARGES, IF ANY, PAID :

(i) *Arrangement for stocking* : According to the agreement entered into by STC with the Apex Cooperative Societies, the latter were responsible to store the groundnuts-in-shell, kernels, oil, cake, H.P.S. etc. until they were transported for export by the Corporation.

(ii) *Hire charges, if any, paid* : According to the contracts with Gujarat and Andhra Pradesh Apex Cooperative Societies, the charges payable for storage of groundnuts-in-shell were 68 n.p. per ready of 10 standard maunds per month (or part thereof) in the case of Mysore, it was 7 n.p. per bag of 38 kg. per month (or part thereof).

4. THE AGENCIES UTILISED FOR CRUSHING THE GROUNDNUTS THE AMOUNTS PAID FOR THIS PURPOSE—THE QUANTITY CRUSHED, AND THE QUANTITY AND VALUE OF OIL AND CAKE.

(i) *The agencies utilised for crushing the groundnuts* :—STC entered into arrangements with the Apex Cooperative Societies for procurement of groundnuts, and they were also to arrange for transport, storage, and decortication and for crushing of the kernels in oil mills generally in the Cooperative Sector, and holding the oil and expeller cake for delivery as per instructions issued by the Corporation from time to time. For this purpose the Apex Society entered into agreements with Primary Societies generally on similar terms. The primary Societies crushed the kernels into oil in their own mills and in some cases through private oil mills.

(ii) *Amounts paid for processing into oil and cake.*

	Rs.
1961-62	
1. Decortication charges	2,56,089
2. Processing charges into oil and cake	4,52,412
	7,08,501

1962-63	
1. Decortication charges	3,35,386
2. Processing charges into oil & cake	14,37,642
	17,73,028

(iii) *Quantity crushed and quantity of Oil and Cake obtained* : The total procurement of groundnuts-in-shell in 1961-62 & 1962-63 were :

	M. Tons
1961-62	38,349
1962-63	12,048
	50,397
TOTAL	50,397

The yield obtained was as under :

	M. Tons
H.P.S. Kernel	327
Groundnut Oil	14,731
Expeller Cake	21,579

(Note : 535 M. tons of Kernels were disposed of as Kernels)

Apart from the HPS Kernels, the groundnuts-in-shell after decortication and crushing yielded both oil and cake. The total cost of production etc., of the above quantities of Oil, Cake and HPS Kernels works out at Rs. 443.61 lacs as per Annexure attached. APPENDIX—XXXIV

Further, on a direction from the Ministry STC also purchased during 1962-63 some groundnut oil from the market for the purposes of export. The details of purchases from the market including a small quantity of groundnut cake are as follows :

	Quantity	Value
	(In M. Tons)	(Rs. in lakhs)
Groundnut Oil	8,959	163.97
Groundnut Cake	239	1.03

The total cost incurred for Oil, Cake and HPS produced and purchased was Rs. 608.61 lakhs.

5. QUANTITY AND VALUE OF GROUNDNUTS, OIL AND CAKE EXPORTED AND LOSS SUFFERED ON THEIR ACCOUNT.

	Groundnut oil	Expeller cake	HPS Kernels
Quantity exported	14,174	21,214	327
	M. tons	M. tons	M. tons
Value of exports	188.70	94.90	3.79
	(Rs. in lacs)	(Rs. in lacs)	(Rs. in lacs)

In addition, during the years 1962-63 and 1963-64, 3735 M. tons of Groundnut oil for a value of Rs. 55.88 lacs and 5,282 M. tons for value of Rs. 71.52 lacs, respectively, were sold and delivered internally. The total loss incurred on these transactions upto 31-3-1963 was Rs. 212.71 lacs, and is Rs. 214.55 lacs upto 31-3-1964 which, as originally intended, has to be adjusted against profits on imports of copra, betelnuts, spices, cloves, cassia and cocoanut oil, as per details given in the succeeding paragraphs.

6. IF ANY QUANTITY OF GROUNDNUTS, OIL AND CAKE DETERIORATED TO STORAGE, THE QUANTITY AND VALUE THEREOF.

7. IF ANY QUANTITY OF GROUNDNUTS OIL, AND CAKE WERE DISPOSED IN LOCAL MARKETS, QUANTITY SOLD AND PRICES.

These two points have been combined because certain facts common to both.

As would be seen from reply to point No. 5, out of the total oil amounting to 23,690 M. tons, 14,174 M. tons were exported. The balance quantity remained with the STC. The international prices of groundnut oil ruling during the period May-June, 1962 and thereafter were very low and to persist in continuing with the exports would have meant very considerable losses, perhaps not commensurate with the foreign exchange earnings therefrom, particularly in the light of thinking that foreign exchange earning through exports should be within certain loss limits. There was also expectation that prices might show an upward trend which, however, did not materialise and further that exports of a substantial quantity, namely, upto 6,000 M. tons may materialise to Morocco with whom Govt. of India had entered into an agreement in which groundnut oil figured as an item of export from India. The latter anticipation did not materialise because, although we responded to the tender enquiry for 6,000 M. tons of G. N. oil, they ultimately purchased Sun Flower oil from elsewhere.

Since with passage of time the quality of oil was deteriorating, which is the position in case of groundnut oil by its very nature, it was decided to dispose of this oil internally stipulating that the local buyers would export equivalent amount of groundnut oil in due course.

Besides there were small quantities of Cake and Kernels, which were internally disposed of. The total quantities of Oil, Cake and Kernels disposed of internally are as follows :

Groundnut oil	9,017 M.T.
Groundnut Expeller Cake	681 M.T.
Kernels	535 M.T.

The disposal was as follows :

Sale of the oil was contracted to be made to a Consortium consisting of M/s. Hindustan Lever, Tata Oil Mills, Swastika Oil Mills, and Godrej Soap Pvt. Ltd., at the rate of Rs. 1750/- per tonne F.O.R. Bombay, and corresponding prices for delivery at other centres. This deal was concluded towards the end of November, 1962 when the market prices were ranging between Rs. 1,765.00 and Rs. 1,800.00 for ready delivery and the future prices were showing a down-ward trend. The specifications prescribed by the Consortium for these transactions were very rigid and on checking of the quality, it was found that except for about 1,370 tonnes, the remaining oil did not according to the Consortium come up to those specifications, therefore, the Consortium were not prepared to lift the remaining quantity at the originally contracted prices. The remaining oil was, therefore, contracted to be sold at the best possible prices by calling for offers from parties who were interested in taking over this Oil. The sales were made at the prices varying from Rs. 1,350.00 per M. ton to Rs. 1,650.00 per M. ton against offers made by some of the members of the Consortium at Rs. 1,175.00 and Rs. 1,275.00 per M. Tons.

There were varying degrees of deterioration in the quantity of Oil depending upon the period of storage and the sales were made at the best

available prices and with a view to avoiding further losses through deterioration.

3,735 M. tons had been delivered upto 31st March, 1963 for a total value of Rs. 55.88 lacs, and 5282 M. tons were delivered during the year ending 31st March, 1964, of a value of Rs. 71.52 lakhs. The balance quantity is likely to fetch about Rs. 3.74 lakhs on the basis of the contracted sale prices.

Groundnut Expeller Cake was disposed of at the rate of about Rs. 355/- per M. Ton as against the market price of Rs. 390/- to Rs. 400/- per M. ton for the cake from the fresh crop on guaranteed specifications.

535 M. tons of groundnut Kernels were disposed of internally at Rs. 701/- per M. ton against the market price of about Rs. 935/- per M. ton, the lower price obtained being due to the stocks being of the preceding year's crop. It was considered more advantageous to sell the kernels as such instead of getting them crushed and selling oil and cake extracted therefrom.

8. QUANTITY AND VALUE OF STOCKS STILL IN HAND AND ARRANGEMENTS MADE FOR THEIR DISPOSAL :

The following were the stocks in hand as on 31-3-1963 :

	Quantity	Value in lacs
Groundnut oil	5,637 M. tons	Rs. 77.56
Groundnut Expeller Cake	1,103 -do-	Rs. 3.45
Groundnut Kernels	775 -do-	Rs. 5.12
Drums	3,879 pcs.	Rs. 0.58

These stocks have since been disposed of except to the following extent :

(As on 31-3-1964)

MADRAS

	Quantity	Value in lacs
Groundnut Oil	293 M. Tons	Rs. 3.75
Cake	23 M. Tons	Rs. 0.08
		Rs. 3.83

The total further loss likely to be incurred in the disposal of all the stocks still left as on 31-3-1963 is not expected to exceed Rs. 4 lacs.

9. HOW THE LOSS SUFFERED ON THIS ACCOUNT WAS MADE GOOD

At a meeting held in the room of the Additional Secretary in the Ministry of Commerce and Industry on the 5th July, 1961 it was decided to authorise STC to import some high profit items such as Copra, Betelnuts and Spices with a view to enabling it to utilise the resultant profits for the promotion of exports of difficult items to sell. Subsequently, at another

meeting held on the 3rd August, 1961, STC was asked to undertake without any quantitative restrictions the export of groundnut oil to be procured through the Cooperative Societies and well established firms. The loss on groundnut oil operations was thus made good by the profits on Copra, Betelnuts and Spices.

10. WHAT IS THE LOSS INCURRED ON THIS TRANSACTION DUE TO A FURTHER FALL IN VALUE OF EXISTING STOCKS DURING 1962-63

The further loss anticipated on disposal of closing stock as on 31st March, 1963 is Rs. 4 lacs due mainly to further expenses etc., till disposal.

11. QUANTITIES AND PRICE OF COPRA, BETELNUTS AND CLOVES IMPORTED BY STC DURING THE 1961-62 & 1962-63 SEPARATELY :

	Imports	Quantity purchased (M. Tons)	Purchase value (Lac Rupees)	Average rate per M. Ton (Rupees)
(1)	(2)	(3)	(4)	(5)
1961-62	1. Copra	2,270	18.46	813.22
	2. Betelnuts	1,078	5.84	541.74
	3. Spices	1,074	10.22	951.58
		(21,143 cwt)		
1962-63	1. Betelnuts	4,318	18.84	436.31
	2. Cassia	84	2.03	2,416.67
	3. Cloves	825	32.72	3,966.06
	4. Copra	30,067	265.05	881.53
	5. Coconut Oil	5,431	61.58	1,133.86

12. QUANTITIES AND PRICES AT WHICH THE COMMODITIES REFERRED IN SERIAL 11 WERE SOLD BY STC, PROFITS MADE BY STC AND MARKET PRICES THEN PREVAILING :

	Quantity sold (M. Tons)	Sale value realised (Lac Rupees)	Average rate per M. Ton (Rupees)	STC's gross profit after excluding expenses (Lac Rupee)
(1)	(2)	(3)	(4)	(5)
1961-62				
1. Copra Oil	694	14.53	2,093.66	3.44
(*)" Cake	51	0.19	372.55	..
2. Betelnuts	1,050	50.25	4,785.71	10.77
3. Spices	1,074	56.69	5,278.39	6.36
				20.57

(The balance of the trading loss on groundnut operations in 1961-62 which came to about Rs. 30.00 lacs was met from the Trade Development Fund. But this was made good to the extent of 23.64 lakhs by the profits on the items imported but the sale of which took place in the succeeding months of 1962-63).

1962-63				
1. Betelnuts	4,319	184.55	4,272.98	35.41
2. Cassia	84	14.03	16,702.40	1.73
3. Cloves	825	198.04	24,004.84	36.04
4. Copra	26,617	368.44	1,384.22	106.18
(*) " Cake	9,616	31.86	331.32	
" Oil	2,636	56.60	2,147.19	
5. Cocoanut Oil	5,431	103.62	1,907.94	6.78
				186.14

Note :

- (1) The profits earned on these commodities fully covered the loss on groundnut oil booked in the accounts for 1962-63 viz. Rs. 1,62,50,232.68 np.
- (3) The Copra Cake mentioned above at (*) was actually exported, bringing in foreign exchange to the extent of 0.19 lacs in 1961-62 and Rs. 31.86 lacs in 1962-63.

S. T. C. entered into agreements with the Consortium, Bombay Local Oil Mills Association, United Spices Importers etc., for import and distribution of these scarce commodities as agents of the STC. The profit margin of STC or 'mark up' was fixed after discussion with these parties, keeping in view the market prices, the anticipated volume of imports and its impact on the market etc. After the mark up was fixed and agreement entered into, all imports were arranged by these distributors, and they were directed to sell the goods at sale/release prices fixed by us generally on the following basis :—

C.I.F. cost plus Clearance, handling, import duty, etc. plus distributors' remuneration plus STC mark up.

Our mark up was as follows :—

Betelnuts	—	187.5% of C. I. F. value	
Cloves . . . . .	. . . . .	60.0% of C.I.F. value (later raised to 80% of C.I.F. and then to 135% of C.I.F. value)	
Cassia . . . . .	. . . . .	50.0% of C.I.F. value (later raised to 80% and then to 150% of C.I.F. value)	
Copra . . . . .	. . . . .	Rs. 290 per tonne (later reduced to Rs. 200/- per tonne)	} as against a much higher margin available to the trade on both Copra and and Cocoanut oil.
Cocoanut Oil . . . . .	. . . . .	Rs. 125 per tonne.	

So far as Copra and Cocoanut Oil are concerned, it was ensured that the release price of the Oil to the actual users were related directly to the C.I.F., value of the imports and the Oil cost them less than the market price by 10% or more.

In regard to Betelnuts and Cloves, a watch was kept to see (and the intention was) that the wholesale market prices remained around those which S.T.C. indicated. In case it was observed that there was a tendency on the part of the traders to make larger profits, S.T.C.'s mark up was increased.

13. WHICH OF THE TRANSACTIONS IN SERIAL NO. 11 IF ANY WERE LINKED WITH THE TRANSACTIONS OF THE EXPORT GROUNDNUTS AND WITH WHAT RESULT ?

Losses on exports of groundnut oil and other connected transactions were met from the profits on cloves, betelnuts, cassia, copra (including its by-products such as copra cake and cocoanut oil). The extent to which the

losses were covered in the years 1961-62 and 1962-63 are indicated against item 12 above. Practically all the imports mentioned were linked with the export of groundnut oil undertaken by the STC and it was all along intended that the profits on these items should be utilised to push up exports of groundnut oil.

Statement referred to in reply to parts (a) to (c) of Starred Question No. 1275 for answers in the Lok Sabha on the 1st May, 1964.

The reference to the so-called high profits of the State Trading Corporation and the Minerals and Metals Trading Corporation relates mostly to the import of items such as betelnuts and cloves, camphor, ball bearings, non-ferrous metals etc. There is a misunderstanding as to the margin which is charged by these two Corporation between the landed cost of these commodities and the release price for distribution. The correct position in regard to these aspects, therefore, requires to be stated fully and in its proper perspective.

The Corporations are having their trading activities covering exports, imports, internal purchase and sale in some commodities. So far as the exports are concerned, the margins of profit are, as a rule small, varying between $\frac{1}{2}\%$ to 3%. In fact, in some cases like groundnut oil, manioc meal, lemongrass oil, sodium bichromates etc., losses are suffered with the dual object of (a) promoting exports and earning the much needed foreign exchange, and (b) to give price support to the primary producers of manioc meal, lemongrass oil, tobacco etc.

On imports, the margin of profits varies from commodity to commodity depending upon its availability in foreign markets, its essentiality, the prevailing market prices, the relative availability of the indigenous products etc. In a very large number of cases, the percentage of distribution margin charged varies from 0.4% to 10%.

Margin of distribution charged is illustrated as under :—

Items	Distribution margin charges
Fertilizers	about $1\frac{1}{2}\%$
Copper	about 2%
Zinc	about 2%
Steel	about 4%
Tools and alloy steels	about $1\frac{1}{2}\%$
Dye intermediates, Pharmaceutical intermediates, sodium and chilean nitrate caustic soda, sodium sulphate and miscellaneous basic chemicals.	} Below 10%
Newsprint		about 1%

In some scarce imported consumer commodities in short supplies, whose imports have been canalised through these Corporations, the Corporations mop up a portion of the surplus profits which are available in these commodities owing to their short supply and high ruling market prices. Such commodities are betelnuts, cloves, camphor, mercury, etc. In such cases also, the Corporations while mopping up the excess profits fix the release price, which is invariably lower than the prevailing market prices so that the prices tend to stabilise at reasonable levels and unduly large profits are not passed on to private hands without at all benefiting the consumers.

While determining the release prices, the Corporations have also been guided by the considerations that the release prices may not affect the interest of the indigenous producers. For example, India produces about 40,000 tons of betelnuts and imports only 5,000 tons. The State Trading Corporation does not at all interfere with purchase, sale and distribution of indigenous betelnuts which is handled entirely by the indigenous growers and traders of the country. The STC releases the imported betelnuts to distributors at prices somewhat lower than the ruling market prices of indigenous betelnuts. The margin charged by the State Trading Corporation on the distribution of betelnuts has been about 33% over the landed costs.

In such cases of imported consumer commodities whose supply falls short of demand and where due to shortage of foreign exchange, large imports to satisfy internal demand are not possible, the factor which the Corporations take into consideration is that the release prices of such scarce imported commodities do not leave a very excessive margin of profit in the hands of the intermediaries and where no benefits really accrues at all to the consumers by releasing such commodities to the distributors at very low prices. As in case of imported betelnuts, release prices of cloves, camphor and other canalised imported scarce commodities are also fixed from time to time by the Corporations in accordance with above policy as mentioned in this statement.

[Ministry of Commerce O.M. No. 7(9)-B & A/64, dated the 26th September, 1966].

Recommendation (Serial No. 97)

The Committee are not quite convinced with these arguments. They feel that it should be possible for the Directorate of Exhibition to handle all the work connected with Exhibitions. Other organisations like the S.T.C. and H. & H.E.C. can entrust the work in connection with exhibitions to one of their officers. That officer should remain constantly in touch with the Directorate of Exhibitions and supply them with such data and information as required from time to time. The Committee would like the Ministry to re-examine this question in the light of the Committee's observations. (Paragraph 105)

Reply of Government

It will be observed from sub-para (1) of this para that the then Secretary, Ministry of Commerce & Industry and the Chairman S.T.C. had explained the distinctly different character of the staff engaged and functions performed by the Directorate of Exhibitions and the other units like the S.T.C. and the type of work being done by them was such that that it could not be handled by the Directorate of Exhibitions. It seems necessary, to marshal the facts once again in the light of the developments since then.

So far as the Exhibition Cell in the S.T.C. is concerned its responsibilities have since considerably increased. In 1964 the S.T.C. was asked to arrange, without any assistance from the Directorate of Exhibition, India's participation in two international fairs viz., Helsinki Autumn Fair 1964 and arrange to send samples and implement the fair quotas allotted to India at the Izmir International Fair 1964. (viz. Ministry of International Trade D.O. No. 3-Exh (20)PL/63, dated 23/24-1-1964). Besides, the S.T.C.

was also required to procure samples, arrange participation of its associates and to co-ordinate the trade activities of the Indian Trade Teams in the following fairs in the East European Countries :

1. Budapest International Fair (Hungary) May, 1964.
2. Paznan International Fair (Poland) June, 1964.
3. Zagreb International Fair (Yugoslavia) Sept., 1964.
4. Brno International Fair (Czechoslovakia) Sept., 1964.
5. Leipzig Spring Fair (GDR from 28-2-1965 to 9-3-1965).

The list of fairs and exhibitions in which the STC has participated or proposes to participate during 1965-66 is enclosed (Appendix XXXV) Arranging effective participation by its associates, sending samples, procuring literature and prices for the various products so that business could be negotiated on the spot, calls for considerable staff work. It is the responsibility of the Exhibition Cell of the Corporation to guide the various Divisions viz. Engineering, Chemicals, Agricultural Products, Leather and Leather Manufacturers, Consumer Goods to activate their associates, collect the samples and arrange their despatch. Also it has to keep a watch on the final despatch of the various, items sent to the exhibitions and finalise the accounts of participation.

The work of the Exhibition Cell, in brief, is four fold :

- (i) Organisation of Exhibitions and Fairs Abroad.
- (ii) Co-ordination of trade activities.
- (iii) Utilisation of Fair Quotas.
- (iv) Participation in Exhibitions in India.

As regards (i) it may be submitted that participation in each exhibition involves a lot of preparatory work sufficiently in advance. The scheme has to be prepared for each fair separately, lay out of the pavillion designed and goods selected for display, keeping in view the marketing possibilities. Circulate letter, skelten scheme, terms and conditions etc. have also to be prepared for each fair and issued to the trade. Simultaneously budget estimates have to be prepared for each fair, accounts maintained and rendered. Proper account of the goods procured/purchased has also to be kept. Personal contacts have also to be established with the various departments of the Government of India viz. Ministry of Commerce, Finance, I. & B. Railway Board etc. and the foreign embassies in India. Further, list of participants have to be screened, exhibits approved for display and shipping arrangement made for timely despatch to the countries concerned. The Reserve Bank of India has also to be approached at the same time for the release of foreign exchange to the Indian participants who propose to send their representatives to the fairs for negotiation of business on the spot.

As regards (ii), the STC is required to co-ordinate the trade activities of Indian Participants present at the fairs/exhibitions abroad. While the Directorate of Exhibitions/Indian Council of Trade Fairs and Exhibitions, Bombay, attends to the organisation of the Indian Pavillion, the STC's representatives co-ordinates the trade activities, answers trade enquiries, studies the foreign markets and negotiates business on the spot wherever possible

on terms favourable to the country. He also looks after the interest of the absentee parties. In this connection the Exhibition Cell is required to collect detailed information regarding prices, qualities, quantities etc. in respect of each of our exportable products, so as to enable our representatives to negotiate and clinch business during the fair.

The Exhibition Cell is also required to assist the Exhibition Directorate/I.C.T.F.E. in the procurement and despatch of right type of goods for display. Accordingly it has to approach its business associates and persuade them to participate. Arrangements have also to be made wherever necessary, for the despatch of goods by sea or air freight.

