

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1969-70)**

(FOURTH LOK SABHA)

FIFTY-SECOND REPORT

**Action taken by Government on the Recommendations
contained in the Sixth Report of the Committee
on Public Undertakings (Fourth Lok Sabha)**

**Contracts entered into by Rourkela Steel Plant
of Hindustan Steel Ltd. with M/s. B. Patnaik (P)
Ltd. and others for the supply of Iron
Ore and Manganese**

(MINISTRY OF STEEL AND HEAVY ENGINEERING)



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1969
Agrahayana, 1891 (S)

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C O R R I G E N D A

FIFTY-SECOND REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1969-70) ON ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (FOURTH LOK SABHA) ON CONTRACTS ENTERED INTO BY ROURKELA STEEL PLANT OF HINDUSTAN STEEL LTD. WITH M/S. B. PATNAIK (P) LTD. AND OTHERS FOR THE SUPPLY OF IRON ORE AND MANGANESE ORE.

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Title	12	Manganese	Manganese Ore.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1969-70)

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STUDY GROUP VI ON ACTION TAKEN REPORTS

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Shri S. C. Mookerjee—*Deputy Secretary.*

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fifty-Second Report on the Action Taken by Government on the recommendations contained in the Sixth Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Contracts entered into by Rourkela Steel Plant of Hindustan Steel Ltd. with M/s. B. Patnaik (P) Ltd. and others for the supply of Iron Ore and Manganese Ore.

2. The Sixth Report was presented to the Lok Sabha on the 23rd December, 1967. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 21st June, 1968 and 11th September, 1969. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on the 15th and the 25th November, 1969. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

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

1. Report.

II. Recommendations that have been accepted by Government.

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

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Sixth Report (Fourth Lok Sabha) is given in Appendix II. It would be observed therefrom that out of 35 recommendations contained in the Report, 91 per cent have been

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accepted by Government. Replies of Government in respect of 3 per cent of the recommendations have not been accepted by the Committee. Final replies in respect of 6 per cent of the recommendations are still awaited.

M. B. RANA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
December 15, 1969

Agrahayana 24, 1891 (S).

CHAPTER I

REPORT

A. NON-CIRCULATION OF NAMES OF FIRMS BLACK-LISTED BY GOVERNMENT

Recommendation (Serial No. 17—Para 80)

In their recommendation at Serial No. 17 of the 6th Report (4th Lok Sabha) the Committee on Public Undertakings were not convinced with the replies of the Government that Rourkela Steel Plant authorities were not unreasonably inclined to favour some mine-owners. It was difficult to believe that the Management of Rourkela Steel Plant and other concerned offices were not aware of the CBI report of B. Patnaik etc