As regards (iii), the Exhibition Cell has a special role to play in respect of fairs which carry fair quotas viz Izmir International Fair, Turkey. All reasonable facilities have to be provided to the foreign delegations in the purchase of goods, introduce them to the Indian suppliers and held in negotiation and finalisation of business deals. All documents pertaining to these exports are examined and processed for payment in this Cell. Payment to the Indian suppliers against shipping documents and the realisation of the sale proceeds from the foreign buyers are also undertaken by it. All this involves considerable work and correspondence with the Ministry, Indian embassies abroad, Foreign buyers, Indian/Foreign Banks besides the numerous suppliers in India. In this connection, it may be mentioned that Quota allotted to India on participation in the Izmir International Fair, August 1965, amounts to Rs. 18.50 lakhs approximately.

As regards (iv) the Exhibition Cell is required to arrange S.T.C.'s participation in selected fairs/exhibitions in India in order to educate the public about activities of the STC and the role it plays in India's foreign trade. The preparation of theme for display of goods etc., in this connection, have all to be arranged by the Exhibition Cell of the S.T.C.

From above it would be evident that the functions and duties of the Exhibition Cell are numerous and quite separate from that of the Exhibition Directorate, which are not responsible for the commercial success of the fair. The existing staff consisting of 1 Inspector, 1 U.D.C. & 1 L.D.C. is not at all adequate enough to cope with heavy work involved. It is absolutely essential, if it is to function successfully and discharge all its responsibilities in the best interest of export promotion that it should be immediately strengthened.

[Ministry of Commerce O.M. No. 7(9) B & A/64, dated the 2nd February, 1966].

Recommendation (Serial No. 98)

The Committee were anxious to satisfy themselves if at the time of taking over the management of the company or immediately thereafter the Central Govt. had duly looked into the State assets and liabilities and the accounts of the company so as to see that Government were not saddled with accumulated losses of the past, and the price paid by them for acquisition of share capital had been arrived at on a fair assessment of assets. Having been unable to obtain information during oral evidence, the committee desired to be furnished with a note on the following points but the note is still awaited —

- (i) Basis of valuation of the Mills.

- (ii) Value fixed for assets and liabilities of the Mills (The figures for assets and liabilities to be given separately.)
- (iii) What was the market value and face value of the shares of the Mills at the time when the Mills were taken over by the Central Government.
- (iv) Whether the amount of loss shown in the accounts of the Mills to the tune of Rs. 1.73 crores when they were taken over by the Government of India was adjusted against the payment of compensation, if not, what was the position.
- (v) What was the conclusion reached after valuation regarding state of assets and liabilities with reference to the book value taken over. (Paragraph 106)

Reply of Government

The information required is given below :—

BASIS OF VALUATION OF THE MILLS

The control of the Company was taken over by the Central Government on 29-12-1958 but no valuation of the assets and liabilities of the Company was made as on that date. The assets and liabilities of the Company were taken over on the basis of their book values which as on 31-3-58 were under :

Liabilities (31-3-1958)

	Rs.
1. Subscribed, called and paid-up share Capital	1,33,51,953
2. Reserves and Surplus	74,329
3. Secured Loans :	
(a) Govt. of M.P. Rs. 2,14,86,652	
Rs. 2,82,73,000	4,97,59,652
4. Current Liabilities	1,13,61,844
	7,45,47,778

Assets (31-3-1958)

	Rs.
1. Fixed assets	4,16,24,124
2. Assets under construction	84,554
3. Investments	3,500
4. Current Assets	56,26,315
5. Loans Advances and Deposits	14,95,772
6. Cash & Bank Balances	61,77,017
7. Miscellaneous expenditure & losses	1,95,36,496
	7,45,47,778

- (ii) Value fixed for assets and liabilities of the Mills (The figures of assets and liabilities to be given separately).

The value fixed for assets and liabilities of the Mills was on the basis of the Balance Sheet as on 31-3-1958. The financial position of the Mills as on 31st March, 1959 *i.e.* 3 months after the control was taken over by the Central Government was as under :

Liabilities

	Rs.
1. Share Capital	4,93,24,878
2. Reserve and Surplus	2,08,510
3. Secured Loans :	
(a) Govt. of Madhya Pradesh Rs. 95,00,000	1,27,73,000
4. Current Liabilities, Rs. 32,73,000	1,34,12,687
	7,57,19,075

Assets

	Rs.
1. Fixed Assets	3,97,93,391
2. Assets under construction	7,12,986
3. Investment	3,625
4. Current Assets	73,19,273
5. Loan Advances etc.	18,74,671
6. Cash and Bank Balance	1,01,61,390
7. Fictitious assets (Misc. Capital & Losses)	1,58,53,738
	7,57,19,074

- (iii) What was the market value and face value of the shares of the Mills at the time when the *Mills were taken over* by the Central Government.

The Mills were running at a loss and their shares were not quoted in the market as they were not listed on the stock exchange. However, shares were being transferred on the books of the company at that time at the rates varying from Rs. 2.50 to Rs. 10 per shares.

- (iv) Whether the amount of loss shown in the accounts of the Mills to the tune of Rs. 1.73 crores when they were taken over by the Government of India was adjusted against the payment of compensation, if not, what was the position.

The amount of loss shown in the accounts of the mills was taken over by the Government along with the liabilities and assets.

- (v) What was the conclusion reached after valuation regarding the State of assets and liabilities with reference to the book value taken over.

No formal valuation had been made. The company was taken over by Government as a result of negotiated settlement with the State Government and other share holders to enable the project to survive or be resuscitated in the national interest.

(vi) Page 49—50—para X(3)—Cost of Production

What is the percentage of overhead charges in relation to the total cost of Production ?

The required information is given below :

1960-61	1961-62	1962-63
7.43%	8.86%	9.05%

[Ministry of Industry and Supply (Deptt. of Industry O.M. No. LI(III) 18(118)/63, dated the 18th Sept. 196.]

Recommendation (Serial No. 99)

The Committee note from the evidence that the main problem faced by the Mills arises out of unsuitability of the available raw materials for production of newsprint and this also affected the economics of production. The committee consider it unfortunate that this factor had not been given due consideration when the location of this factory was decided. They were informed that until recently some pulp had to be imported to be mixed with indigenously manufactured pulp so as to improve the quality of the fibre. The Committee had also been informed that at present only about 25% of the requirement of newsprint in the country was being met by indigenous production and that it was proposed to expand/indigenous production by increasing the CAPACITY of Nepa Mills from 30,000 to 75,000 tonnes by 1966 and by creating a further capacity for 1,50,000 tonnes in the private sector. The committee hope that the question of availability of suitable raw materials for the new scheme will be given due attention and that the History of Nepa Mills will not be repeated in their case. Urgent attention must also be paid to the training and recruitment of technical staff. (Paragraph 107)

Reply of Government

Salai and Bamboo are the two main raw materials used. A committee was set up on 16-10-62 to examine the question of availability of raw material for the proposed expansion of the Nepa Mills. This Committee report is placed below. It indicates that:-

- (a) There would be no difficulty in obtaining adequate quantities of bamboo required for the expanded production.
- (b) The salai wood available within M.P. and other adjacent areas in Maharashtra would be adequate to sustain the expanded production for a period of about 22 years. With suitable steps taken in the meantime for plantation of suitable species of fast growing timbers such as Eucalyptus in ecologically favourable areas in the vicinity of the Mills to be selected with the assistance of the Chief Conservator of Forests, Madhya Pradesh and the President, Forest Research Institute, Dehradun, the mills should not experience any difficulty about raw materials.
- (c) In the extreme event of the plantations also not coming up during the next 20 to 22 years, the possibility of producing pulp on plantation timbers at a different site could be also considered in due course.

It may be added that originally, the scheme was sponsored by a private party in 1947 when even the Ind. (D & R) Act, 1951 was not in existence. The Central Government stepped in much later only to pull out the nuts from enviable position in which it was being dragged. Had this not been done in time, even the present indigenous production of newsprint which comes to 25% of the demand would not have been there.

[*Ministry of Industry and Supply (Deptt. of Industry), O. M. No. LI(III)-18 (118) /63 dated the 18th Sept. 1965*].

Recommendation (Serial No. 100)

(i) In view of the proposed expansion of the capacity of Nepa Mills, the problems of diminishing reserves of Salai wood assume added urgency. The Committee suggest that it is necessary to assess how long the existing reserves would last and that the ways of increasing them and of growing alternative woods should be systematically examined and pursued so that the afforestation programme of the State Govt. is kept abreast of the requirement of Nepa Mills.

(ii) The Committee were informed that suitable woods were available in Kashmir in the Himalayan slopes but the problem was of their transport and economics of pulp manufacture. They were also informed that the possibility of putting up a plant in Kashmir was being explored. Since it is in the long term interest of the newsprint industry in India to produce pulp of good quality indigenously rather than importing it, the Committee feel that it is high time that priority is given to this matter. (Paragraph 108)

Reply of Government

(i) This is covered by reply to S. No. 99.

(ii) The survey for the assessment of raw materials in Punjab by M/s. Abitibi Power and Paper Co. Ltd., Toronto, Ontario is understood to have recently been completed and the report is being finalised by the Foreign export. Another team of foreign experts for wood extraction and logging study in the hilly areas of Punjab and Himachal Pradesh has been approved by Govt. The expert team from Canada is already on the job and the feasibility study to be submitted by them is expected to be ready shortly. Priority is already being given to this matter.

[*Ministry of Industry and Supply (Deptt. of Industry), O. M. No. LI(III)-18 (118)/63 dated the 18th Sept. 1965*].

Recommendation (Serial No. 101)

The Committee note that the cost of production had been brought down from Rs. 869 a ton in 1961-62 to Rs. 830 in the current year. It is, however, significant to note that the cost of imported newsprint per ton is between Rs. 800 and Rs. 900. If due allowance is made for shipping charges, customs duties and the margin of profit it would be obvious that the cost of production would be considerably less in the foreign countries. The Committee, therefore, hope that efforts will be continued to bring down the cost of production still further. (Paragraph 109)

Reply of Government

The prices of various Commodities and Chemicals used for the manufacture of newsprint are steadily rising. The impact of these rising prices on the mill estimates has worked out to Rs. 40/- per tonne only during the last year. The same is the case with wages. Naturally there is no chance of

bringing down the cost of production and the best that is possible is to keep the prices stabilised at where they are today.

The prices of imported newsprint is lower than our selling price because of the fact that in foreign countries the factories are operating on better raw materials and under better conditions. Our raw materials is very poor and naturally it involves more of power and more of chemicals. Also our cost is higher because rate of electricity in our country is ten times as much as in foreign countries. Hence taking the view of the whole it would appear that though our price is higher than the imported stuff yet it is not so high as it could have been under so many unfavourable conditions.

[Ministry of Industry and Supply (Deptt. of Industry). O. M. No. LI (III)-18(118)/63 dated the 18th Sept. 1965].

Recommendation (Serial No. 102)

The Committee feel that with the experience already gained in the manufacture of newsprint without admixture of imported pulp with the indigenously manufactured pulp, it is desirable to fix some tentative standards for consumption of raw materials as compared to the finished product. These could be revised in the light of further experience. (Paragraph 110)

Reply of Government

Canada and Scandanavian countries are the major producers of newsprint in the world. Normally, the newsprint manufactured in these countries contains not less than 70% mechanical pulp, balance being chemical pulp.

In recent years, importance is no longer attached to the furnish composition of the newsprint. Emphasis is now laid on the production of a printing paper at a reasonably low cost, with sufficient tensile strength, opacity and brightness, suitable for running on high speed rotary newsprinting presses. Such a change in definition has been brought about on account of the need for use of hardwoods and other unconventional cellulosic raw materials.

The newsprint produced in Nepa mills, which is so far the only newsprint mill in the country, at present consists of about 65% mechanical pulp from 'Salai' wood and 35% kraft pulp from bamboo. 'Salai' is a very short fibre wood and is considered a very poor material, with the result that even though the Nepa mills are using entirely indigenous pulp and have also reached their rated capacity, the quality of the newsprint produced in the mills has no comparison with the imported newsprint which is produced from conifers material par excellence for the production of newsprint. The Nepa Mills have therefore been still experimenting to improve their quality and now they are contemplating a change in the furnish composition, after expansion, whereby the newsprint produced in the mill after 1969 will comprise of about 33½% each of mechanical pulp from 'Salai', soda semi-chemical pulp from 'salai' and kraft pulp from Bamboo.

In view of this, it has not been possible so far to standardise the raw material composition and it is desirable to wait at least for a year or two more until the process of manufacture is stabilised.

**[Ministry of Industrial Development and Company Affairs O. M. No. LI (III)-18(118)/63 dated the 18th Sept. 1965].*

**At the time of factual verification, Cr. & A.G. of India have pointed out that this reply was not routed through them.*

Recommendation (Serial No. 105)

A sum of Rs. 0·93 lakhs was charged to the profit and loss account for the year 1961-62. This represented loss due to fire of bamboo worth about Rs. 1·91 lakhs less an amount of Rs. 0·98 lakhs recovered from the Insurance Company. The Committee were informed that cause of the fire was not known. The entire stock was not covered by insurance. The Committee would like to know the reasons therefor. The Committee hope that necessary precautions are being taken to avoid such losses in future. (Paragraph 113)

Reply of Government

The cause of the fire is not known. The Nepa Mills had originally estimated a maximum stock of two thousand tons of bamboo only, at the Taku Railhead Depot and accordingly, insurance against fire was affected for a lakh of Rupees on an estimated rate of Rs. 50/- per tonne of bamboo. The stock of Bamboo as at the end of March, 1961 was 2628 tonnes worth Rs. 1,43,962/- and subsequently due to non-availability of Railway Wagons, the stock mounted upto 3800 tons (approximately) by 10th May, 1961. However, the Mills were in correspondence with the Railway authorities who had intimated that more wagons would be made available regularly. But this did not materialise due to certain operational difficulties of the railways as advised by them subsequently.

Had the Mills been informed in time by the Railways that the movement of wagons would be difficult during the months, April, 1961 and March 1961, they would have arranged to raise the insurance limit in proportion to the stock accumulated.

In view of the circumstances mentioned above, and as the Mills were always expecting to move the major quantity of the stock quickly the limit of insurance was not increased by them when the fire broke out.

[Ministry of Industry and Supply (Deptt. of Industry) O. M. No. LI (III)-18(118) dated 18-9-65].

Recommendation (Serial No. 108)

The Committee would like to be informed of the settlement reached in this case and the amount recovered from the firm. (Paragraph 117)

Reply of Government

A settlement has since been reached between Indian Rare Earths Limited, Bombay and Societe de Produits Chimique Des Terres Paris, France Details thereof are given in the attached note (Appendix XXXVI) prepared by the Company. The settlement mentioned in para C (1) of the note has been approved by the Board of Directors of Indian Rare Earths Ltd. at its 55th Meeting held on 5th June, 1964.

[Deptt. of Atomic Energy Letter No. 43/28/62, Tech, I (M), dated the 21st May, 1965].

Recommendation (Serial No. 112)

The Committee are surprised that the Accounts of the Garden Reach Workshops-commercial undertaking—should have been so badly maintained. They desire that vigorous effort should be made by the Workshops to bring their Accounts to a satisfactory level. (Paragraph 121)

Reply of Government

Discrepancies between the cost figures, appearing in the Assets Schedule attached to the Balance Sheet and those appearing in the Assets Register, were in existence prior to the take over of the Company by the Government and the total original cost of assets was being Carried forward from Balance Sheet to Balance Sheet without effecting reconciliation with the Assets Register. These discrepancies originated as a result of the cost of the assets as on 31st March 1935 being adopted as the original cost of assets for Balance Sheet purposes. When the items were disposed of or written off, writing down of original total cost was inadvertently carried out, in certain cases, on the basis of the initial cost, *i.e.*, pre-31st March 1935 thus causing discrepancies between the assets Register and the Balance Sheet.

Out of the total cost of assets of Rs. 1,25,50,088 (including value of land Rs. 9,59,605) shown in the Schedule I to the Balance Sheet for the year 1962-63, no discrepancies were noticed in respect of the value of land and the Dock and Jetties. Discrepancy to the extent of—

- (i) Rs. 2,00,784 was noticed in the case of the cost of buildings as a deduction of Rs. 3,52,399 (the original cost of the building in 1924) was deducted for the sale of the buildings on 11th March 1957 instead of Rs. 1,51,615 which in fact was the value on 31st March 1935.
- (ii) Rs. 9037/- was noticed in the case of Launches and Barges, on account of the original cost of items sold during 1962-63 and less deduction of Rs. 180/- for items written off during the half year ending 30th September 1938 and half year ending 31st March 1944.
- (iii) Rs. 252/- on motor-cars due to less deduction on account of original cost of items sold during the half year ending 31st March 1939.
- (iv) Rs. 539/- in the case of motor lorries and trailers due to excess deduction on account of original cost in respect of items sold during the years 1943-44, 1951-52 and 1953-54:

The reconciliation in respect of the remaining items *i.e.*, furniture and fixture and plant and machinery were completed on 31st March 1965 and the matter is presently under discussion with the Company's auditors with a view to amending the existing books and preparing future accounts.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D Budget dated 28/29th September, 1965].

Recommendation (Serial No. 114)

The Committee desire that disposal of the stores should be expedited. They further desire that the leeway in the introduction of a scientific system of procurement and inventory control in the workshops should be made up at early date. (Paragraph 123)

Reply of Government

A new procedure for purchase of stores was framed under Managing Director's Order No. 13/64 dated 6th March 1964, with a view to effecting some measure of control on procurement and inventory.

As regard disposal of slow-moving and non-moving stores, periodical reviews are being made to spot such stores and action taken for issuing them and/or their disposal. As a result of this review, out of such stores worth Rs. 76,307 lying on 30-9-63, only stores worth Rs. 13,000 were lying on 30-6-1964.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget) dated 28th/29th September, 1965].

Recommendation (Serial No. 115)

The Committee regret the losses suffered by the Mazagon Dock in the production and sale of the Engine in question. They note that the Company are already seized of the question of discontinuance of the production of the Engine. They would like to be informed of the final decision taken in matter. Before the Company finally decided to discontinue the production of the Engine, the Committee would like them to examine critically once again whether it would not be possible to eliminate the marginal loss, by improving the technique of production and/or by a slight increase in the selling price. (Paragraph 124)

Reply of Government

The technical collaboration entered into with the Campbell Oil Engine Co., which ended on 10-6-1963, has not been further extended and as such no royalty is payable on the manufacture/sale of these engines. The name of these engines has been changed to MAZDOCK engine.

There are approximately 200 Diesel Engine manufacturers in the country. The larger manufacturers, engaged in the production of similar engines, have installed modern methods of production thus reducing their production cost. Other manufacturers are either cooperative societies or owner manufacturers whose overheads are small and are situated in smaller towns where labour rates are substantially lower than in Bombay. Consequently their production costs are low.

The average number of engines manufactured during the last two years is about 40 or so per month. Since the Company is not in a position to manufacture all components required for these engines, a number of components are obtained from sub-contractors by calling for competitive tenders. The Company has reduced the stock of the engine components from about Rs. 17 lakhs worth in 1960-61 to about Rs. 7 lakhs worth in January 1964. The value of the MOE components as on 31st August 1964 is Rs. 5.82 lakhs. The items manufactured in Mazagon Dock Ltd. are produced as economically as possible. There is, therefore, little scope of reduction in the cost of production of these engines.

In view of the prevailing competition, if the sale of the engine is to be improved, reduction in prices is called for rather than their increase.

It has accordingly been decided to discontinue the production of MAZDOCK OIL ENGINE in stages and necessary instructions issued to the Company, so that they could concentrate on ship-repairing and ship construction which is their main activity.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget) dated the 28th September, 1965].

Recommendation (Serial No. 116)

The Committee view with concern the phenomenal increase in the debts outstanding to the Company (from Rs. 20·63 lakhs as on 31st March 1959 to Rs. 99·58 lakhs as on 31st March 1963). The Committee desire that special efforts should be made by the Company for the expeditious realisation of these dues. In cases where the outstanding could not be realised due to differences regarding the rates charged, the matter may be settled with the customers at a higher level in a spirit of conciliation.

In order that such heavy dues do not accumulate in future, the Committee would like the company to examine the feasibility of implementing the Comptroller and Auditor General's suggestion (referred to in an earlier para) that 90 per cent of the value of the goods sold may be charged before despatch and 10 per cent thereafter. (Paragraph 125)

Reply of Government

Out of the total amount of Rs. 99·58 lakhs outstanding at the end of 1962-63, about Rs. 71 lakhs have been collected. The total amount of sundry debtors outstanding at the end of the year 1963-64 is Rs. 148 lakhs out of which about Rs. 95 lakhs have been collected up to the end of August 1964. The following amounts are due:—

CDA(NVAY)	33 lakhs
BPT	3 lakhs
Pay & Accounts Officer, Calcutta.	6 lakh and other small items.

Regarding the C&AG's suggestion, the amounts outstanding with the commercial customers are normally paid within a reasonable time. Delay, however, occurs owing to procedural reasons e.g. execution of the contract, inability of the Government Departments to pay the amounts in absence of valid agreement, auditing of bills, disallowance by the inspecting officer etc. With the finalisation of the various standard contracts it is expected that outstandings would be substantially reduced.

The Director of Commercial Audit has seen.

[Ministry of Defence O. M. No. 11(8)/62/D (Budget) dated 28th September, 1965].

CHAPTER IV

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

Recommendation (Serial No. 3)

The Committee feel concerned about the huge amount of Rs. 7.86 crores outstanding on account of passage, freight etc. as on 31-3-1963, out of which the dues outstanding for more than 3 years amounted to Rs. 2,89,000. Out of this amount, a balance of Rs. 1,60,000 remained still outstanding on 1-12-1963. The Committee are of the view that the Corporation should take special measures to ensure that the outstanding dues are collected within a maximum period of six months. (Paragraph 9)

Reply of Government

The observations of the PAC have been noted. However it may be explained that in a business where almost over 85% of the gross turnover is on a credit basis for competitive reasons, recoveries from numerous parties spread all over the world poses a very big problem. Every conceivable effort is made to effect recoveries as promptly as possible. Written reminders are followed up by personal visits by Sales and Accounts staff, despite which if the amount remains unrealised, then legal notices are issued. In many cases, it has to be followed up by legal action.

At the same time, it has to be noted that legal action cannot be instituted against outstandings due from foreign Govt. Embassies both in India and abroad. On the other hand, to refuse to give credit, when every other major airline gives credit, would result in substantial loss of business. A certain degree of calculated business risk has to be taken in international air transport. Wherever the amounts appear to be doubtful of recovery, adequate provisions in accordance with Commercial Principles are made in the Accounts as Reserve for Doubtful Debts, the proportion of which as compared to the volume of business has been so far fortunately very negligible. In view of these circumstances, it may be difficult to ensure that recoveries are made within a maximum period of six months in all cases.

Two statements showing the present position (as on 31-12-1964) of outstandings which were three years old as on 31-3-1963 and present position (as on 31-12-64) of outstandings up to 31-3-1963 are enclosed (Appendix-XXXVII and XXXVIII).

[Ministry of Civil Aviation O. M. No. 4-CA(7)/64, dated the 9th August, 1965]

Comments of the Committee

The Government, in their reply, have intimated that it may be difficult to ensure that recoveries are made within a maximum period of six months because (i) legal action cannot be instituted against outstandings due from foreign Government Embassies both in India and abroad and (ii) to refuse to give credit, when every other major Airline gives credit would result in substantial loss of business. These are not convincing reasons for permitting

arrears to mount up. The Committee, therefore, reiterate their recommendation. If no legal action can be taken against the defaulters to recover the outstanding dues, the Corporation should devise other effective ways and means to recover the past outstandings.

Recommendation (Serial No. 12)

In view of the fact that the Corporation had actually incurred a loss in the year 1960-61 the Committee would like the Government to re-examine whether the loss suffered by the Corporation on this route (Delhi-Gwalior-Bhopal-Indore-Bombay) which was being operated in accordance with the directive issued by the Government of India is reimbursable under Section 34(2) of the Air Corporations Act, in the present case. (Paragraph 18)

Reply of Government

The accounts for the year 1960-61 have already been closed. The same has also been laid on the tables of both the Houses of Parliament under Section 15(4) of the Air Corporations Act. It does not appear feasible at this stage to reconstruct the accounts for the year 1960-61.

[*Ministry of Transport and Aviation (Deptt. of Aviation) O.M. No. 4-CA (22)/64, dated the 26th April 1966*]

Comments of the Committee

Reply of the Government is not satisfactory because it does not answer the point raised by the Committee, viz. whether or not the loss incurred on the route in question is re-imbursable or not. The Committee had raised a vital issue. The Committee therefore, reiterate that if the Corporation suffers a loss on account of operations undertaken under a Government directive, the latter should re-imburse the loss.

Recommendation (Serial No. 38)

It was a revelation to the Committee that the terms of the contract with the contractors were so wide that Hindustan Steel Ltd. were concerned merely with the paying of the amounts claimed on the basis of certificates given by consultants, and that there was no check, inspection or examination of the work done or of the rates fixed. This unfortunate situation has led to the alleged over-payment to the extent of Rs. 100 lakhs (of which about Rs. 62 lakhs have not been considered to be over-payment by the Hindustan Steel Ltd. authorities) to the Consultants who are supposed to be looking after the interest of the Hindustan Steel Ltd. The Committee feel that the terms of the agreement which were stated to be so extra-ordinary need to be re-examined and suitably revised if possible at this stage. Another aspect that disturbs the Committee is that such heavy payments were made without any officer of the Company caring to check up the correct position, as a result of which at least an amount of Rs. 38 lakhs (even if the conservative estimate of the Director is to be accepted in all probability over paid to the contractors is under investigation (out of which Rs. 13 lakhs have already been recovered). What is more distressing to the Committee is the fact that these matters would not have come to notice in the normal course had there been no complaint and investigation.

The Committee consider it rather strange that against the estimate of over-payment to the extent of about Rs. 100 lakhs made by an Engineer with technical knowledge the value of items which were not considered worth further examination by the Director amounted to Rs. 62 lakhs. They feel that full facts of the case have not come to light. The Committee, therefore, recommend that Government should appoint a high level Inquiry Committee to investigate the cases of alleged over-payments reported by the Civil Engineering Officer. The Committee would also like to know the final outcome. (Paragraph 47)

Reply of Government

According to the contract executed with the Indian Steel Works Construction Company for erection of steelworks the contractor was entitled to receive advances from Hindustan Steel Ltd. to meet expenditure to be incurred for Civil Engineering Works. The Government of India did not have any organisation to approve the design and supervise the construction. A separate agreement was therefore executed with International Construction Company under which they were to act as 'Engineer' of Hindustan Steel Ltd. and approve the designs, supervise the manufacture of the plant and equipment, supervise the construction and erection work at site, issue necessary certificates of the completion of the works etc. and act as consultants. These consultants had to check the extent of work executed by ISCON, verify the claims made by them for advance payments for Civil Engineering Works and issue interim certificates. Payments to ISCON were made only after obtaining the certificates of the 'Engineer'. This contract was entered into for the specific purpose of providing the necessary safe-guards before payments were made to the contractor. Messrs International Construction Company are a firm of Consulting Engineers of international repute. Having employed them for this purpose and having provided them with necessary Indian engineers also in terms of the Agreement with them, to arrange for separate countercheck by Hindustan Steel Ltd. would have been unnecessary duplication. The appointment of International Construction Company was an act of faith and if it is felt in certain quarters that the results have not been as satisfactory as anticipated, there is hardly anything that can be done at this stage. The work relating to the contract is complete and even the few outstanding claims and counter claims by Hindustan Steel Ltd. and ISCON have since been discussed by a Committee of Directors on either side and a final settlement has been arrived at. It is not therefore feasible nor worthwhile at this stage to re-examine the terms of the agreement and to revise them suitably.

The Report of the Special Officer was scrutinised by a Director of Hindustan Steel Ltd. with very wide experience in Civil Engg. Work. He was of the view that rates pending finalisation should be reviewed carefully and the rates attached to Special Officer's report should be re-scrutinised to ensure that those were derived from correct analogous rates and fresh rates to be settled were proper and reasonable. He was, however, of the view that the report contained many points which were not strictly objective or sustainable technically and that the general charge of over-designing in the instances cited in the report did not take into account all factors of designing and did not bear close scrutiny. There could be more than one method of design yielding marginal economy.

The observations of this Director were further examined by the Finance Director and the Chairman, HSL. HSL are fully satisfied that there were no

over-payments in respect of the items covered by the sum of Rs. 62 lakhs. With regard to the items of the value of Rs. 37.64 lakhs, Hindustan Steel Ltd. have been able to adjust claims for Rs. 16.40 lakhs. It is considered that there was no point in pursuing claims worth Rs. 17 lakhs. For the balance Rs. 4.24 lakhs, they had lodged claims which were taken up by the Negotiating Committee. The claims and counter claims against ISCON have since been settled by negotiation. There had been also over-lapping of certain items mentioned in the report.

In view of these facts, Government feel that at this stage it will not serve any purpose to appoint a high level enquiry Committee to investigate the cases of alleged over-payments.

Incidentally, it may be mentioned that even as early as July, 1959, the increase in the Civil Engineering Estimates was noticed by Hindustan Steel Ltd., and there had been a series of discussions with ISCON during their quarterly visits. As the estimates kept on increasing the Special Officer was asked to investigate the matter. Thus it does not appear unlikely that the matter would have come to the notice in the normal course had there been no complaint and investigation.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) D.O. Letter No. Dur. 18(2)/64, dated the 28th September, 1968]

Further Information Called for by the Committee

The reasons due to which H. S. L. considered that there was no point in pursuing claims worth Rs. 17 lakhs may please be intimated.

(L.S.S. O M No. 20-Pu/65, dated the 17th January, 1969)

Further Reply of Government

The Officer on Special Duty appointed by H.S.L. to investigate the question of alleged over-payments in respect of Civil Engineering Works at Durgapur Steel Plant had worked out a saving of Rs. 17 lakhs in respect of stone used by Contractors for Railway ballast. The basis of his calculation was that the cost of 'Pakur Stone' at 1956 base price was Rs. 64/- per 100 cft as given in the 5th Schedule to the Contract with ISCON but the stone actually used by the Contractors appeared to be of local quarries instead of 'Pakur stone' and the cost of that stone was Rs. 20 per 100 cft. less than that of Pakur stone. In view of this, the O.S.D. was of the view that there was a case for fixing a new rate altogether for the stone actually used by the Contractors.

The points raised by the O.S.D. were considered by Hindustan Steel Limited who came to the conclusion that there was no necessity of revising the rates as it was found that the cost of Pakur stone was not more than the rate of the stone used by the contractors. Further, the 'Engineers' of HSL-M/s. International Construction Company Ltd., advised that the stone ballast actually used was of the same quality and value as 'Pakur stone' and it has also come from districts around Pakur. It was, therefore, considered that there was no point in revising the rates and in pursuing the claim worth Rs. 17 lakhs calculated by the Officer-on-Special Duty.

[Ministry of Steel and Heavy Engineering O. M. No. PARL (10-10/64), dated the 7th March, 1969]

Comments of the Committee

Please see para 3 in Chapter I of the Report.

Recommendation (Serial No. 46)

In January 1958 Bhilai Steel Project entered into a contract with a firm for the supply of moulds and hot tops even though other firms who had tendered in that connection had offered to supply hot tops at very much lower rates, mainly on the consideration that this particular firm was the only firm which had tendered both for moulds and hot tops. (184 moulds of 7.45 tons @Rs. 15,482 each, 100 moulds of 6.2 tons @14,138 each and 100 tops @ Rs. 888/- each). Prior to placing this order a team of experts from the Project had visited the contractor's workshop and had confirmed that the firm would be able to supply the entire quantity by the due dates. As the firm had supplied only a negligible portion of the number of moulds ordered at the end of the scheduled delivery period, a second team of experts visited the workshop (in December, 1958) and reported that (1) the contract price of Rs. 15,482/- per mould was abnormally high; the fair price being about Rs. 3,000/- each; (2) the contract price of hot tops at Rs. 888/- was also very high, the quotation originally received from another tenderer being Rs. 440/- each; and (3) the firm would not be able to keep to the schedule.

Six months later, the Project authorities cancelled 100 moulds (6.2 tons) and 50 hot tops from the contract with this firm. The chemical test suggested by the second expert team in January 1959 and actually carried out in July 1959) revealed that the moulds were brittle and could not withstand even the first pouring of molten metal. The Project therefore cancelled the remaining order on the firm (August 1959). By then 95 moulds (7.45 tons) valuing Rs. 14.71 lakhs and 50 hot tops valuing Rs. 44,440/- had been received.

The project authorities on 21-8-1962 filed a suit against the firm and their bankers for a refund of Rs. 12.23 lakhs inclusive of liquidated damages.

Additional information wanted by the P.A.C. :—

(a) Whether Messrs. Bhandari & Co. who were awarded a contract for the supply of moulds and hot tops, were awarded any other contract in the past also, and if so, how many (showing the amounts of each contract) and what was their performance in these contracts?

(b) whether they were given any other contract also after their performance in regard to the contract for the supply of moulds and hot top was known ?

Reply of Government

(a) Messrs. Bhandari & Co. were awarded 14 contracts for castings excluding the contract for the supply of moulds and hot tops which has been commented upon in the Audit Report. A list of contracts awarded is attached herewith. (Appendix-XXXIX) Except for the contract for the supply of moulds and hot tops, there has been no complaint from the indenting officers regarding the performance of the other contracts.

(b) No contracts were awarded to this firm after their bad performance was known.

[Ministry of Iron and Steel, O. M. No. PARL 10(10)/64, dated the 15th December, 1966].

Comments of the Committee

Please see para 19 in Chapter I of the Report.

Recommendation (Serial No. 47)

(i) The Committee are not satisfied with the explanation advanced by the representative of the Hindustan Steel Ltd., for placing the order (Rs. 42 lakhs) for the purchase of ingot moulds and tops at a very high price on a particular firm when other firms had quoted lower rates. It is unfortunate that no serious efforts were made to ascertain the normal price of moulds and tops before placing the order. The Committee regret to note that the order was placed on the firm for the supply of moulds and tops even though the firm did not have at that time full technical facility for the manufacture of ingot moulds. The supply depended entirely on the future programme of reconstruction of the works of the firm.

(ii) The disclosures made by the second team of experts who visited the workshop of the firm about the abnormally high prices contracted for and the fact that the moulds supplied by the firm were brittle and could not withstand the first pouring of the molten metal point to the need for an investigation for fixing responsibility for the irregularities which have involved the project authorities into difficulties and a suit in the Court of Law. The Committee would like the entire deal to be investigated and be informed of the final outcome.

Reply of Government

As desired by the Public Accounts Committee a Committee has already been appointed by the General Manager, Bhilai Steel Plant to investigate the entire case and findings of the Committee will be intimated in due course.

[Ministry of Steel and Mines (Deptt. of Iron and Steel) O.M. No. PARL (10)-10/64, dated the 12th November, 1964].

Further Information Called for by the Committee

A detailed Note giving full facts of his case, indicating, *inter-alia*, what action was taken by Government on the Report of the Enquiry Committee and the names and designations of the officers who were responsible for that judgement may please be furnished. It may also be indicated in that Note whether those officers are still in the employ of H. S. L. or any other public undertaking and the position held by them. (L.S.S. O M No. 20-Pu/65, dated the 17th Jan. 69).

Further reply of Government

Facts of the case

- 1·1 Open tenders were invited in March, 1957, for supply of 400, 7·45 tonnes ingot moulds and 400 corresponding hot tops and 208, 6-ton ingot moulds and corresponding 208, hot tops.
- 1·2 19 offers were received but only M/s. Bhandari Iron & Steel Company, Indore had quoted both for ingot moulds and hot tops. The tender of M/s. Bhandari Iron & Steel Co., was accepted both for ingot moulds and hot tops, because orders for these could not be placed separately as moulds and hot tops were to fit each other.
- 1·3 In January, 1958 formal orders for the supply of 284 ingot moulds and 100 hot tops for a total value of Rs. 43·5 lakhs were placed

after obtaining the approval of the Board of Directors and the Government sanction.

- 1.4 Before the orders were placed, the Soviet Expert (Mr. Kushsch) and the equipment Planning Engineer incharge (Shri V. K. Rajagopalan) visited the Bhandari Iron & Steel Works in August, 1957 and reported that "though they do not possess at the moment full technical facilities for the manufacture of ingot moulds, we are of opinion that they will be able to manufacture these from January, 1958 onwards they will be able to supply a minimum of 30 moulds per month and thus would be able to complete our requirements by the end of October, 1958 which is agreeable to us".
- 1.5 The Financial Adviser of Bhilai Steel Plant had given the advice that payments for moulds and hot tops should be on standard conditions, namely, 90% on inspection certificate and 10% on despatch receipt and on final test, stressing that strict inspection would be necessary.
- 1.6 In February, 1958, the firm asked for financial aid amounting of Rs. 7 lakhs stating that the State Government had been approached by them for a loan of Rs. 7 lakhs under the State Aid to Industries Act and that they were prepared to give a bank guarantee for this loan. They indicated that this money was required by them to enable them to lift the imported pig iron which the Iron and Steel Controller had allotted to them. The Director of Industries, M.P., had also stated in a letter to the firm that the State Aid to Industries Board had recommended a loan of Rs. 5 lakhs, of which orders have been passed to pay an amount of Rs. 2 lakhs by the end of February 1958. The remaining amount was under the consideration of the State Government. The Financial Adviser of Bhilai Steel Plant pointed out that in the event of a change being made in the contract and financial assistance being given to the firm, a proportionate change in the rates would be necessary. The proposal was ultimately recommended to the Board of Directors who agreed to supply raw materials (Pig iron) to M/s. Bhandari Iron and Steel Co., of the value not exceeding Rs. 4 lakhs against the bank guarantee, recoveries being made within a period of 6 months together with interest @ 6% on outstanding balance. It was also agreed that Rs. 2 lakhs which the firm was to receive from the Madhya Pradesh Government should be adjusted immediately on the grant of loan and the balance should be recovered from the bills of the firm.
- 1.7 By the end of December, 1958 by which time the entire supplies were supposed to be completed, the firm had supplied only 8 ingot moulds out of the total order and 20 more castings were reported to be in stock. In view of this unsatisfactory delivery and the technical difficulties faced by the firm, a second team consisting of Superintendent Steel Melting Shop (Mr. S. N. Ghosh) and a Soviet expert on Steel Melting (Mr. M. E. Savoshkin) visited the firm's premises by the end of December, 1958. This team was of the view that the firm's technical personnel and methods of manufacture were not upto the mark and they would not be able to

keep to the schedule of the delivery. They were also of the opinion that the contract price of Rs. 15,480 per mould was abnormally high, and according to them the cost price should have been no more than Rs. 2500. Similarly the cost price of one hot top should have been about Rs. 260 as against the agreed price of Rs. 880.

- 1·8 On the basis of the above report, the orders of the value of Rs. 14·58 lakhs on M/s. Bhandari Iron & Steel Co., for 100, 6·2 ton ingot moulds and 50 hot tops were cancelled.
- 1·9 2 ingot moulds, as recommended by the above team supplied by the firm were sent to TISCO for service tests, as it was necessary to be sure that the moulds would stand the temperature of molten steel and not crack. Both the ingot moulds failed in the first test itself—1 broke into pieces completely and the other fully cracked. Similar tests carried out at Bhilai Steel Works also revealed the same results.
- 1·10 At that time, the total amount adjusted and paid to the party was Rs. 4·63 lakhs.
- 1·11 On the basis of the above test results, the order with M/s., Bhandari was cancelled.
- 1·12 In August, 1962, a suit for a claim of Rs. 12·23 lakhs was filed against M/s. Bhandari Iron & Steel Co. and against the State Bank of Indore (for not honouring the guarantee for Rs. 5 lakhs). This claim includes liquidated damages amounting to Rs. 5·98 lakhs.

Findings of the Enquiry Committee

- 1·1 On the recommendation of the Public Accounts Committee, an enquiry committee consisting of Sarvashri S. C. Guha Maulik, Chief Superintendent iron and steel, A. Y. Mehta, Deputy General Manager and R. S. Bery, Deputy Financial Adviser was appointed by the General Manager, Bhilai Steel Plant to enquire into this case. The findings of the Committee were that all acts done in connection with the purchase of ingot moulds from M/s. Bhandari Iron & Steel were covered by proper sanction of the Board and Government, wherever necessary.
- 2·2 The Committee however, felt that the judgement exercised in placing the order by the engineering department, purchase department and the finance department was not sound.
- 2·3 The Committee was not however, able to apportion blame or fix responsibility on any individual officer.
- 2·4 The Committee also mentioned in their report that the technical officers who indented for these items and advised about placement of orders erred in their judgement in regard to the capacity of the firm to produce big castings of this nature.
- 2·5 At the time of entering into the above deal, the Bhilai Steel Plant was not equipped with experienced technical personnel specialised in the field and the team that was actually deputed seems to

have accepted the assurance given by the firm either without proper investigation or in ignorance or perhaps the inadequacy of the investigation was due to comparative ignorance of the process and the problems involved.

Action taken on the Report of the Inquiry Committee

- 3.1 As would be seen from the above, the technical officers who indentured for the ingot moulds and hot tops and advised in regard to the placement of the orders on M/s Bhandari and Co., erred in their judgement in regard to the capacity of this firm to produce big castings of this nature. Apparently the intricacies of producing such heavy castings were not known to them, and they accepted in good faith the assurances given by the firm.
- 3.2 Further the Inquiry Committee has also not been able to apportion blame or fix responsibility on any individual officers.
- 3.3 In view of the above, no action against any officer has been initiated.

[*Ministry of Steel and Heavy Engineering D. O. Letter No. PARL (10)-10/64, dated the 12th March, 1969*].

Comments of the Committee

Please see para 19 in Chapter I of the Report

Recommendation (Serial No. 48)

The Committee desire that the physical verification of stocks which had been taken up may be completed early and the result communicated to them.

Reply of Government

The verification of Metal group and Refractories had been completed on 13-8-1963 and 4-1-1964 respectively.

The Metal group verification revealed an excess of 7657 tonnes (value Rs. 53.60 lakhs approximately). The stock verification of Refractories revealed the following :

Indian Bricks	82,788 Bricks excess	Value
USSR Bricks	2,717,605 tonnes excess	Rs. 6.16 lakhs

[*Ministry of Iron and Steel O.M. No. PARL (10)-10/64, dated the 20th July, 1966*].

Comments of the Committee

The Government have, in their reply, intimated that the verification of Metal Group and Refractories had been completed on 13-8-1963 and 4-1-64 respectively. While verification of stock in the Metal Group had revealed an excess of 7657 tonnes (Value Rs. 53.60 lakhs), verification in refractories had revealed an excess of 82,788 Indian Bricks and 2,717,605 USSR Bricks (total value Rs. 6.16 lakhs). This indicates that the stock accounts are not being maintained properly. The Committee therefore, recommend that regular stock verifications should be made to avoid such discrepancies.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 55)

The Committee view with concern that there had been diversion of Government funds amounting to Rs. 136.77 lakhs and no check was exercised by the H.M.T. to see that money was utilised for the particular purpose for which it had been given. It is all the more regrettable that the diversion of funds was resorted to without the knowledge and approval of the Ministry concerned.

The Committee were assured during evidence that in future fiscal discipline in utilisation of Government funds would be observed. They trust that such cases will not occur in future. They would, however, like the Ministry of Finance to issue strict instructions on the subject.

The Committee also note that a large sum of Rs. 175 lakhs had been disbursed to the Company by Government far in advance of actual requirements. This in the opinion of the Committee is wrong in principle. They would like the Ministry of Finance to look into this aspect and lay down principles to be followed at the time of disbursing funds for specific purposes. (Paragraph 64)

NEW DELHI;

April 26, 1969

Vaisakha 6, 1891 (Saka)

G. S. DHILLON,

Chairman

Committee on Public Undertakings

APPENDIX I

(*Vide* reply to Recommendation at Sl. No. 5, page 6)

COPY OF LETTER NO. CM/12-2(14)/1479, DATED THE 5TH/6TH JUNE, 1964,
FROM THE ASST. GENERAL MANAGER, AIR-INDIA, BOMBAY, ADDRESSED
TO ALL HEADS OF DEPARTMENTS.

Subject : Loss arising from declaring items unserviceable.

Some time back, the Corporation had to write off an amount of about Rs. 93,000 being the value of an item originally intended for use on 1049 Aircraft as it was considered unsuitable for use on the Boeings. The decision regarding its unsuitability for use on the Boeings was not taken with the concurrence of the General Manager and sufficient attention had not been paid to all the aspects of the problems at the highest level in the Department concerned.

2. In such cases involving heavy amounts, a decision as to the suitability or otherwise of an item has to be taken at a high level. Even when where there is sufficient justification to discontinue the use of the item, the adverse commercial effect, if any, on its continued use will have to be weighted against the financial loss arising out of its discontinuance. In any case, the decision to discontinue the use of any such item in favour of better or modified one will have to be taken personally by the Head of the Department and wherever necessary with the concurrence of the General Manager.

3. Necessary instructions may please be issued to all concerned to ensure that all such cases are referred to the Departmental Heads before any final decision is taken.

APPENDIX II

(Vide reply to Recommendation at Sl. No. 10, page 8)

Statement showing the expenditure incurred by I.A.C. on grounded Herons during the year 1962-63 :-

	Rs.
1. Airframe Overhaul	45,245.00
2. Power Plant Overhaul	42,762.00
3. Maintenance	10,464.00
4. Hangar Rent	30,500.00
TOTAL	1,28,971.00

NOTE : The above expenditure does not include the overhead charges amounting to Rs. 35,610.

Sd/-

*Chief Audit Officer,
Indian Airlines Corporation.*

Sd/-

*Govt. Audit Officer,
Resident Audit Party,
Indian Airlines Corporation.*

APPENDIX III

(Vide reply to Recommendation at Sl. No. 13, page 8)

INDIAN AIRLINES CORPORATION

Reservations and Ticketing Manual

Volume 5

Original page one

Observance of IATA rules

Section 15

Observance of IATA regulations which are mandatory and which are introduced on IAC services is very essential.

2. No deviation from these regulations is permissible and in case of any doubts, reference must be made to the Headquarters. All important stations are supplied with the Manual of IATA Traffic Conference Resolutions, the Air Travel Tariff and Air India Manuals and other IATA publications which are to be consulted from time to time.

*Copy of Office Memorandum No. CCM/IATA-I dated 15-4-1966
from Chief Commercial Manager, IAC Hrs., New Delhi to
Commercial Manager, Bombay/Calcutta/Delhi,
Commercial Manager, Madras*

SUB. : Interpretation of IATA Regulations.

As advised to you in the past in case of any doubts in regard to IATA or IAC's rules and regulations, queries must be sent to CCM for clarification. In the past also we have pointed out to this aspect so that all areas conform to the rules and regulations, in which these are to be implemented. This is also incorporated in the tariff Manual.

APPENDIX IV

(Vide reply to Recommendation at Sl. No. 18 Page 9)

INDIAN AIRLINES CORPORATION

SIXTYSEVENTH MEETING

17-12-1965

MEMORANDUM

(Item No. 12)

Physical verification and reconciliation of assets of the Corporation

The last report on the above subject was submitted to the Board at the 40th Meeting held on 23-2-1961 (Item No. 16). This report conveyed the unsatisfactory position in the maintenance of records in different Areas and the various difficulties that were faced in determining the correct position. After persistent efforts the Areas have prepared proper Assets Registers and also given identification numbers to different categories of assets and their location and periodical inventories were taken to reconcile with the master registers. A procedure has been laid down whereby at regular intervals co-ordination is maintained between financial books and the assets registers by the Stores Department. The importance of regular reconciliation of inventories taken at intervals with assets registers is being impressed on the Areas.

2. It may, however, be reported that the position has considerably improved. Master registers are now maintained by Stores Department with appropriate indication of the location where each item is situated and also assets movement from time to time are duly recorded. Each Department is asked to make out inventories or give certificates of holding of the assets by each Department/Section and due control has been introduced in order to minimise, if not to completely eliminate the possibility of loss, theft of pilferage.

3. The recent verification and reconciliation in Bombay and Calcutta Areas have not revealed much to be concerned about. The discrepancies in Bombay Area are confined to a few thousand of rupees. This may be largely due to prompt action not being taken to write off discarded or damaged items. In Calcutta Area the net position reveals a shortage of approximately Rs. 90,000 and the Area has been making efforts to locate the shortages and where necessary to take appropriate write off action. In Delhi Area, however, no action has yet been taken to reconcile the inventories with the assets records. The Area authorities are being asked again to carry out the reconciliation expeditiously and the result of the reconciliation will be reported to the Board at a very early date.

4. This report is meant to bring to the notice of the Board the present situation.

APPENDIX V

(Vide reply to Recommendation at Sl. No. 18 Page 9)

INDIAN AIRLINES CORPORATION

SIXTYSEVENTH MEETING

17-12-1965

MEMORANDUM

(Item No. 13)

Biennial Report on Physical Verification and Reconciliation of Stores for the period ended 31st March, 1964

The last biennial report on Stores Verification and Reconciliation was placed before the Board at the 54th Meeting held on 5th August, 1963. The subsequent biennial report for the financial years 1962-63 and 1963-64 was due to be submitted to the Board after finalisation of the Annual Accounts in 1964 but the discrepancies noticed in some of the Areas being appreciably large, efforts were made to go into the matter at considerable length and to reduce the same. It may be mentioned that the efforts of the Internal Audit have been successful and the differences between the ground balances and the store ledgers (kardex) on the one hand and between the store ledgers and the financial books on the other hand have been considerably reduced. The financial position in each Area is as under :—

Bombay Area

2. The total shortages in ground balances of engineering stores of various types of aircraft was Rs. 7,131/- while there was excess of Rs. 4,555/-. The net shortage, therefore, amounts to Rs. 2,576/-. This shortage on a total stock holding of Rs. 95.73 lakhs as at 31-3-1964 is insignificant. It is proposed to write off this net shortage.

3. As regards other items of stores (namely stationery, uniforms, M.T. Stores, cabin and catering and other miscellaneous stores), there is a net surplus of Rs. 92/- (excess being Rs. 1883/- and shortage being Rs. 1791/-). It is proposed to adjust the net surplus of Rs. 92/-.

4. The above position reflects the differences between ground balances and stores ledger balances. The reconciliation between the stores ledgers and the financial books shows that the stores ledger balances are in excess by Rs. 3,954/- as compared to financial books. This is in respect of both engineering and other categories of stores. It is proposed to adjust this difference. The next adjustment in the financial books would amount to Rs. 1,470/- (i.e. Rs. 3,954—Rs. 2,576+Rs. 92).

Calcutta Area

The shortages in ground balances of engineering stores in Calcutta were Rs. 4,425/- while there was excess of Rs. 10,458/-. The net difference which is surplus in ground balances as compared to the stores ledger records would, therefore, amount to Rs. 6,033/-. This net excess, on a stock holding of

Rs. 213.01 lakhs as at 31-3-1964 cannot be viewed as unsatisfactory as such difference due to human errors are unavoidable.

6. However, from the reconciliation of stores ledgers with the financial books it is noticed that the stores ledger balances are less by Rs. 29,677 while in fact the ground balances on physical verification were more by Rs. 6,033/- as compared to the stores ledgers. It would appear that the notional shortage according to the financial books is due to errors in postings or calculations. It is, therefore, proposed to set off the excess of Rs. 6,033/- noticed in ground balances against the excess of Rs. 29,677/- in the financial books so that the financial books are brought up to the same position as per stores records and both the records tally with ground balances. The net adjustment of Rs. 23,644/- proposed to be made in the financial books is very small compared to the stock holding of Rs. 519.45 lakhs for the period.

7. Calcutta Area has not yet been able to complete their reconciliation of General Stores and Supplies. The matter is being pursued vigorously with a view to completing the reconciliation and a separate report will be submitted to the Board as soon as it is ready.

Delhi Area

8. The discrepancies noticed in Delhi Area, however, are comparatively higher than obtaining either in Bombay or Calcutta Areas. It is not considered worthwhile to pursue the matter further as there is no possibility of narrowing down the difference even with further labour.

9. The physical verification of engineering stores revealed that items aggregating to Rs. 2,05,500 were in excess while some items show shortage of Rs. 2,66,566/-. This results in a net shortage of Rs. 61,066/- in the physical stock as compared to stores ledger records. However, the stock holding of the engineering stores as at 31-3-1964 in Delhi Area was Rs. 210.71 lakhs and the net shortage works to a very negligible percentage of the stock holding. It is proposed to write off this shortage from the stores ledgers so as to bring the stores records at par with the ground balances (on physical verification).

10. The reconciliation between stores ledger balance (before the above adjustment) and the financial books revealed a difference of Rs. 14,318, (balance in financial books being in excess). It is proposed to adjust this difference in the financial books to bring the financial books at par with stores ledger balances and the ground balances.

11. The above difference in Delhi Area does not take into account a sum of Rs. 44,269/- being the value of Ball Bearings stolen from the Store Department. An enquiry is still being made and this amount is still not written off from the stock and though not physically existing, the value taken as a part of the ground balances.

General Stores and Supplies

12. A stock verification of general supplies stores during 1963-64 revealed a net surplus of Rs. 1,932/- as at 31-3-1964. It is not proposed to adjust this net surplus so as to bring up area records to a realistic position for the present since reconciliation between stores records and a financial books is reported to be still in progress as the discrepancies are still considerable (over Rs. 1 lakh on a stock holding of Rs. 7.74 lakhs). A further report will be submitted to the Board in due course.

13. A consolidated statement giving a detailed position of physical verification of engineering stores in each area (aircraft type-wise) and the difference between ground balances and the stores ledger records is appended (Annexure 'A'). Details of the differences between the stores ledgers records and the financial books in each Area are also given in Annexure 'B'. The position of stock (spare parts and consumable stores and tools) as at 31-3-1964 aircraft type wise and area-wise is given in Annexure 'C'.

Summary

14. The above recommendations would result in the following net adjustments in all the three Areas :

Area	Physical verification		Reconciliation between Stores ledger (Kardex) and financial books		Net
	Shortage	Excess	Shortage	Excess	
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
Bombay	2,484	—	—	3,954	1,470(+)
Calcutta	—	6,033	29,677	—	23,644(—)
Delhi	61,066	..	14,318	..	75,384(—)
	63,550	6,033	43,995	3,954	97,558(—)

15. In the last report submitted to the Board, a net surplus of Rs. 9,811/- was arrived at and it was recommended that no adjustments for the present would be carried out but the differences in each Area transferred to Stores verification Suspense Account. It is now proposed to adjust the balance so kept in that account along with the above adjustments so as to bring up the Stores Ledger Balances and the financial books balances to a realistic position as on 31-3-1964.

16. The Board is requested to approve the above proposal.

ANNEXURE 'A'

Statement showing results of physical verifications of ground balances with Stores Ledgers/Karfax for the biennial period ended 31-3-1964
(Amount in Rupees)

	Bombay							Calcutta						
	Excess		Shortage		Difference		7	Excess		Shortage		Difference		
	2	3	4	5	6	7								
1														
Dakota	2,313.40	1,866.41	446.99 (+)	7,846.08	828.77	7,017.31 (+)								
Skymaster	42.83	..	42.83 (+)	738.73	1,419.41	680.68 (-)								
Viscount	345.44	1,017.22	671.78 (-)	65.90	73.79	7.89 (-)								
Fokker	85.57	36.46	49.11 (+)	492.02	2.16	489.86 (+)								
Other Engineering Stores including tools	1,767.28	4,210.89	2,443.61 (-)	1,314.99	21,00.51	785.52 (-)								
	4,554.52	7,130.98	2,576.46 (-)	10,457.72	4,424.64	6,033.08 (+)								
ANNEXURE 'A'—Contd.														
(Amount in Rupees)														
Delhi														
Total														
	Excess		Shortage		Difference		Excess		Shortage		Difference			
8	9	10	11	12	13									
Dakota	29,903.98	27,366.93	2,537.05 (+)	40,063.46	30,062.11	10,001.35 (+)								
Skymaster	78.77	119.48	40.71 (-)	860.33	1,538.89	678.56 (-)								
Viscount	159,504.11	210,577.99	51,073.88 (-)	159,915.45	211,669.00	51,753.55 (-)								
Fokker	..	..	..	577.59	38.82	538.97 (+)							
Other Engineering Stores including tools	16,013.05	28,501.64	12,488.59 (-)	19,095.32	34,813.04	15,717.72 (-)								
	205,499.91	266,566.04	61,066.13 (-)	220,512.15	278,121.66	57,609.51 (-)								

ANNEXURE 'B'

*Statement showing results of reconciliation between Stores Ledger (Kardax)
and Financial Books for the biennial period ended 31-3-1964.*

	Rs.
Bombay	3,953·59(+) Including General Supplies.
Calcutta	29,676·60(—)
Delhi	14,318·33(—)
TOTAL SHORTAGE	<hr/> 40,041·34(—) <hr/>

ANNEXURE 'C'

Spare Parts, Consumable Stores and Tools as at 31st March, 1964

Sl. No.	2	(In Lakhs of Rupees)						Total as on 31-3-63
		Bombay	Calcutta	Delhi	Headquarters	Total as on 31-3-64	7		8
1.	Caravelle	33.70	0.06	0.05	..	..	33.81	..
2.	Viscount	7.31	12.07	156.77	..	..	176.15	149.72
3.	Friendship	4.64	53.88	6.40	..	..	64.92	51.55
4.	Skymaster	0.96	43.40	0.93	..	..	45.29	46.72
5.	Dakota	38.45	62.91	38.06	..	..	139.42	122.41
6.	Electrical Instruments and Radio Spares—for both Skymaster & Dakota . . . . .	..	22.63	..	..	..	22.63	21.06
7.	Heron . . . . .	..	..	..	..	..	..	15.70
8.	Other Engineering Stores	6.84	13.27	£.50	..	..	28.61	28.26
9.	General Tools	9.83	4.79	..	..	..	8.62	8.63
		95.73	213.01	210.71	..	..	519.45	444.05

APPENDIX VI

(Vide reply to Recommendation at Sl. No. 18 Page 9)

INDIAN AIRLINES CORPORATION

*Extract from the Minutes of the Meetings of the F.A. & C.A.Os.
and Audit Officers of the IAC called by the Financial
Comptroller on 1st and 2nd March, 1966.*

× × × × ×
× × × × ×

The Financial Comptroller said that a joint meeting of the Finance Officers and the Audit Officers had been called to discuss the two important items relating to Assets verification and the Stores verification. He told the officers present that the delay in the completion of the work relating to these verifications, particularly of assets had been adversely commented upon by the Board. He desired that efforts should be made to ensure that the work is completed according to the laid down schedules.

× × × × ×
× × × × ×

APPENDIX VII

[[*Vide* reply to Recommendation Sl. No. 21 (Para 30)]]

Copy of reply to Recommendation at Sl. No. 34 (para 141) of 30th Report of C. P. U. on Bhilai Steel Plant

Recommendation Serial No. 34

The upward revision of estimates of capital expenditure necessitated due to incomplete estimates being prepared initially has been the subject of criticism of this Committee and the Estimates Committee in the past. The Committee would like to reiterate that estimates of capital investment for setting up a project should, as far as practicable, be complete in all respects. The practice of a seeking the approval of Govt. bit by bit is misleading. The Committee would suggest that the Government should refuse to entertain incomplete schemes. A check about the completeness of the estimates can be carried out if the suggestion made in para 150 of the Committee's Thirteenth Report is implemented. (Para No. 141).

Reply of Government

The Manual of Feasibility Studies brought out by the Planning Commission takes into account the deficiency in this regard. Under the present arrangement the procedure falls broadly under the following three stages :—

- (1) Project formulated on the basis of the Five Year Plan.
- (2) Preparation of preliminary project Report/Feasibility Study.
- (3) Preparation of Detailed Project Report.

The main points to be covered in Feasibility Report are Demand study, Technical features, location, Project Estimates (including foreign exchange component of capital costs giving details of inescapable imports of plant and equipment), Project Estimates (Operating and production costs), profitability and cash-flow analysis, and cost-benefit analysis. Thus it will be seen that the procedure now to be followed would cover the deficiencies which had been noticed in the past.

APPENDIX VIII

(Vide reply to Recommendation at Sl. No. 28, page 12)

Details of Maintenance Facilities Organised at the Rourkela Project

Maintenance works at the Rourkela Steel Plant are centralised under Engineering Services through departments as follows according to principal functions involved :

1. Daily and routine maintenance and repair works at principal plant units.
2. Heavy Maintenance and Construction.
3. Preventive Maintenance.
4. Lubrication.
5. Civil Maintenance.
6. Machine and Allied Shops to aid maintenance and repair works
7. Spares—investigations, recommendations, etc.
8. Design & Drawing office for maintenance workers (civil mechanical and electrical).
9. Relining and repair works (Refractory on all furnaces Hot Metal mixers, Ladles, Soaking Pits, Pickling tanks, etc.

1. *Daily and Routine Maintenance and Repair works*

Mechanical : Mechanical Maintenance units are organised and located at each of the principal plant units. Each of these Sections is headed by a trained senior Engineer. These units undertake maintenance and repair works as and when they arise besides regular check up and lubrication of the equipment and installations under their charge.

Electrical : The Chief Electrical Engineer is in charge of electrical maintenance at all principal plant units. Besides works of electrical maintenance and repairs all over the Plant the Electrical Department also maintains all overhead cranes at all plant units. An Electrical Repairs Shop exists which undertakes repairs of electrical assemblies. It has capacity to undertake repairs of transformers up to capacity 3000 KVA and Ht. and Lt. motors up to 5000 KVA. Facilities are under way for larging of commutators and repairs of big armatures.

2. *Heavy Maintenance and Construction*

This is a Department under an experienced Manager, organised with requisite skilled workers and trained Engineers to undertake heavier mechanical repair works in the different plant units in association with local mechanical maintenance units and electrical maintenance as well as modifications considered necessary on Plant. Such works are usually planned and have to be performed under schedule. The Heavy Maintenance and Construction department maintains a small mechanical workshop to

under take repairs of assemblies of equipment, reconditioning some parts for re-use etc. As essential tools of maintenance the Department also maintains, repairs and operates special equipment like Gradall and Eimco Steel Mill excavators (tearing down furnaces for relining, handling debris in shop etc.), demolition tools, dumpers, mobile cranes, forklifts, etc. Facilities of trained skilled workers and equipment exist with this Department to handle vulcanising heavy conveyor belts.

Preventive Maintenance

No. 3 Preventive Maintenance Section under the Chief Mechanical Engineer has started the preparation of Maintenance and Inspection Schedules for equipment to minimise the down time by timely maintenance action and to increase the equipment life. This is a very big job. The functions of this Cell is also to introduce uniform system of record of maintenance and repair works carried out on all equipment including information of spares requirement and drawings. Similarly Chief Electrical Engineer deals with Preventive Maintenance on Electrical side.

4. Lubrication

There is a central lubrication section under the Heavy Maintenance Department (described above) to supervise procurement, storage, distribution and dispensing of lubricants in all Departments. This Section prepares lubrication schemes on important equipment and plant. Advises on correct methods of lubrication, arranges dispensing equipment and generally keeps a watch on lubrication efficiency. It also standardises grades and brands.

5. Civil Maintenance

Heavy maintenance and repair works necessarily involve civil work on ripping and re-making foundations, rail-tracks in shops (repair and relaying), relocation of heavier equipment, construction of fresh structures, maintenance and construction of roads and buildings, etc. For this purpose there is a Civil Engineer of the rank of Superintending Engineer in charge of the Civil Maintenance Department. Besides the civil maintenance functions described above this Department undertakes regular painting works at all plant units and modification of existing installations in the Plant as well as at auxilliary establishments like Water Supply installations.

6. Machine and Allied shops to Aid Maintenance and Repair Works

For attending to breakdowns and to meet day-to-day requirement of simpler parts as well as to perform all machining, welding and other engineering work to aid maintenance and repair we have a Central Repair Shop. This has a light machine shop, heavy machine shop, fitting shop, forge and heat treatment shop and a wagon repair shop. The shop capacity as initially planned, keeping in view the prospective large shops of the Heavy Engineering Corporation, are not adequate. This is being extended so as to meet breakdown requirements adequately. A separate and larger Wagon Repair Shop is also being erected so that heavy repair of all types of wagons may be undertaken to adequate extent. There are small site workshops attached to plant units to take care of small machining Jobs and day-to-day requirement of minor hardware.

7. Spares

The basic need in all maintenance and repairs works is the regular and reasonable stocking of necessary spares.

A General Spare Parts Cell has been organised during the early part of 1963 and is manned by both experienced German Engineers and Hindustan Steel's own. They have also taken over the functions of scrutinising the indents for spares originating from the various Maintenance Units. This Cell also assists the Controller of Stores and Purchase in making out necessary part component drawings by themselves plant design to obtain spares from indigenous sources to minimise the imports.

Efforts are being made to have as many parts made locally with assistance of larger Engineering shops like Heavy Engineering and other nearby as possible. The work of classifying and standardising spares accordingly is proceeding.

8. Design and Drawing Office for Maintenance Work (Civil & Mech.)

To enable works of modifications and construction in the existing Plant under operation, the Plant Design Department makes necessary investigation and furnishes specifications and drawings. It also prepares and furnishes drawings as and when necessary for manufacture of spare parts though with its present strength it is unable to undertake regularly and under a programme the work of preparation of detailed drawings for all spare parts in the Plant. The Department is also intended to prepare layout drawings for new workshops, offices, stores, etc. in the Plant. It maintains records of drawings, operation and maintenance manuals, project report, etc. and the total property register for the Plant.

9. Relining & Repair Works (Refractory) on all Furnaces, Hot Metal Mixers, Ladles, Soaking Pits, Pickling Tanks, etc.

A refractories Department has been organised with qualified and experienced Refractory Engineers and does the relining, rebuilding and running repairs of furnaces, mixers, converters and ladles all over the Plant. The Department is equipped with special machines, like air-trace drilling machine, Gradall Steel Mill excavators, Torkret spraying machines, liftikus hoists, brickcutting machine, forklifts and pneumatic pavement breakers and rammers. They also operate a mud preparation plant.

It might be mentioned here that the present organisation of maintenance in Central Manner has started only a few months ago and has evolved out of plant mechanical maintenance (which is the pre-dominant maintenance work) being done by mechanical maintenance units working under local administrative and technical control of the plant units themselves. The Heavy Maintenance Department existed under the Chief Mechanical Engineer to aid the local maintenance units on requisition but it has come into active part only since centralisation. Electrical Maintenance has since the beginning been centralised under the Chief Electrical Engineer. Centralisation has not yet taken full effect but the final organisation of the Engineering services group of Departments (which include other services like the Power Plant, the Water Supply Department) under discussion and its finalisation takes full account of organisational need in this behalf. Accordingly maintenance which is the basis of continuous production is being put on sound footing in all respects.

APPENDIX IX

(Vide reply to Recommendation at Sl. No. 29, page 13)

Statement indicating works cost (Rs./Tonne) in respect of ingot steel for Rourkela, Bhilai and Durgapur Steel Plants under Hindustan Steel Limited and for TISCO and IISCO.

Year	Rourkela			Bhilai	Durgapur	*TISCO	*IISCO
	O. H.	L. D.					
1	2	3	4	5	6	7	
1961-62	269.47	269.04	222.07	247.37	217.82	219.06
1962-63	246.00	246.65	223.89	232.88	221.36	224.26
1963-64	257.95	233.81	214.41	216.04	234.32	224.86
1964-65	243.45	230.81	235.32	226.95	247.20	246.49

*Based on Report of the Committee on Cost of Production of Steel.

APPENDIX X

(Vide reply to Recommendation at Sl. No. 66 page 22)

*Steps taken by the National Coal Development Corporation
Limited to reduce the closing stock of stores and spare parts to
a more reasonable proportion*

1. As a result of carrying out ABC Analysis in different revenue Collieries, a master-list has been drawn up covering only those items falling under the categories of A & B items which constitute approximately 95% to 98% of the total annual expenditure in the projects on stores and spare parts. This master-list is used as a guide for placing indents by the existing collieries and this list will also be taken as a guide for initial stocking of new projects.

2. The indents placed are reviewed periodically, particularly those which are more than 6 months' old, for cancelling unwanted items.

3. For items classified as A and B items in the ABC Analysis, direct NCDC rate and running contracts are being concluded so that the quantum of inventory at any time may be restricted to the minimum. So far such rate and running contracts have been concluded in respect of 36 different categories of stores. These are over and above the rate contracts concluded by the D.G.S. & D., New Delhi.

4. In an Organisation like NCDC where a large number of projects are operating in different areas, the quantum of inventory and safety stock can be reduced by holding bulk quantities in the Regional Stores. Regional Stores are now being set up in different regions. Under this system only the fast moving items are to be stocked in the Colliery Stores and the balance stocks are to be held in the Regional Stores.

5. In respect of slow moving items, a further analysis termed "XYZ" Analysis is being carried out to determine the items without consumption for three or more years. Such items are being scrutinised by the technical authorities for retaining the insurance items and for disposal of the unwanted stocks, if any.

6. The procurement cost is being reviewed periodically for reducing the cost on establishment and other incidental expenses. By doing so, the Economic Order Quantity is being proportionately reduced.

7. When fresh indents are placed, stocks held in the Central Stores and any other surpluses available in other projects are off-set before procurement and only net requirements are procured.

APPENDIX XI

(Vide reply to Recommendation at Sl. No. 77 page 27)

*Statement showing the Break-up of the Sundry Debtors on Account of
Sale of Coal/Coke etc. as on 31-3-1964*

Sl. No.	Name of Party	Amount
1	2	3
		Rs.
1.	Railways	1,05,14,505·71
2.	Govt. Deptt. including State Govt. Undertakings	1,10,53,303·10
3.	M.P. Elec. Board	
4.	Bokaro Thermal Power Station	39,34,269·57
5.	Govt. of India Undertakings	23,37,218·43
	I. Hindustan Steel Ltd.	
	(i) Bhilai	1,08,69,667·47
	(ii) Rourkela	98,33,455·78
	(iii) Durgapur	79,913·15
	(iv) Dugda Washery	1,542·37
	(v) H.S.L. Dhanbad	290·50
	II. Hindustan Chemical & Fertiliser Limited, Nangal	1,725·07
	III. Sindri Fertilizer Ltd.	15,563·59
	IV. Hindustan Shipyard, Vizagapatnam	160·06
	V. Neyveli Lignite Corpn. Ltd.	24,693·87
	VI. Heavy Eng. Corpn. Ltd.	36,755·48
	VII. Hindustan Machine Tools	11,054·11
	VIII. Fertilizer Corpn. of India	36,126·09
6.	Private Parties	1,68,80,383·15
		6,56,30,627·50
	Less intercolliery adjustment and Korba Partnership Project	79,04,179·64*
	Net Outstanding relating to NCDC	5,77,26,447·86

*This includes a sum of Rs. 22,13,591 representing difference between subsidiary ledger balance and Central ledger balance etc., of which the work of reconciliation is in progress.

APPENDIX XII

(Vide reply to Recommendation at Sl. No. 77 page 27)

Statement of Sundry Debtors (Coal)

Name of the Party	Balance as on 31st Oct., 1965	More than 1 year <i>i.e.</i> Outstanding as on 31st Oct., 1965 against Coal despatched upto 31st March, 1964
1	2	3
	Rs.	Rs.
1. Railways	1,51,95,843	44,54,913
2. Govt. Department including State Government undertakings	75,60,930	47,43,800
3. M. P. Electricity Board	56,64,539	9,97,453
4. Bokaro Thermal Power Station	23,41,490	13,08,261
5. Government of India undertakings :—		
I. H.S.L. (i) Bhilai	13,92,882	72,803
(ii) Rourkela	30,30,106	5,68,578
(iii) Durgapur	13,93,223	36
(iv) Dugda Washery	2,73,702	1,535
II. Hindustan Chemical Fertilizer Ltd.	3,866	1,725
III. Sindri Fertilizers Ltd.	9,520	9,520
IV. Neyveli Lignite Corporation Ltd.	48,382	15,222
V. Heavy Engineering Corporation Ltd.	12,994	2,349
IV. Hindustan Machine Tools	34	34
6. Private Parties	2,08,55,437	33,34,027
TOTAL	5,77,82,947	1,55,10,256

APPENDIX XIII

(Vide reply to Recommendation at Sl. No. 90 page 27)

Recommendations made by the Committee on Manganese Ore and the action taken thereon

Sl. No. recommendations as given in Report	Recommendations	Action taken
1	2	3
1(ii)	World Resources of Manganese ore— a survey of Resources in India and other countries.	The Department of Mines and Metals have advised the Controller, Indian Bureau of Mines and the Director-General, Geological Survey of India to supply to interested parties published monographs on the Surveys conducted by them.
2-3	Physical and Chemical Characteristics of Manganese ore, Benefication and blending.	The recommendations of the Mineral Ores Export Advisory Committee for the nomination of a suitable agency that would carry out techno-economic feasibility studies for the establishment of a pilot plant or a full project for the beneficiation of low grade manganese ore, is under consideration of the Department of Mines and Metals.
4.	Transportation and port handling :	
(a)(i)	Road Transport	The development of roads for the movement of minerals has been proposed for being given due weight-age in the Fourth Plan.
4(b)		
4(d)	Rail/Ocean Transport	In order to improve the position of Indian ores in the world market Government have embarked upon integrated schemes for the development of Mines, Road and Rail Transport and the Ports. Development at the ports includes Mechanical Ore Handling facilities; dredging of the ports and construction of Outer Harbours to admit large sized carriers. With the completion of these projects, the ocean freight from Indian ports shall be considerably reduced, making the Indian ore more competitive in the international market.
5(iv)	Mining, Mines Management and Mine Financing.	The proposal to set up a Mining Finance Corporation for assisting the Manganese ore industry was carefully examined but found unworkable on various considerations.

1	2	3
		<p>The Department of Mines and Metals have however, taken steps to give to the mining industry priority in obtaining loans/funds from existing financial institutions like IFC, Industrial Development Bank etc.</p> <p>Minerals and Metals Trading Corporation has also been giving financial assistance to the mine owners/suppliers of manganese ore in the course of their normal business transactions.</p>
6.	Mining Legislation and Fiscal Levies.	<p>Action taken in the Department of Mines and Metals in regard to various levies connected with manganese ore industry is as under :—</p> <p>The Committee on Fiscal reliefs, set up by the Department of Mines and Metals on the recommendations of the Mineral Advisory Board in its meeting held at Bhubaneswar on 21st and 22nd June, 1966, has recommended grant of fiscal relief to the mining industry in regard to depreciation, development rebate etc. The recommendations were forwarded to Committee for rationalisation of the tax structure under the Chairmanship of Shri Boothalingam for consideration. The recommendations of this Committee are under consideration of Government.</p>
6(ii)	Sales Tax	<p>The relief on Sales Tax on Manganese ore is linked with the general issue. Article 286 of the Indian Constitution prohibits levy of sales tax on goods sold in the course of export. The expression used in the Article 286 has been held to apply only to goods the sale of which forms in integral part of transaction of an export sale, with the result that where an exporter purchases a commodity within the State and then puts it on board, such a sale, though a complete export sale, is not regarded as one coming within the prohibition of Article 286. This difficulty was examined by the Saraiya Committee, who recommended that two sales prior to the sale in the course of export be exempted from local sales tax. The Committee further recommended that Central Government should give adequate compensation to the States which may</p>

1	2	3																						
		suffer a not insignificant loss of revenue as a result of implementation of the Committee's recommendations. The question of compensation to the State which is a pre-requisite of Saraiya Committee's recommendation for relief on Sale Tax is still under consideration.																						
6(v)	Royalty and Dead Rent	<p>The Department of Mines and Metals have fixed the following rates of royalty for manganese ore through notification No. 1(44)/67-MII dated 29-6-68.</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">Rs. per tonne</th> </tr> </thead> <tbody> <tr> <td>(a) Manganese dioxide</td> <td style="text-align: right;">15/-</td> </tr> <tr> <td>(b) 46% Mn. & over</td> <td style="text-align: right;">6/-</td> </tr> <tr> <td>(c) 35% Mn. & above and below 46% Mn.</td> <td style="text-align: right;">3/-</td> </tr> <tr> <td>(d) Below 35% Mn. but above 25% Mn.</td> <td style="text-align: right;">2/-</td> </tr> <tr> <td>(e) 25% or below</td> <td style="text-align: right;">1/-</td> </tr> </tbody> </table> <p>The Dead rent has also been revised vide Notification No. 1(42)/67-MII, dated 30-3-68 as follows :—</p> <table border="1"> <thead> <tr> <th>Period of mining lease</th> <th>Rate of dead rent per hectare</th> </tr> </thead> <tbody> <tr> <td>1. First year</td> <td>NIL.</td> </tr> <tr> <td>2. Second year to 5th year.</td> <td>Rs. 12.50</td> </tr> <tr> <td>3. 6th year to 10th year.</td> <td>Rs. 25.00</td> </tr> <tr> <td>4. 11th year onwards</td> <td>Rs. 37.50</td> </tr> </tbody> </table>		Rs. per tonne	(a) Manganese dioxide	15/-	(b) 46% Mn. & over	6/-	(c) 35% Mn. & above and below 46% Mn.	3/-	(d) Below 35% Mn. but above 25% Mn.	2/-	(e) 25% or below	1/-	Period of mining lease	Rate of dead rent per hectare	1. First year	NIL.	2. Second year to 5th year.	Rs. 12.50	3. 6th year to 10th year.	Rs. 25.00	4. 11th year onwards	Rs. 37.50
	Rs. per tonne																							
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6(vi)	Manganese Mines Labour Welfare Fund—Legislation.	The question of creation of Labour Welfare Fund in manganese mines has been deferred.																						
6(ix)	Labour Safety	Under Section 83(2) of the Mines Act 1962, the Chief Inspector of Mines has been empowered to exempt, subject to any specified conditions, any mine or part thereof from the operation of rules 33 and 34 of the Mines Rules, 1955 relating to latrines and Urinals, if the Chief Inspector of Mines is of the opinion that the conditions in that mine or part thereof are such as to render compliance with such provision unnecessary or impracticable. In case of difficulty any manganese mine owner can apply to the Chief Inspector of Mines for necessary relaxation.																						

1	2	3
7.	Marketing of Manganese ore	<p data-bbox="629 220 1007 393">Rule 64 of the Mines Rules, 1955 Provides that the mines employing more than 250 workers have to maintain canteens. In the case of Manganese ore about 175 mines employ less than 250 workers, hence provision of canteen is not necessary in their case.</p> <ul data-bbox="600 414 1007 560" style="list-style-type: none"> • Export of manganese ore is canalised through the MMTC/MOIL since 15-7-1965. In spite of difficulties, MMTC has been able to maintain exports at a level of about 12 lakh tons which is the average of last few years. <p data-bbox="629 578 1007 833">MMTC also keeps itself informed of the trends in manganese market through their foreign offices and by sending Sales Teams to the prospective markets. In order to help in reducing the cost of production MMTC is providing financial assistance to mine owners/suppliers of manganese ore for developing and modernising their mines and purchase of trucks etc. in the course of their business transactions.</p>

APPENDIX XIV

(Vide reply to Recommendation at Sl. No.93 page 31)

THE STATE TRADING CORPORATION OF INDIA LTD.

(Break-up demurrage commoditywise during year 1957-58 to 1961-62)

Sl. No.	Commodity	1957-58	1958-59	1959-60	1960-61	1961-62	Total	
							1957-58 to 1961-62	1961-62
1	2	3	4	5	6	7	8	8
1.	Iron Ore	5.95	0.75	3.37	16.50	2.52	29.09	29.09
2.	Manganese ore	0.58	..	..	..	0.61	0.74	0.74
3.	Copper . . . . .	..	..	..	0.01	..	0.01	0.01
4.	Soda Ash . . . . .	..	0.01	0.01	0.23	0.15	0.40	0.40
5.	Newsprint . . . . .	..	0.20	..	0.10	0.25	0.55	0.55
6.	Camphor . . . . .	..	..	..	0.008	..	0.008	0.008
7.	Raw Silk . . . . .	..	..	..	..	0.005	0.005	0.005
TOTAL		6.53	0.96	3.38	16.848	3.085	30.803	30.803

(Value in lakhs of Rs.)

APPENDIX XV

(*Vide* reply to Recommendation at Sl. No. 142 page 39)

No. BPE/46/ADV-F/68/25

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

New Delhi, the 27th December, 1968.

OFFICE MEMORANDUM

SUBJECT : *Pricing Policies of Public Enterprises.*

The pricing policies for public enterprises were recently considered by the Government at the highest level and it has been decided that public enterprises should be economically viable units and an all out effort should be made to increase their efficiency and establish their profitability at the earliest. It was decided that it would not be necessary or advantageous to lay down guide-lines in regard to pricing policies to be followed by enterprises which produce goods in respect of which the prices are subject to regulations of a binding type either voluntarily by mutual arrangements or due to domestic or international regulations. It may also not be necessary to prescribe any guide-lines for trading organizations like, STC, MMTC, etc.

2. So far as the enterprises which produce goods and services in competition with other domestic producers, the normal market forces of demand and supply will operate and their products will be governed, by and large, by the competitive prices prevailing in the market.

3. It was, however, felt that it would be useful to have suitable guide-lines for those enterprises which operate under monopolistic or semi-monopolistic conditions. In regard to pricing policies to be adopted by such enterprises the following guide-lines will be useful for the consideration of their Board of Directors :—

- (a) The pricing of their products should be within the basis of the landed cost of comparable imported goods which would be the normal ceiling (and not on the basis of c.i.f. prices). In calculating the landed cost the normal price of such goods in the country of their origin should be taken into account in cases where exports of such goods are subsidised on any appreciable scale either directly (or) indirectly. [Please see also under (c) below].
- (b) Within the ceiling of the landed cost, it would be open to the enterprises to have price negotiations and fix prices at suitable levels for their products which would give them a reasonable return on the capital invested. It was also desirable that the prices so fixed should be operative for a period of 2-3 years.

- (c) Ordinarily, the landed cost should be regarded as the absolute ceiling. If, however, in assessing the landed cost, there are reasons to believe that the imported FOB/CIF prices are artificially low, or in other exceptional circumstances, where our own cost of production is very high, it may be necessary to have the prices higher than the landed cost; in such circumstances the matter should be referred to the administrative Ministry concerned for examination in depth in consultation with the Ministry of Finance, Bureau of Public Enterprises, etc.

4. The Ministry of Industry etc. are requested to bring the contents of this O.M. to the notice of all undertakings under their control for their guidance.

Sd/- (P. GOVINDAN NAIR),
 Secretary to the Government of India
 and Director General, Bureau of Public Enterprises.

To

All Ministries & Departments of
 the Government of India.

Copy to :

All Financial Advisers and Dy. Fas in the
 Finance Ministry.

APPENDIX XVI

(Vide reply to Recommendation at Sl. No. 9)

No. 14-CA(13)/62

GOVERNMENT OF INDIA

MINISTRY OF CIVIL AVIATION

New Delhi, Dated the 16th October, 1964.

OFFICE MEMORANDUM

SUBJECT : P. A. C.,—*Consideration of appropriation Accounts (Civil) 1961-62—Audit Report (Civil), 1963 and Audit Report (Commercial), 1963.*

The undersigned is directed to refer to the Lok Sabha Secretariat's Office Memorandum No. 2/1/6/PAC, dated the 31st January, 1964 on the subject noted above and to forward herewith 5 copies of a note, duly vetted by Audit, giving the required information.

Sd/-

Deputy Secretary,
to the Government of India.

To

The Lok Sabha Secretariat,
New Delhi.

Notes/Statements to be furnished to the P.A.C. on the following points on which the Committee desired to be furnished with further information at their sitting on 23-1-1964.

Sl. No.	Point on which information is required to be furnished to the P.A.C.	Government's reply
	<i>Audit Report (Commercial), 1963</i> <i>Page 7, Para III(3)—Capacity utilized</i> The Committee were informed that a load factor of 49.9 per cent was achieved during the period April-November, 1963 on the India-U.S.A. Sector. What was the load factor reached during the same period over other sectors operated by Air-India ?	A note (Note I) giving the required information is attached.
	<i>Annual Accounts for the year 1962-63</i> A note showing the item-wise break up of expenditure under the head 'Sales promotion' with special reference to agents tours, entertainment and publicity for the year 1962-63.	A note (Note II) showing the expenditure incurred by the Corporation on sales promotion and entertainment is attached.

(V. SHANKAR),
Secy. to the Govt. of India.

NOTE 1

Load Factors of Air-India Services

In the course of the discussions in the Public Accounts Committee on 23-1-1964, regarding the decline in the overall load factor from 58.2% in 1959-60 to 47.3% in 1960-61 and 43.7% in 1961-62 respectively vide para 3 of the Audit Report (Commercial) 1963, it was explained that it would not be realistic to compare load factor of 1959-60, when the Corporation's fleet was made up of piston engined aircraft of lower capacity with the load factors for the subsequent years when the Corporation was operating with the mixed fleet of large capacity jets and piston-engined aircraft and subsequently wholly with jet aircraft.

2. The tremendous increase in capacity during the years will be seen from the particulars given below :—

Year	Operating fleet at the end of the year	Capacity in million ATKm.	Load Factor %
1959-60	9 Super Constellations	93.486	58.2
1960-61	3 Boeing Jets		
	9 Super Constellations	161.45	47.3
1961-62	5 Boeing 707 Jets		
	5 Super Constellations	216.64	43.7
1962-63	6 Boeing 707 Jets	252.05	45.3
1963-64 (10 months)	Do. . . . .	..	47.9

As will be seen with the steep increase in the capacity, the load factor declined but with the change-over to a homogenous fleet consisting wholly of jets, the load factor has improved.

3. The P.A.C. desired to know the load factor reached during the period April to November, 1963 over sectors other than India-USA sector. A statement giving the required information is attached.

AIR INDIA

Overall Load Factor achieved during the period April/November, 1963

	Overall Load Factor (%)
India-U.S.A.	49.9
India-Japan	37.4
India-Australia	50.4
India-Indonesia (July-November, 1963)	44.1
India-East Africa	47.7
India-U.S.S.R.	57.0
Combined	47.9

NOTE II

Expenditure on Sales Promotion and Entertainment

During the discussions of the Public Accounts Committee on 23-1-64, it was mentioned that of the total expenditure of Rs. 137·98 lakhs on Publicity and Sales Promotion for the year 1962-63 as given in the Annual Report, an amount of Rs. 29·81 lakhs was in respect of Sales Promotion. The Public Accounts Committee desired to have the breakdown of this expenditure.

2. The accompanying statement will show the breakdown of the expenditure of Rs. 29·81 lakhs territory-wise as also according to the nature of expenditure incurred.

3. We have in all 26 on-line offices and 62 off-line offices in the different territories shown in the statement. The expenditure on sales promotion is incurred by all these offices. The expenditure is the highest in respect of the USA (Rs. 8·65 lakhs). U.K. Europe and Australia also account for a substantial portion of the expenditure. In these four territories together, we have 9 on-line offices and 42 off-line offices, and out of the total of Rs. 29·81 lakhs, the expenditure in respect of these territories alone is Rs. 19·18 lakhs.

4. It has also to be mentioned in this context that the expenditure on entertainment varies from country to country. It is the highest in USA, where food and refreshments cost more than in any other part of the world.

5. The nature of the expenditure as mentioned in the statement is self-explanatory in most of the cases. However, the following further remarks are furnished in respect of one or two items :—

(i) *Entertainment on Sales Contacts* : This is the main item of Sales Promotion expenditure constituting a total of Rs. 19·40 lakhs. Such entertainment *inter alia* includes educational campaigns followed by film shows, parties, etc. to meet agents and contacts with a view to promote tourist traffic and organise creative tours.

(ii) *Club Membership of Sales Staff* : This represents expenditure on membership of clubs for our Station Heads and other Sales Officers. Membership of such clubs is necessary to enable the Senior Staff to keep a incontact with the

prospective customers and the business community. Therefore, the membership of such clubs is commercially one of the means for promoting sales.

Sd/- K. K. UNNI,

Assistant General Manager, Air-India.

Verified

Sd/-

Resident Audit Officer (AIR-INDIA)

Statement showing the breakdown of actual expenditure of sales promotion and entertainment during the year

1962-63

Territory	(Rs. in lakhs)							
	1	2	3	4	5	6	7	8
	Entertainment of Sales contacts	Agents Educational tour	Club membership of Sales staff	Cocktail parties for important functions	Expenses on invitees for inaugural flights	Other Expenses	Total	
U. S. A.	6.38	0.07	1.17	1.11	0.05	0.87*	8.65	
U. K.	1.85	0.27	0.02	0.68	0.88	..	3.70	
Europe	2.90	0.19	0.04	0.51	0.03	..	3.67	
Egypt	0.59	0.09	0.01	0.04	..	..	0.73	
Bahrain	0.19	..	0.00	0.02	0.02	..	0.23	
Kuwait	0.11	..	..	0.02	..	..	0.13	
Lebanon	0.42	0.02	0.00	0.03	..	..	0.47	
East Africa	0.88	..	0.02	0.05	0.02	..	0.97	
U.S.S.R.	0.09	..	..	0.02	0.42	..	0.53	
Malaya	0.57	..	0.01	0.02	0.05	..	0.65	
Indonesia	0.13	..	0.01	0.03	..	..	0.17	
Australia	0.89	0.04	0.03	0.18	0.02	..	3.16	
Thailand	0.48	0.01	0.01	0.10	..	..	0.60	
Hong Kong	0.88	0.08	0.00	0.04	..	..	1.00	
Japan	1.19	0.14	0.01	..	..	..	1.34	
Sub-total	17.55	0.91	0.33	2.85	3.49	0.87	26.00	
India, Pakistan and Ceylon	1.85	0.41	0.08	0.17	1.30	..	3.81	

*1. Contribution to publicity in connection with Centenary 21, 1962 through Govt. Director of Tourism New York (Rs. 0.38 lakhs).
 2. Special publicity programme for Seattle World Fair (Rs. 0.49 lakhs) through Van Brunt & Co., New York.

Sd/- K. K. UNNI,
 Assistant General Manager
 (Air-India).

Verified.
 Sd/-
 Resident Audit Officer.
 (Air-India).

APPENDIX
(Vide Recommendation

Vide Sr.

Statement showing the staff position during the year 1960-61, 1961-62 and 1962-63

	1959-60	At the close of 1960-61			Percentage increase over the pre-year
		Additional	Reduction	Total strength	
(1)	(2)	(3)	(4)	(5)	(6)
1. Operations	776	—	9	767	-1.16%
2. Traffic	1,967	26	—	1,993	+1.32%
3. Engineering	3,327	18	—	3,345	+0.51%
4. Finance	1,093	—	1	1,092	-0.09%
5. Surface Trpt.	656	16	—	672	+2.44%
6. Catering & Cabin	303	—	34	269	-11.22%
7. Gen. Admn.	1,231	1	8	1,223	-0.65%
	9,553	60	52	9,561	

The overall increase in staff strength in the above period was 8 i.e. 0.08%.

Sd/-

*Govt. Audit Officer,
Resident Audit Party,
Indian Airlines Corporation.*

XVII

at Sl. No. 15)

No. 15)

and the additions made each year.

At the close of 1961-62				At the close of 1962-63			
Additional	Reduction	Total strength	Percentage increase over the pre-year	Additional	Reduction	Total strength	Percentage increase over the pre-year
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
30	—	797	+3.91%	51		848	+6.40%
	14	1,979	-0.70%	114		2,093	+5.76%
	73	3,472	-2.04%	266		3,738	+7.66%
33	—	1,125	+3.02%		14	1,111	-1.24%
	6	666	-0.89%		6	660	-0.90%
22		291	+8.18%		2	289	-0.69%
279		1,502	+22.81%	73		1,575	+4.86%
364	93	9,832		504	22	10,314	

The overall increase in staff strength in the above period was 271 i.e. 2.83%.

The overall increase in staff strength in the above period was 482 i.e. 4.90%.

Sd/-
 Chief Audit Officer,
 Indian Airlines Corporation.

APPENDIX

(Vide Serial

Statement showing the overtime particulars for

	1959-60			1960-61			Percentage increase over the pre- year
	Normal	Holiday	Total	Normal	Holi- day	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Operations . . .	6.40	0.13	6.53	9.12	0.28	9.40	+44%
2. Traffic . . .	1.87	1.90	3.77	3.73	2.39	6.12	+62%
3. Engineering . . .	7.39	3.09	10.48	16.67	4.30	20.97	+100%
4. Finance . . .	0.59	0.19	0.78	1.11	0.18	1.29	+65%
5. Surface Trpt. . .	1.72	0.60	2.32	3.01	0.78	3.79	+63%
6. Catering & Cabin . . .	0.96	0.40	1.36	2.00	0.45	2.45	+80%
7. Gen. Admn. . .	1.27	0.28	1.55	2.28	0.36	2.64	+70%
TOTAL . . .	20.20	6.59	26.79	37.92	8.74	46.66	+74%

Sd/-

Govt. Audit Officer,
Resident Audit Party,
Indian Airlines Corporation.

XVIII

No. 15)

the years 1960-61, 1961-62 and 1962-63.

(Rs. in lakhs)

1961-62				1962-63			
Normal	Holiday	Total	Percentage increase over the pre-year	Normal	Holiday	Total	Percentage increase over the pre-year.
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
8.18	0.19	8.37	-11%	11.70	0.25	11.95	+42%
5.34	2.82	8.16	+33%	6.46	3.10	0.56	+17%
22.27	4.80	27.07	+29%	24.89	4.40	29.29	+8%
1.99	0.12	2.11	+64%	2.07	0.49	2.26	+7%
3.42	0.91	4.33	+14%	3.83	0.97	4.80	+11%
2.67	0.50	3.17	+29%	2.54	0.51	3.05	-4%
2.42	0.41	2.83	+7%	2.75	0.48	3.23	+14%
46.29	9.75	56.04	+20%	54.24	9.90	64.14	+14%

Sd/-

Chief Audit Officer,
Indian Airlines Corporation.

APPENDIX XIX

(Vide reply to Recommendation at Serial No. 15)

Statement showing the increase in work-load which can be judged from the following A. T. K. and R. T. Ks.

(In million Tonne Kilometres)

Period	Available Tonne Kilometres (A. T. K.)	Percentage increase over the previous year	Revenue Tonne Kilometres (R. T. K.)	Percentage increase over the previous year
(1)	(2)	(3)	(4)	(5)
1. 1960-61	113.050	1.9%	83.199	6%
2. 1961-62	120.792	6.3%	87.424	5%
3. 1962-63	136.077	12.6%	98.193	12.3%

Sd/-
M. V. ROW,
Chief Audit Officer,
Indian Airlines Corporation.

Sd/-
K. R. RATNAM,
Assistant Audit Officer,
Office of the Dy. Director of Commercial Audit,
New Delhi.

APPENDIX XX

(Vide reply to Recommendation at Sl. No. 15, page 44)

Statement showing the staff position during the years 1963-64 and 1964-65.

Department	(1)	(2)	(3)	(4)	(5)
		1963-64	Increase over pre-year	1964-65	Increase over pre-year
1. Operations	.	851	+0.35%	914	+7.40%
2. Traffic	.	2,283	+9.08%	2,395	+4.91%
3. Engineering	.	3,650	-2.35%	3,857	+5.67%
4. Finance	.	1,075	-3.24%	1,087	+1.12%
5. Surface Transport	.	672	+1.82%	743	+10.57%
6. Catering & Cabin	.	288	-0.35%	318	+10.42%
7. General Administration	.	1,644	+4.38%	1,725	+4.93%
		10,463	+3.85%	11,039	+5.51%

Sd/-

I. A. C. Headquarters,
Internal Audit Department.

APPENDIX XXI

(Vide reply to Recommendation Sl. at No. 15, page 44)

INDIAN AIRLINES CORPORATION

Statement showing the overtime particulars for the years 1963-64 and 1964-65

(Rs. in lakhs)

Department	1963-64				1964-65			
	Normal	Holiday	Total	Percentage increase over pre-year	Normal	Holiday	Total	Percentage increase over pre-year
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Operations	6.25	0.26	6.51	-45.52%	9.41	0.35	9.76	+49.92%
2. Traffic	7.41	3.21	10.62	+11.09%	8.65	4.61	13.26	+24.86%
3. Engineering	15.69	4.71	20.40	-30.35%	31.56	6.43	37.99	+86.23%
4. Finance	1.59	0.14	1.73	-23.45%	2.91	0.19	3.10	+79.19%
5. Surface Transport	4.27	1.07	5.34	+11.25%	5.68	1.42	7.10	+32.96%
6. Catering & Cabin	3.04	0.56	3.60	+18.03%	3.27	0.78	4.05	+12.50%
7. General Admn.	2.80	0.52	3.32	+2.79%	3.73	0.82	4.55	+37.05%
	41.05	10.47	51.52	-19.68%	65.21	14.60	79.81	+54.91%

Sd/-
I. A. C. Headquarters,
Internal Audit Department.

APPENDIX XXII

(Vide reply to Recommendation at Sl. No. 17, page 44)

*Extracts from the minutes of the 50th Meeting of the I.A.C. held on
9-11-1962*

* * * * *

IX. REVISION OF PAY SCALES—OFFICERS IN GR. XIX—AUDIT OBJECTION.

20. The Chairman recalled that the Board had taken a decision that the scale of pay for grade XIX should be Rs. 2,250/- and those officers who rendered satisfactory service for four years should be given a pay of Rs. 2,500/-. The higher pay was suggested because it was felt that officers should not stagnate on a pay for long time. The intention was that an officer who had been on Rs. 2,250/- for four years should be given Rs. 2,500/-. In interpreting the minutes of the Board the Management took a decision without reference to the Chairman granting the pay of Rs. 2,500/- to officers who had rendered four years service in the grade. This is was objected to by Audit and the case had been referred to Board.

21. Shri Sundra Rajan said that the intention was that the pay of Rs. 2,500/- should have been allowed only after an officer had rendered four years' service on Rs. 2,250/- and that if there was any doubt the matter should have been referred to the Board or the Chairman. Shri Gopalakrishnan pointed out that even after it was clarified by Govt. on 16-8-62 that the view held by audit is correct one of the officers was allowed to draw pay at Rs. 2,500/- w.e.f. 9-9-1962. This action appeared to be extraordinary.

22. The Board agreed in this view and confirmed that the pay of Rs. 2,500/- was to be granted to a grade XIX officer only after he had rendered service on Rs. 2,250/- for four years. Shri Mullick said the recovery of the amount over drawn by the officer would be difficult and the Board agreed that since the officer had drawn the additional amount bonafide it should be waived. It, however, decided that the pay of officers who had not rendered four years service on a pay of Rs. 2,250/- should be refixed at Rs. 2,250/-. All new entrants to grade XIX will also serve for four years on Rs. 2,250/- before they became eligible for a pay of Rs. 2,500/-.

23. Shri Mullick referred to the special case of Shri Biren Mukerji which had been reported to the Board. The Board reaffirmed its earlier approval to the pay of Rs. 2,500/- being given to Shri Biren Mukerji from the date from which the scales were revised.

* * * * *

APPENDIX XXIII

(1) Side reply to Recommendation at SL No. 19, page 44)
 Details of Load Under-carried on I.A.O. Delhi/Kabul/Delhi Charters Operated during the period 16-3-1962 to 6-5-1962

Date	Aircraft	Pay load available	Out-going utilized	Under carried	Pay load	Incoming carried	U/Load
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
16-3-62	VT-CIZ	15,477	14,850	627	18,050	17,721	329
17/18-3-62	VT-CZW	15,700	15,396	304	17,827	17,738	95
18-3-62	VT-CZT	15,477	15,268	209	18,050	17,600	450
19-3-62	VT-CZW	15,700	15,488	212	17,827	17,699	128
19/20-3-62	VT-CZT	15,477	14,432	45	18,050	18,033	25
21/22-3-62	VT-CZT	15,477	14,762	705	17,827	17,827	223
23-3-62	VT-CZW	—	—	—	17,827	16,526	301
23-3-62	VT-CZW	15,477	14,751	726	17,827	17,666	161
24-3-62	VT-CZT	15,477	14,736	741	17,827	17,743	84
25-3-62	VT-CZT	15,477	14,736	741	18,214	17,717	497
26-3-62	VT-DIB	16,052	15,928	124	18,402	18,040	362
27-3-62	VT-DIB	16,126	15,752	374	18,476	18,337	139
27-3-62	VT-DIB	16,126	15,972	154	18,476	17,721	755
28-3-62	VT-CZW	16,052	15,532	520	18,402	18,370	32
28/29-3-62	VT-DIB	16,126	15,950	176	18,476	18,436	40
2-4-62	VT-DIB	16,126	15,928	198	18,476	18,249	227
3-4-62	VT-DIB	16,126	15,930	196	18,476	18,436	40
4-4-62	VT-DIB	16,126	15,077	18	—	—	—
5-4-62	VT-DIB	16,126	15,059	18	—	—	—
20-4-62	VT-DIB	14,000	13,541	459	—	—	—
21-4-62	VT-DAW	14,000	13,603	397	16,350	15,422	928
24-4-62	VT-DAW	14,000	13,552	448	16,350	16,335	15
26-4-62	VT-DAW	14,000	13,552	448	18,402	18,372	30
29-4-62	VT-CZW	16,052	15,686	366	18,402	18,238	164
30-4-62	VT-CZW	16,052	15,697	355	18,402	18,326	76
1-5-62	VT-CZW	16,052	15,686	366	18,402	18,282	120
2-5-62	VT-CZW	16,052	15,690	358	—	—	—
4-5-62	VT-DIC	15,587	15,466	121	17,937	17,908	29
5-5-62	VT-DIC	15,587	15,246	341	17,937	17,908	29
6-5-62	VT-DIC	15,587	15,246	341	—	—	—
				9,581			5,277

Total : 9,581 lbs. + 5,277 lbs. = 14,858 lbs.

APPENDIX XXIV

(Vide reply to recommendation at Sl. No. 34, page 50)

Expenditure Statement for the Repair of Blast Furnace No. I.

Based on the calculations of Asstt. Supt. (Iron and Steel)

	Rs.
1. Material Cost Shell plate 3500×4600×60mm with freight charges	22,000
2. Labour cost. 720 man hours. For cutting and removing the old plate dressing, fitting the new one 2nd welding	5,200
3. Labour cost for other connected work. 190 man hours	1,500
4. Cost of consumable matl. like Electrodes, Oxygen and Acety. Gas .	750
5. Over head charges 100%	29,450
	<hr/> 58,900

AS PER CALCULATION OF ASSTT: REFRACTORIES ENGINEER

Repairs	Nature of repairs	Approx. Tonnage of Rfy. materials	Approx. cost of Rfy. materials	Approx. labour cost	Approx. total expenditure
			Rs.	Rs.	Rs.
THIRD repairs 25-4-62	Bricks in the tap hole and surrounding areas changed	11.0 tons	8,150	3,500	11,650
Total expenditure for the repair of Blast Furnace No. I.					58,900
Based on the calculations of H. N. & C. Deptt.					11,630
					<hr/> 9,044
					<hr/> 79,574 <hr/>

APPENDIX XXV

(Vide reply to Recommendation at Sl. No. 34, page 51)

Expenditure Statement for the Repair of Blast Furnace No. III

(a) *Based on the Calculations of Asstt. Supdt. Mech. (Iron and Steel)*

	Rs.
1. Material Cost Shell plate 2200×1440×60 mm and 1900×650×60 mm with freight charge.	8,800
2. Labour Cost. 610 man hours. For cutting and removing the old plate dressing, fitting the new one and welding	4,500
3. Labour cost for other connected workers 190 man hours	1,500
4. Cost of Consumable material like Electrodes, oxygen and Acetl. gas.	450
5. Over head charges 100%	15,250
	<hr/> 30,500

(b) *Based on the calculations of Asstt. Refy. Engineer.*

Approx. Tonnage of Refractories	Approx. cost of Refractories	Approx. labour cost	Approx. total cost
6·0 tons.	Rs. 4,500/-	Rs. 1,500/-	Rs. 6,000

(c) *Based on the calculations of HM & C Dept.*

No.	Defects noticed	Repairs done	Max. Hours Spent	Labour cost
1.	The top hole plate developed crack.	After cutting the shell plate around the top hole area, a new shell plate of reqd. size was fixed.	Estimate to be given by Blast Furnace Dept.	* Rs.
2.	Mixing chamber inside was damaged	A new one was re-placed	12 man-56 hrs.	336·00
			Total 100% extra because of the over time booked and transport of tool and tackles	336·00
				<hr/> 672·00
	Total expenditure for the repair of Blast Furnace No. III			30,500 6,000 672
				<hr/> Rs. 37,172

*Mentioned in (a) of Statement-2.

APPENDIX XXVI

(Vide reply to Recommendation at Sl. No. 34, page 51)

Statement showing the particulars of expenditure incurred in connection with the rectification of crane rails in Rolling Mills

Agency	Description of work	Ref. to Agreement	Gross value of payment made	Remarks
1. M/s. Utkalmachining	Replacement of crane rails at Rolling Mills.	CB 6 of 64-65	Rs. 31,000/- vide invoice No. 19 of 11-1-1963	About Rs. 15,540/- is yet to be made for which the Bill is under check.
2. M/s. Falanga Engineering & Steel Corporation.	Dismantling and erection of heavy structural steel crane rails etc.	CM(P)/PWA-83 of 63-64	Rs. 4,158.00/- vide bill No. 10 of 64-65	---
3. M/s. Shyam Singh & Co.	Do.	PWA 84 of 63-64	Rs. 4,795.00 vide bill No. 177 of 64-65	---
4. M/s. Builders & Fabrications	Changing of over head crane rails in 'GH' Bay.	CM(P) CB No. 13 of 64-65	Rs. 10,446.00 vide bill No. 157 of 64-65	---
5. Do.	Do.	CM (P) Tech-I/PWA 73 of 64-65	---	Rs. 3,895/- bill is under check.
6. M/s. Kalinga Engineering Works	Do.	CM(P) Tech-I/PWA 79 of 64-65	---	Rs. 4,500/- bill is under preparation.
Length of crane rails used			Rs. 50,329.00/-	Rs. 23,932.00/-
Cost of rail per meter			Rs. 701/-	
2,852.02 meters			Rs. 701.00 × 2,852.02 = 19,99,266.02 p.	

Sd/-

(B. R. HALDAR)
Manager, Crane Maintenance
15-4-65

Certified that 2,852.02 meters of new crane rails have been changed.

By Airmail Regd.

COS/HSLP/EIV/1075(K)16284

Dated 4th/6th March, 1963.

M/s. Maschinenfabrik sack GmbH,
Dusseldorf-Rath.
West Germany.

*SUB : Contract for supply, erection and putting into operation of
Blooming and Slabbing Mills at Rourkela.*

Dear Sirs,

In respect of the above noted contract for supply, erection and putting into operation of Blooming and Slabbing Mill at Rourkela, we have to invite your attention to the break-downs which occurred in the Blooming and Slabbing Mill on 11th October, 1960 and 6th December, 1961 respectively. As you are aware, through and detailed investigations were carried out to examine the causes of these break-downs. In this letter, without prejudice to our rights flowing from the relevant contract, we propose to confine ourselves only to the second break-down which took place on 6th December, 1961 as stated above. As a result of the above mentioned investigations, it has since been conclusively established that the break-downs of 6th December, 1961 took place due to the defect in the design of the Wobblers and the sub-standard quality of the materials. It will be recalled that subsequently the wobblers were made out of better materials and according to changed design. Since the wobblers of substantially changed design and materials of better quality have been supplied subsequently by you at our request, it is therefore a conclusive proof of the fact that you have accepted that the wobblers originally supplied by you were not at all of good quality and were of faulty design. As such, clearly the responsibility for the break-down lies on you, and we call upon you now to reimburse the cost of the wobbler to us.

We should also like to invite your attention to our order dated 16th July, 1960 placed on you for the supply of 2 nos. Wobblers at a cost of DM. 49,312.50 fob German north sea port. Although in terms of the A/T., the delivery of the materials was to be completed within 8 to 9 months from 8-9-60 on which date the particulars of the import licence and other clarifications sought for by you were furnished to you, yet the delivery was actually completed much later. Whereas the delivery was to be completed at the end of May 1961, the materials were not even shipped by the date of the second break-down i.e. the 6th December, 1961. As a result thereof in order to meet the breakdown situation we were compelled to request you to resort to air-freighting of the wobblers. Consequent upon this abnormal delay on your part, we had to incur an extra expenditure of US Dollars 31,000 on air-freighting of these wobblers. In addition, the delay on your part in supplying the 2 numbers wobblers was also accompanied by a huge loss in production since the Blooming and Slabbing Mill had to be kept idle for want of the wobblers.

In view of the above patent facts, and without prejudice to our rights arising from the relevant contract, we hereby formally call upon you to

please make good to us the undermentioned amounts for the loss sustained by us:

- (i) Cost of the wobbler DM 24,656.25 and
 (ii) Air-freight charges US Dollars. 31,000

We believe you will appreciate the justification and the righteousness of our claim and make it convenient to send us your remittance at an early date. We are confident, keeping in view our hitherto cordial business relations, you will never hesitate to comply with your obligations under the relevant contract. We shall be grateful for your reply at an early date.

Yours faithfully,

For *Hindustan Steel Limited*,

Sd/-

(R. B. PATNAIK)

Controller of Stores and Purchase.

Copy to :

1. Joint Chief (Production), HSL, Ranchi
2. Co-ordination Officer, HSL, Rourkela.

SACK

MASCHINENFABRIK DUSSELDORF-RATH.

Hindustan Steel Ltd.,
 Rourkela.
 INDIAN

Luftpost- Einschreiben
Registered Airmail

Attn. Shri V. N. Khosla

Dr. Seh/Sch/cw 12th March, 1964.

Blooming and Slabbing Mill.

Dear Sirs,

We would refer to your letter No. COS/HSLP/EIV/(K) 16284 of 4th/6th March, 1963, in which you request us to admit your claims in connection with our supply of 6th December, 1961, against your purchase order HSLP/EIV/1075 (K)/3487 of 16th July, 1960.

The claims raised by you in the above letter are as follows:

An amount of DM 24,656.25, based on the assertion that the spare parts supplied by us should have been furnished free of charge since the wobblers originally included in the supply of the mill were broken.

An amount of DM 1,479 representing penalty for late delivery of the above parts.

An amount of US \$ 31,000 representing air freight charges having been caused by the urgency of the spare parts consignment on account of the breakdown of the blooming and slabbing mill.

Much to our regret our reply to your letter has been delayed as a result of an oversight for which please accept our apologies. As regards the matter itself, despite our fullest comprehension of your situation we cannot but extremely regret that you should take the point of view expressed in your letter.

As on the other hand we wish to leave nothing undone in order to cultivate and to deepen the mutually agreeable business relation between our two companies, we would once again state the acts and the existing legal position in detail as follows:

(1) The wobblers of the blooming and slabbing mill which were broken at your Rourkela Works on the 6th December, 1961, had been supplied by us together with the remaining parts of the plant against your purchase order No. HSLP/EIV/1075/K dated 23rd February, 1957. Our supply was based on your General Conditions of contract, Article 32 in connection with 37, dealing comprehensively with the rights of the purchaser. According to the provisions of these Articles you are entitled to claim replacement of parts only if failure of the parts supplied by occurs during the period of guarantee. The period of guarantee according to Article 32 commences "on the date of the unit going into operation and ends 12 months from that date."

The plant in which the wobblers were incorporated, was commissioned in January 1960. Thus, the period of guarantee expired in January 1961 and you, therefore, cannot deduce any claim on us for payment of DM 24,656.25 from the application of Article 32. Apart from this we wish to point out that the damage must be traced back to the accident which occurred in your shops on the 11th October, 1960. On that day, as you will remember, heavy damage was caused to the stand by a cold slab. The subsequent repair, however, was confined to the broken parts, whereas the remaining parts which had also been affected by the breakage were not replaced. These parts consequently were bound to fail some time after the accident.

Your assertion that the quality of the material would have been unsatisfactory, and that the wobbler radius would have been too small, must be refused as unfounded. We wish to point out that modifications to the equipment were made by us only with a view to meet you and to comply with your requests.

(2) In compliance with your instructions the spares were shipped by air freight whereas, according to the terms of the main contract, being applicable also to the spare parts supply as it is stated in your purchase order of 16th July, 1960, our company was to supply the goods f.o.b.

A comprehensive definition of the rights of the purchaser is given in Articles 32, 34 and 37 of your General Conditions, where it is stated that the purchaser is entitled to claim replacement of defective parts, to claim payment of a penalty in case of late delivery, or under certain conditions to withdraw from the contract. Any rights of the purchaser towards the Contractor

beyond those stated above, such as for instance claim for refund of the freight charges, are expressly excluded according to Article 37. Consequently, if you in your capacity as purchaser have requested the consignment to be shipped by air freight, it is you who will have to pay the increased freight charges amount in to US \$ 31,000.

(3) With regard to the penalty for late delivery amounting to DM 1,479 as claimed by you, we would refer to Article 32D, according to which that penalty is incurred only in the event of the Contractor having effected delivery too late and provided he cannot refer to causes beyond his control, as for instance acts of God, war, enemy action, embargo etc. Your order for the parts was addressed to us under date of 16th July, 1960, and it was stipulated that delivery had to be effected within 6 to 8 months from notification of the number of the import licence.

The number of the import licence was advised to us on the 8th September, 1960, and delivery therefore had to be effected at the end of May, 1961. Actually, the goods were delivered only on the 22nd December, 1961. Thus, one of the conditions for the application of the penalty clause, *i.e.* delayed delivery is fulfilled, however, the second prerequisite, *i.e.* negligence is missing.

The forgings to be used for the manufacture of the spare parts, on account of operational breakdowns at the shops of our suppliers, were delivered to us with such a delay that we found it impossible to ship the parts to you any earlier than in December, 1961. At that time it was impossible, on account of the then existing European boom, to switch over to other sub-contractors. Despite the special efforts made by us at the time we did not succeed in cutting down the delivery time, the supply of the crude parts having been beyond our control. In the circumstances, we regret also being unable to admit your claim as far as that point is concerned.

The foregoing shows, as you no doubt will appreciate, that our point of view is in conformity with the provisions of the main contract. We therefore would ask you to please re-examine your standpoint in the light of the above facts, and to confirm your agreement with our above comments.

Looking forward to your further news.

Yours faithfully,

MASCHINENFABRIK SACK

GmbH

Sd/-

APPENDIX XXVII

(Vide reply to Recommendation at SL No. 45, page 58)

Position of sundry debtors in respect of sales

(Rs. in lakhs)

Party	Outstanding as on						Amount outstanding out of the debtors due on					
	31-3-1962			31-3-1963			31-3-1964		31-3-1963		31-3-1965	
	RSP	BSP	DSP	RSP	BSP	DSP	RSP	BSP	DSP	As on 31-3-66 RSP	As on 31-3-65 BSP	DSP
Railways	. . .	62.1	247.5	64.44	303.0	77.14	65.00	242.0	251.55	11.75	21.9	7.90
Government Parties	. . .	85.2	108.1	57.26	127.0	156.02	308.00	150.0	210.50	26.41	9.1	10.79
Others	. . .	44.7	43.2	94.33	199.42	48.3	159.73	147.00	211.18	0.44	1.4	1.69
TOTAL	. . .	192.0	398.8	216.03	618.35	478.3	392.89	520.00	673.23	38.60	32.4	20.38

The amount outstanding as on 31-3-65 out of the debtors due on 31-3-63 has been arrived at by deducting the credit balance of Rs. 3.80 lakhs in the accounts of the various parties as shown in the debtors ledger.

(APPENDIX XXVIII)

(Vide reply to Recommendation at Sl. No. 60, Pag. 64)

Nataral Coal Development Corporation Limited, Ranchi,

Statement of colliery-wise Actual Production during the Second Plan Period

(Figures in million tons)

S. Colliery No.	1956-57 (For 6 months)				1959-60	1960-61
	1957-58	1958-59	Tons	Tons		
1. Kargali	0.374	0.668	0.704	0.661	0.687	
2. Bokaro	0.609	1.165	1.105	1.073	1.180	
3. Jarangdih	0.047	0.091	0.093	0.090	0.109	
4. Sawang	0.090	0.128	0.126	0.123	0.153	
5. Shirkunda	0.080	0.168	0.437	0.625	0.853	
6. Argada	0.031	0.063	0.072	0.071	0.079	
7. Kurhurbaree	0.103	0.241	0.230	0.265	0.274	
8. Serampore	0.078	0.161	0.188	0.127	0.190	
9. Korba	..	0.019	0.082	0.266	0.580	
10. Kurasia	0.197	0.422	0.458	0.602	0.930	
11. Talcher	0.065	0.145	0.151	0.163	0.192	
12. Ceulbera	0.045	0.100	0.101	0.118	0.150	
13. Saunda	..	..	0.043	0.253	0.623
14. Kathara	..	..	0.005	0.228	0.720
15. Gidia	..	..	0.019	0.084	0.685
16. Bachra	..	..	0.003	0.030	0.141
17. Gidi C	..	..	..	..	0.144
18. Korea Block I	..	..	..	..	0.020
19. South Blanda	..	..	..	0.059	0.071
20. Sayal D	..	..	..	..	0.173
	1.689	3.371	3.817	4.838	7.954	
Say	1.69	3.37	3.82	4.84	7.95	

APPENDIX XXIX

(Vide reply to Recommendation at Sl. No. 67, page 65)

Copy of letter No. Nil dated November 18, 1965 from S. R. Batliboi and Company, Chartered Accountants, 18, Post Office Street, Calcutta-1, to the Chief Internal Audit Officer, National Coal Development Corporation Limited, Darbhanga House, Ranchi.

We are in receipt of your letter No. IA/PAC 23rd R/63-64/ Com., dated 4th instant.

In our supplementary report dated 9th October 1963 we had mentioned that Plant and Machinery of the value of Rs. 91,29,244.90 were held in Stock without being commissioned from 1st April, 1959. In this connection we would like to clarify that all the said Plant and Machinery had not been acquired on 1st April 1959 but that the earliest date of purchase in some cases was 1st April, 1959. We give below a list of Plant & Machinery, Collierywise, indicating the earliest date of purchase of any item of Plant for each Colliery:

Colliery	Plant and Machinery Stock Value	Oldest date of receipts
	Rs.	
Kathara	23,37,148.10	1-4-1959
Korba	3,69,667.74	2-7-1959
Sayal 'D'	8,14,827.74	11-6-1959
Kurasia	1,42,915.00	12-11-1959
Bachra	14,04,486.29	2-2-1960
Bhurkunda	6,32,536.66	29-2-1960
Bokaro	2,59,974.96	31-3-1960
Gidi 'A'	12,23,310.16	11-5-1960
South Balanda	7,80,830.88	2-12-1960
Saunda	5,04,707.67	8-6-1961
Talcher	82,214.76	27-12-1961
Sudamdih	34,840.96	4-1962
Jamuna	55,430.82	16-8-1962
Bisrampur	4,72,242.45	9-11-1962
Central Drilling Stores	14,110.71	1-10-1962
	<hr/> 91,29,244.90	

We also take this opportunity of pointing out an inadvertent typographical error in our letter to the Chairman of the Board of Directors dated 28th July, 1963. In part II para 3(iv) of the said letter we had mentioned that plant and machinery to the value of Rs. 90,07,219 were held in stock whereas the correct figure should have been Rs. 91,29,244.90. The inadvertent error is regretted.

APPENDIX XXX

(Vide Reply to Recommendation at Sl. No. 83, page 74)

Statement showing Quantity, CIF Price, Total Cost, Release Price and Wholesale Market Price of Betelnuts, Cloves, Cassia, Coconut Oil and Copra Imported by the STC During the Years 1961-62, 1962-63 and 1963-64

Year	Quantity Imported (Tonnes)	CIF Price (Average per Tonne)	Total Cost (Average per Tonne)	STC's Release Prices (Average per Tonne)	Wholesale Market Price (Average per Tonne)	Remarks
1961-62						
Betelnuts	1078	541.74	3,755.79	4,785.71	6,910.00	*Since Copra was not sold as such but oil and cake after crushing. Col V and VI cannot be shown accurately.
Spices	1074	951.58	4,686.62	5,278.39	N.A.	
Copra	2270	813.22	880.13	*	*	
Coconut oil	No imports					
1962-63						
Betelnuts	4318	436.31	3,451.38	4,272.98	6,388.00	
Cloves	825	3,966.06	19,635.00	24,004.84	33,350.00	
Copra	30067	881.53	1,094.22	1,384.22	1,859.17	
Cassia	84	2,416.67	14,669.30	16,702.40	27,400.00	
Coconut oil	5431	1,133.86	1,783.11	1,907.94	2,825.17	
1963-64						
Betelnuts	2173	560.35	3,795.14	4,916.41	7,138.00	
Cloves	662	3,453.00	8,331.00	14,545.00	28,533.00	
Copra	18848	930.34	1,166.15	1,406.30	1,842.00	
Cassia	37	3,031.40	**	**	41,750.00	
Coconut Oil	1571	1,336.20	1,898.24	2,097.77	2,725.00	

NOTE:—

(i) Total Cost (Col. IV) is made up of CIF Price, Customs Duty, Clearing and other expenses including agent's remuneration.

(ii) STC's Release Prices (Col. V) are fixed separately for each consignment/purchase agreement. The figures given in Col. V have been arrived at on the basis of total quantity sold during a year and the total sale value realised.

(iii) Figures for import of Cassia are inclusive of about 48 tonnes imported against STC's licence (about 11 tonnes in 1962-63 and about 37 tonnes in 1963-64) for a CIF value of Rs. 1.45 lakhs which was transferred to M/s. Bhanoo Trading Co., Bombay, under a barter deal. Since all expenses on the above 48 tonnes were incurred by the firm, these are not reflected in Col. IV.—Total cost—of the statement. A margin of 150% of the CIF price was collected from the firm, who were advised to release the quantity imported at Rs. 35,000/- per tonne.

(iv) Wholesale market prices for cloves and cassia are averages of prices prevailing when release prices were fixed for different consignments. In the case of betelnuts, Copra and Coconut Oil, the average wholesale prices have been worked out on the basis of market quotations during the year.

APPENDIX XXXI

(Vide reply to Recommendation at Sl. No. 84, page 74)

Particulars of Barter deals concluded during 1961-62 in respect of items which continue to remain with S.T.C. after bifurcation.

Sl. No.	Name of Parties	Export item	Export prices		Total Value of export F.O.B.
			Grade	International price 1961-62 Current % Difference	
1		3	4	5	
1.	Rasiklal & Co.	Textile machinery	Exports made by party directly.	Rs. 12 lacs.	
2.	United Province Commercial Corporation	Tobacco	Procurement made by the party directly.	Rs. 25 lacs.	
3.	Shaw Wallace & Company	Jute bags	Procurement made by the party directly.	Rs. 18.97 lacs.	
4.	Bengal Corpn. Pvt. Ltd.	Jute bags	Procurement made by the party directly.	Rs. 25.85 lacs.	
5.	P. Nayer Corpn.	Jute bags	Procurement made by the party directly.	Rs. 25.50 lacs.	
6.	Potash Fertilisers	Jute bags	Procurement made by the party directly.	Rs. 20.00 lacs C&F	
7.	Mitani & Co.	Sugar	£ 33/- C. & F. Singapore & £ 32/10 C & F Singapore	Rs. 133 lacs C & F	20% higher than world prices. approx. (re: Govt. of India letter D. O. No. JS/SV/101/62 dated 13-6-1962. (Copy enclosed)

8.	Goldetz & Co.	.	.	Sugar	C/D/E. £ 28-2-6 per M/Ton 29 & F. O. B. Indian off Port, colour.	20% approx.	Rs. 37.50 lacs.
9.	Goldetz & Co.	.	.	Sugar	C/D/E. £ 26/- per M/Ton 29 & F.O.B. off colour	20% approx.	Rs. 208 lacs.
10.	International Ore & Fertiliser	.	.	Sugar	C/D/E. £ 26/5 per M/Ton 29 & F.O.B. off colour.	20% approx.	Rs. 35.33 lacs.
11.	Herman Mohatta	.	.	Sugar	C 29 £ 31-7 C. & F. 20% approx. D 29 Malaya. £ 30-7 C. & F. Malaya.		Rs. 104 lacs C. & F.

(*For Cols. 6—10, please see page 160)

APPENDIX XXXI—Contd.

Total value of import C.I.F.	Particulars of import		% of loading	Implementation in 1961-62		STC's profit on import	Remarks
	Item	Price		Value of actual exports	Value of Actual imports		
*6				8	9	10	
Rs. 12 lacs.	Art Silk Yarn	Grades & prices as approved by the committee for Art Silk Yarn.	Nil	Rs. 3.63 lacs.	Nil		
Rs. 25 lacs.	Fordson Tractors	Fordson Dextra £ 573.72 each CIF Super major £ 709.33 CIF.	Nil	Rs. 10.54	..	1%	Exports were to French Monopoly (a new market)
Rs. 18.97 lacs. F.O.B.	Ammonium Sulphate.	£ 13.9.6 per M/Ton F.O.B.	Prices were in accordance with the preglobal tender prices.	Rs. 18.97	Rs. 18.97	0.5%	
Rs. 25.85 lacs. F.O.B.	Ammonium Sulphate.	£ 12.18.6	Prices less than the preglobal tender price.	Rs. 8.73 lacs.	Rs. 8.73 lacs.	0.5%	
Rs. 25.50 lacs. F.O.B.	Ammonium Sulphate.	£ 12.15.6	Prices less than the preglobal tender price.	Rs. 17.37 lacs.	—	0.5%	
Rs. 20.00 lacs. C. & F.	Muriate of Potash.	£ 15/per M./Ton		Rs. 20.00 lacs.	Rs. 20.00 lacs.		Price of muriate of Potash in line with prices of East Germany under Trade Plan.
Rs. 133 lacs. C. & F.	Urea	£ 34.7.3 per M./Ton C. & F.	Prices were slightly less than the global tender prices.	Rs. 125.33 lacs.	Rs. 125.33 lacs.	0.5%	

Rs. 37.50 lacs.	Urea	£ 34.2.3 per M./Ton C. & F.	Prices were slightly less than the global tender prices.	Rs. 36.94 lacs.	Rs. 26.94 lacs.	0.5%	—
Rs. 208 lacs.	Urea	£ 33-7-6	Prices were slightly less than the global tender prices.			0.5%	—
Rs. 35.33 lacs.	Urea	£ 33-7-0	Prices were slightly less than the global tender prices.			0.5%	—
Rs. 93.48 lacs. C. & F.	Urea	£ 32.9 C. & F.	Prices were slightly less than the global tender prices.			0.5%	—

(*For cols. 1—5, please see page 158)

APPENDIX XXXII

(Vide reply to Recommendation at Sl. No. 84, page 75)

Particulars of Link Arrangements (1961-62)

Sl. No.	Country	Party's name	Total value each way	Items of import	Items of export	Validity period of the Agreement
1	2	3	4	5	6	7
1.	Sweden	M/s. A. B. Sukab, Stockholm, Sweden.	Rs. 278 lakhs.	Wood pulp, newsprint, electrical machinery, ball bearings, special steel.	Tea, coffee, deoiled cakes, jute manufactures, cotton textiles, woollen worsted goods, leather manufactures, handloom, furnishings, manganese ore, animal hair, carpet and floor coverings.	31st August, 1962.
2.	Switzerland	M/s. Andre & Cie, Lausanne, Switzerland (I to III)	Rs. 75 lakhs (imports) and Rs. 85 lakhs (exports) variation is due to 50% entitlement of imports against tea exports.	Standard Machine Tools, Printing Machinery (Rotary) Dye intermediates and pharmaceuticals intermediates (as approved by the Dev. Wing, Govt. of India).	Mica, Shellac, Tinned food including frozen food, marine food, fresh fruits, walnuts and hazelnuts, handloom fabrics, coir mats and matings, essential oils, crude herbs such as henna leaves, light Engg. goods, sports goods, woollen textiles, jute goods for the use of Swiss Govt. Depitts. only, Tea, finished leather and leather manufactures.	7th March, 1960 to 19th April, 1963.
3.	France, West Germany, Switzerland	M/s. Andre & Cie, Lausanne (Automatic Looms Agreement).	Rs. 300 Lakhs Import and Rs. 380 lakhs export (variation due to 50% import entitlement on cotton exports).	Automatic Looms	Vegetable oils, cotton textiles, ferro-manganese, decorticated cotton seed cakes, manganese ore, low grade virginis flue cured tobacco.	20th April, 1961 to 31st August, 1964.

4.	France	M/s. Andre & Cie, Lausanne.	Rs. 150 lakhs.	Dye-stuffs and intermediates, chemicals, pharmaceuticals and pharmaceutical intermediates, Machine tools, Industrial equipment required by Government.	Dye-Intermediates, textiles, chemicals, pharmaceuticals and pharmaceutical intermediates, Machine tools, Industrial equipment required by Government.	Linseed Oil, Cottonseed-oil cottonseed cakes (decorated) Ferro-manganese Handicoms, Ready-made garments, Robusta Coffee, Hemp, Sewing machines, sports goods, Tinned fruits and juices, Tinned pickles, Chatneys, Tamarind seeds, Myrobalan extracts, Machine tools, Thermite Welder, Ironclad switches, Railway coaches Bicycles, Quartz, Feldspar, Garnet, Calcite, Mica powder, Redoxide of Iron, Carpets, Coir mates and matings, finished leather and leather manufactures, De-oiled cakes, Mica scrap, Tinned and frozen food including shrimps and the marine products.	20th April, 1961 to 21st August, 1964.
5.	W. Germany	M/s. Andre & Cie, Lausanne.	Rs. 150 lakhs				Do.
6.	Jordan	M/s. Jordan Phosphate Mines Co.,	Rs. 58 lakhs.	Rock Phosphate		Various textiles including readymade garments & Hosiery, Tea & Coffee, spices, cotton-seed oil, chemical and pharmaceutical products including toilet goods, various engineering equipments, Electric appliances, accessories and manufactures, Misc. items such	20-6-61 to 31-8-64.

APPENDIX XXXII—Contd.

1	2	3	3	5	6	7
					<p>as glassware, Cutlery, crockery sports goods handicrafts etc. fanned foodstuffs biscuits and confectionery including pickles and chutneys, floor coverings jute manufactures (Limited to Rs. 15 lakhs only), footwear and leather goods, sugar, Tennis, Tarpulins and other allied products, paints and varnishes, Rubber products other than tyres and tubes, Shellac.</p>	
7.	Interocean . M/s. Interocean S.A. 11, Rue De Collieries, Brussels.	Rs. 25 lakhs imports & Rs. 25 lakhs exports.	Iron and Steel including tool and alloy steel, Non-ferrous metals,	Ready-made garments, coffee Robusta, shoes, and leather manufactures	Total value of imports as on 31-3-65 was	

Note : The following items are subject to availability from time to time. Electric motors, Transmission line towers, Iron safes and steel furniture, Hospital appliances, fire extinguishers, Microphones, Loudspeakers and other public address equipments, cotton yarn.

nitrogenous fertilisers, Artificial Rayon and Synthetic Yarn. goods, cotton textiles (other than grey) Hand- looms textiles including furnishing material, Handicrafts, Jute mattings. 9.25 lakhs. No further imports are being permitted. Exports will continue till they watch the value of imports *i. e.* Rs. 9.25 lakhs.

(a) Ferro manganese, Tea, Cotton seed oil, cottonseed cakes, Linseed oil and Linseed cake.

(b) Tinned fruits and juices, pickles, chutneys and Prawns, Sports goods, Light Engineering stores.

Tea, Yarn, Jute and Jute products. 4th Oct., 1965.

8. Tunisia . M/s. O.C.E.T. Rs. 740 lakhs for 5 years (Rs. 50 lakhs for 1960-61). Rock Phosphate

9. Italy . M/s. Cogis. Rs. 300 lakhs. Fertilisers, Art Silk Yarn.

Items other than the following :

Pepper, coir fibres, coir yarn raw cotton, wood and timber, tinned leather and jute manufactures.

10. Austria . M/s. Voest Rs. 28 lakhs Plant and Machinery required for the projects in India for which quotations are called on open tender basis. 50,000 tons of Iron ore. December, 1964.

APPENDIX XXX II—*Concl'd.*

1	2	3	4	5	6	7
11.	Finland	M/s Kaukomark- kinat Oy, Helsinki (Finland)	Rs. 173.33 lakhs.	Cellulose, Newsprint, other paper qualities.	Robusta coffee, Food cakes (de-oiled meal only), cotton textiles, tea, canned goods, (spices, woollen piece goods) carpets and carpetings, (made of wool, cotton, jute and coir), leather manufactures and shoes, Bristles, Misc. products such as animal by-pro- ducts, casings, sport goods, light engineering goods etc.	15th Oct., 1963.

APPENDIX XXXIII

(Vide reply to Recommendation at Sl. No. 84, page 75)

Loss on Items of Export for 1961-62 and 1962-63

(Figures in Rupees)

Sl. No.	Items	1961-62			1962-63		
		Purchases Value	Sale Value	Loss	Purchase Value	Sale Value	Loss
1	2	3	4	5	6	7	8
1.	Groundnut	2,96,64,214	*	50,21,262	**593,31,306	†430,81,073	1,62,50,233
2.	Lenongrass Oil . . . . .	..	..	..	89,225	73,797	15,428
3.	Manioc Meal . . . . .	..	..	..	6,16,172	4,96,238	1,19,934
4.	Manganese ore (against wheat barter) . . . . .	..	..	..	85,732	64,165	21,567
5.	Sodium bichromate . . . . .	..	..	..	1,83,007	1,57,681	25,326
6.	Shellac	4,06,434	3,90,596	15,838	..	..	..
7.	Sheep Casings	19,377	17,938	1,439	..	..	..

*No sales were effected during the year 1961-62. The loss is due to valuation of closing stock.

**The figures include opening stock as well.

†The figures include closing stock as well.

Extracts from para 1 of D. O. letter No. JS/SV/101/62, dated the 13th June, 1962 from Shri S. Vohra, Joint Secretary, Ministry of Commerce and Industry to Shri Govind Narain, Managing Director, State Trading Corporation, New Delhi

This is with reference to the note which you sent to M (IT) on the 1st instant regarding possibilities of buying cotton and staple fibre in barter against sugar. You had enquired whether a loading on the import price of raw cotton and staple fibre may be permitted to the extent necessary to enable the sugar to be sold at the basic minimum prices. The basic minimum prices have been indicated as £ 23 & £ 27 which, if necessary, could even be £ 22 and £ 26 respectively, for non-preferential and preferential markets and these are considered about 20% higher than the world market prices.

* * * *

APPENDIX XXXIV

(Vide reply to Recommendation at Sl. No. 96, page 79)
Groundnut Operations during the Years 1961-62 to 1963-64, Statement of Accounts as at 31-3-1964

Qty: Tonnes
 Value: Rs. lakhs.

Debit		Qty.	Value	Credit	Qty.	Value
1.	Opening stock on 1-4-61	Nil	Nil	1. Sales		
2.	<i>Purchases</i>			(a) <i>Export</i>		
	G. N. Shells	50,397	363.86	G. N. Oil	14,174	188.70
	(Yield : Oil 14731 T; Cake 21579 T; Kernels & HPS 913 T)			Cake	21,214	94.90
				Kernels	327	3.79
				(b) <i>Internal</i>		287.39
	G. N. Oil	8,959	163.97	G. N. Oil	9,017	127.40
	G. N. Cake	239	1.03	Cake	681	2.49
	Drums (Pieces)	21,580	4.79	Kernels	535	3.75
			533.65	Surplus Material		5.08
				Packing Material		
3.	<i>Other Expenses</i>			2. Cakes Returned	532	1.66
	Bank charges		0.90	3. Claims Recovered		
	Clearing, Handling and other charges		58.55	G. N. Oil	54	0.55
	Commission		3.05	G. N. Cake	9	0.05
	Cakes Borrowed (406 T)		1.66	4. Claims Recoverable	83	1.32
	Packing Material		9.95	152 Toil short delivered Less :		
	Excise duty		2.01	1½% allowance for long storage on 4608 T,		0.60
	Godown Rent		0.53			
	Insurance		4.76			

APPENDIX XXXIV—Contd.

Debit	Qty.	Value	Qty. Tonnes		Value: Rs. lakhs.	
			Qty.	Value	Qty.	Value
Freight		32.76				
Provision for short claims,, Driage Allowance etc.		0.61	114.78		51	0.36
					293	3.75
					23	0.08
						3.85
						214.53
						648.43—
TOTAL			648.43			

(NOTE : As G.N. cakes are exported on the basis of gross weight, which is app. 1% more than net weight, there is an excess of 235 tonnes in cakes).

* Loss met by imports of Copra, betelnuts and Spices 210.11 lakhs
 Uncovered Loss 4.44 lakhs

Rs. 214.55 lakhs

APPENDIX XXXV

(Vide reply to Recommendation at Sl. No. 97 page 86)

List of International Fairs/Exhibitions in which the STC Propose to Participate during 1965-66.

- I. *Events being organised by the Ministry of Commerce (Exhibition Branch), New Delhi*
 1. Izmir International Fair, Izmir (Turkey).
(20th August to 20th September, 1965).
 2. Damascus Int. Fair, Damascus (Syria),
(25th August to 20th Sept., 1965).
 3. Anuga Fair, Cologne (West Germany),
(25th September, to 3rd October 1965).
 4. 3rd Int. Sydney Trade Fair, Sydney (Australia)
(19th to 30th October, 1965).
 5. Tunis Int. Fair, Tunis, Tunisia
(October-November, 1965).
 6. Indian Exhibition in Singapre (Malaysia)
(date to be fixed).
 7. Wholly Indian Exhibition, Mexico,
(date to be fixed).
- II. *Events being organised by the Indian Council of Trade and Exhibitions, Jhansi Castle, Cooperage Road, Bombay-1.*
 1. Budapest Int. Fair, Budapest (Hungary)
(21st to 31st May, 1965) (already over).
 2. Poznan Int. Fair, Poznan (Poland)
(13th to 27th June, 1965).
 3. Indian Exhibition, Belgrade (Yugoslavia)
(3rd to 18th July, 1965).
 4. Leipzig Spring Fair, Leipzig
(F.D.R. March, 1966).

APPENDIX XXXVI

(vide reply to Recommendation at Sl. No. 108) page 93

Indian Rare Earths Limited Bombay

A. Introduction :

Societe de Produits Chimiques Des Terres Rares, a French Firm, was appointed, by the Govt. of India as technical consultants for the setting up of the monazite factory at Alwaye, in Kerala State.

As per agreements, between S.T.R. and the Govt. of India, (later transferred to Indian Rare Earths Ltd. after the formation of this company) S.T.R. were to supply the technical know-how, drew up detailed specifications and drawings regarding the process, equipment, etc. and also to depute their technical personnel to assist on the erection and commissioning of the plant.

In return, I.R.E. were to pay them engineering fees and a 5% fee for recommending, inspecting, certifying and selecting the equipment for the plant. They were also appointed as selling agents of the company's products abroad, for which they were to be paid commissions. They were also entitled to a share of the profits. Those agreements were valid for a period of 15 years ending March 31, 1964.

As per the agreement the amount due to S.T.R. on 1-4-1964, under various heads, was about Rs. 9.76 lakhs after deducting taxes payable by them to the Indian Government. The details are as per Annexure 'A' attached.

As against the above, I.R.E. had a claim against S.T.R. towards the defective machinery supplied by them. This was in respect of the first stage of the chloride evaporating system which did not attain the rated capacity. This equipment had to be modified/replaced by us before we could obtain the regular rate of production.

We had preferred a claim for Rs. 4.85 lakhs, later reduced to Rs. 3.86 lakhs which was the expenditure incurred by us to put the plant into regular operation. The claim was originally put forward at the inflated figure of Rs. 4.85 lakhs to provide room for bargaining.

Subsequently, many of the items of the original equipment were cannibalised and used by us from time to time. Having regard to this, it is our assessment that we would have been adequately compensated if we could have realized, from the French firm, an approximate sum of Rs. 2.5 to Rs. 2.7 lakhs.

In fact, I had, during 1963 when I met them in Paris, offered to settle the issue at about 2.7 lakhs. But the President of the company did not agree to anything more than Rs. 1.25 lakhs. The matter was, therefore, not finalized last year.

On 10-4-1964 the period, of our 15 year "tie up" with S.T.R., was over.

During my visit to Europe on April 1964 I was directed to negotiate and settle with S.T.R. (now Pechiney) with a view to terminating our association with them.

B. Meeting with Pechiney in Paris (9th and 10th April 1964) :

I had detailed discussions with them on the 9th of April 1964, when I made an *ad hoc* claim of Rs. 5 lakhs against the French firm. The French were inclined to agree to compensate us only upto Rs. 1.25 lakhs (purely as a "gesture") towards the defective machinery. I had, therefore, decided to revive old and additional claims (which have been settled as far as we are concerned but no communicated to them) towards shortfall in yields, sales of carbonate, etc. mentioned in para XI of the Audit Report (Commercial), 1963. Representatives of Pechiney then raised fresh claims against us towards losses incurred by them due to delayed shipments of monazite to them, idle time charges etc. They also insisted that we should pay them commissions in the currency of the countries in which the sales have been effected, as stipulated in the agreement. I did not agree to these.

The meeting ended inconclusively on 9-4-1964. We agreed to meet again the next day, as they wanted to go through details again and also to discuss with their President.

I had made it clear to them that unless a settlement was arrived at while I was there, it was possible that the dispute would continue for a few years, during which period we would not make any payments to them nor would it be possible to depute our representative to France but they would have to come to India for discussions at their own cost. I also told them that Arbitration will be a difficult process and as far as we are concerned we had a strong case etc.

The next day, when we met, I found that their attitude was more reasonable and that they were keen on a settlement.

During the discussion I was able to gather that they were prepared to settle our claims at Rs. 3.50 lakhs, provided that it was not split out, in the agreement, that Pechiney had to pay compensation to I.R.E. for supplying defective equipment and for non-fulfilment of contracts. This appeared to be a prestige issue and all they wanted was to safeguard their reputation. As far as I.R.E. was concerned, I felt that we need not be particularly keen on placing the blame on them and putting it on record, provided that we could get them agree to a fair settlement.

C. Settlement :

(1) On the final day they offered a compensation of Rs. 3.50 lakhs which I did not accept. After further discussion, they agreed finally to Rs. 4.11 lakhs which I accepted, since it exceeded the full claim on account of defective equipment (without allowance for equipment cannibalised by us) and left a margin above it. It was agreed that the settlement would merely indicate the agreed figure as the final amount payable by I.R.E. to Pechiney, in full and final settlement of fees, commission, share of profits etc. payable to them. This worked out to Rs. 5,65,000/- (free of Indian Taxes) (i.e. Rs. 9.76 lakhs Rs. 4.11 lakhs). It was also agreed that it will be payable only in rupees and that the rate of exchange (Rs. to French Francs) will be that prevailing on 10-4-1964.

As per the Agreement, the various Contracts between I.R.E. and Pechiney stand terminated on 10-4-1964.

A copy of the agreement is attached as Annexure "B".

(2) *Actual position of the Compensation Claims on Final Accounts.*

The net compensation claim as booked by the Company after the audit of the accounts for the year ending 31-3-64 comes to Rs. 3.81 lakhs. The overall difference here is to the extent of Rs. 0.30 lakhs i.e. Rs. 4.11--Rs. 3.81 lakhs. At the time of settlement the amounts payable to the French Firm towards commission, share of profits etc. were tentatively worked out. At the time of closing the accounts for the year 31-3-1964, Depreciation Allowances, Income-tax etc. had to be reckoned on the basis of the provisions of the latest Fiscal Act 1964. The stocks of Thorium Nitrate were also devalued for this year. This has resulted mainly into a lesser credit to S.T.R. towards the Share of Profits.

In the final settlement, the amount to be paid to the French Firm is an agreed figure of Rs. 5.65 lakhs. Hence on the reduction/change in the share of profits etc. on final working, the amount of compensation works out to a reduced figure of Rs. 3.81 lakhs (as shown in Annexure "C").

Sd/-

(G. RAJAGOPAL MENON)
Managing Director

ANNEXURE 'A'

S. T. R.'s Over all Position at the Time of Expiry of the Agreement

	<i>Rs. lakhs</i>	<i>Rs. lakhs</i>
I. Balance (due to STR) as per current account as on 31-3-63 (Audited Accounts) (after accounting for Income-tax for and upto 62-63. (This is inclusive of the share of Profits for the first two years viz. 1950-51 and 1951-52 credited to their accounts—(amounting to Rs. 2.83 lakhs) but not remitted).	6.59	
Less amount remitted in February 64	1.00	5.59
II. <i>Payment of Engineering Commissions</i>		
(a) Lumpsum	1.00	
(b) @ 5% on machineries ..	+ 0.76	1.76
(It is expected that No Tax will be assessed on this income—which is earned by them abroad). ..		
III. <i>Over-riding Commissions</i>		
Thorium Nitrate sales for the year 1963-64 (upto expiry of agreement) ..	1.05	
Less Income-tax to be paid @ 60%	- 0.61	0.44
IV. <i>Share of Profit</i>		
Period 1952-53 to 1962-63 Estimated	1.33	
For 1963-64 i.e. up to expiry of agreement	+ 2.20	
	3.53	
Less—Income-tax @ 60%	- 2.12	1.41
V. <i>Refund of Income-tax for the past period</i>		
Refund of the balance amount, received from the Income tax Department, ..		0.56
		9.76

ANNEXURE 'B'

Agreement

On the basis of discussions held in Paris on April 10th, 1964 between COMPANIE PECHINEY, Societe Anonyme, 23 rue Balzac, PARIS (8^e) (France), and INDIAN RARE EARTHS LTD., 148 Mahatma Gandhi Road, BOMBAY 1, (India), it has been agreed that INDIAN RARE EARTHS LTD., pay a sum of Rs. 565,000 (Rupees Five Hundred and Sixty Five Thousand) only, to PECHINEY, free of any Indian Taxes, in full and final settlement of an amount due to them on different accounts after adjusting towards claims made by IRE and PECHINEY respectively. This amount will be paid in full before December 31st, 1964.

The above amount will be payable by I.R.E. in Indian Rupees and the rate of exchange (Rs. to French Francs) will be that prevailing on date of this agreement.

Neither party to this agreement, will have any further claim on each other on any future date on any subject.

We hereby record our appreciation of each other for the mutual cooperation and good will that has existed during the period of the agreement.

We agree that all the various contracts between the two Companies has been fully and finally terminated.

For and on behalf of

INDIAN RARE EARTHS LTD.

Sd/-

(G. RAJAGOPAL MENON)

Paris, April 10th, 1964
For and on behalf of PECHINEY

Compagnie de Produits Chimiques at Electrometallurgiques.

Sd/-

(Ph. THOMAS)

ANNEXURE 'C'

Position of S. T. Rs Account

	Position 'A'		Position 'B'	
	As per Settlement		As per Accounts	
	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
I. Opening Balance as on 1-4-63 as per books ..	6.59		6.59	
Less : Amount remitted during the year ..	1.00	5.59	0.98	5.61
II. Payment of Engineering Commission and Fees.				
(a) Lumpsum Fees ..	1.00		1.00	
(b) Commission @5% on Machineries (assumed Tax Free) ..	0.76	1.76	0.76	1.76
III. Share of Profits ..	3.53		3.17	
Less : Income Tax ..	-2.12	1.41	-2.07	1.10
IV. Over-riding Commission ..	1.05		1.09	
Less. Income Tax ..	-0.61	0.44	-0.65	0.44
V. Refund of Income Tax for the past period		0.56		0.56
		9.76		9.47
VI. Less Balance of Income Tax paid for 1962-63		..		0.01
		9.76		9.46
VII. Less Net Compensation Claim		4.11		3.81
Balance as on 31-3-1964		5.65		5.65

The overall difference in the compensation (Rs. 4.11 lakhs—Rs. 3.81 lakhs—Rs. 0.30 lakhs) is mainly on account of our reckoning the depreciation on the basis of the subsequent Fiscal Act and the devaluation of the stocks etc, effected subsequently.

APPENDIX XXXVII

(vide reply to Recommendation at Sl. No. 3) Page 97

AIR-INDIA

Position (as on 31-12-1964) of outstandings which were three years old as on 31-3-1963.

	Rs. in lakhs
Outstandings as on 31-3-1963 (in respect of transactions up- to 31st March, 1960) ..	2.89
Less : Since settled ..	1.79
Outstanding at present ..	1.10
Category-wise break-up of the outstandings:—	
1. Government Parties ..	0.68
2. Foreign Embassies in India ..	—
3. Indian Embassies abroad ..	—
4. Foreign Government Parties ..	—
5. Others ..	*0.42
	1.10

*This is comprised of irrecoverable debts which are fully provided in our Reserve for Doubtful Debts and are being considered for write-off.

APPENDIX XXXVIII

(vide reply to Recommendation at Sl. No. 3) page 97

AIR-INDIA

Position (as on 31-12-1964) of outstandings upto 31-3-1963

		Rs. in lakhs
Total outstandings as on 31-3-1963	..	786.00
Less : Since settled	..	742.20
Outstandings at present		<u>43.80</u>

Break-up of the outstandings:—

1. Government Parties

(a) Ministry of Defence for sale of spare parts etc., to L.A.F. for Super Constellation 1049 aircraft and for maintenance of the same aircraft	..	37.91
(b) Other Government Departments for drawback of customs duty etc., and for traffic dues	..	1.50

2. Foreign Embassies in India

.. 0.21

3. Indian Embassies abroad

.. 0.10

4. Foreign Government Parties

.. 0.14

5. Others

.. 3.94

43.80

APPENDIX XXXIX

(vide reply to Recommendation at Sl. No. 46) page 101

Orders placed on Bhandari Iron and Steel Company, Indore

Sl. No.	Order No. & date	Brief description	Qty.	Value (Rs.)
1.	ME/45/PUR-1(59)/57/21 dt. 26-11-1957.	Cast Iron Casting	192 Nos.	4,896.00
2.	ME/PUR-1(5)/16/1/Bhan/9 dt. 11-1-1958.	Bush Bearing Plates	3.782 tons	6,015.30
3.	ME/PUR-1(5)/16/3/Bhan/57/ 10 dated 11-1-1958.	Shoval counter weight etc.	110 Nos.	7,285.20
4.	ME/PUR-1(5)/16/2/Bhan/57/ 11 dated 11-1-1958.	Baffle Plates etc.	54 „	35,983.20
5.	ME/PUR-1(82)/57/9 dated 12-3-1958.	C. I. Slab	32 „	1,768.00
6.	ME/PUR-47 & 42-1-(59)/ 57/9 dated 10-4-1958.	C. I. Casting	1,661 „	25,350.00
7.	ME/66/PUR-22(2) /57/20 dated 23-4-1958.	C. I. Slabs of sizes	4,770 „	64,512.50
8.	ME-118/PUR-22(7)/58/99 dated 26-6-58 as amended vide ME-118/PUR-22(7)/ 58/150 dated 28-8-1958.	Cast Iron Slabs		97,736.00
9.	ME-116/PUR-22(12)/58/ 105 dt. 30-6-1958.	Cast Iron Plates etc.	60 tons	71,040.00
10.	ME-25/PUR-22(12)/58/105 dated 30-6-58.	Gate for settling sands of sizes (C. I. Casting)	7 Nos.	11,447.87
11.	ME-25/PUR-22(10)/58/113 dated 7-7-1958.	Tee Troughs etc. (C. I. casting)	2 Nos.	6,040.00
12.	ME-58/PUR-22(20) /58/ 192 dt. 13-10-1958.	Casting Iron Slabs of different sizes.	..	48,868.00
13.	ME-62/PUR-22(19)/58/83 dated 22-4-1959.	G. I. Grates	269 Nos.	4,632.18
14.	ME-84/PUR-22(14)/59/ 152 dated 21-7-1959.	G. I. Slabs	30 „	1,440.00

APPENDIX XL

(vide para 6 of Introduction)

Analysis of the action taken by Government on the recommendations relating to public undertakings contained in the Twenty-Third Report of the Public Accounts Committee (Third Lok Sabha).

I. Total number of recommendations made	118
II. Recommendations that have been accepted by Government (vide Sl. Nos. 1, 4, 5, 6, 7, 8, 10, 11, 13, 14, 16, 18, 21, 23, 25, 27, 28, 29, 30, 31, 32, 35, 36, 40, 43, 44, 49, 51, 56, 59, 62, 63, 64, 65, 66, 68, 69, 70, 72, 73, 74, 76, 77, 79, 81, 86, 87, 88, 90, 91, 92, 93, 94, 95, 103, 104, 106, 107, 109, 110, 111, 113, 117 and 142).	
Number	64
Percentage to total	54%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide S. Nos. 2, 9, 15, 17, 19, 20, 22, 24, 26, 33, 34, 37, 39, 41, 42, 45, 50, 52, 53, 54, 57, 58, 60, 61, 67, 71, 75, 78, 80, 82, 83, 84, 85, 89, 96, 97, 98, 99, 100, 101, 102, 105, 108, 112, 114, 115 and 116).	
Number	47
Percentage to total	40%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (vide Sl. Nos. 3, 12, 38, 46, 47 and 48).	
Number	6
Percentage to total	5%
V. Recommendations in respect of which replies from Government are still awaited (vide Sl. No. 55).	
Number	1
Percentage to total	1%

Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI				
4. Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
6. Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27. J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
28. The Central News Agency, 23/90, Connaught Place, New Delhi.	15			
9. 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			
32. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	AGENTS IN FOREIGN COUNTRIES		
33. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68	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
MANAGER, GOVERNMENT OF INDIA PRESS, FARIDABAD.
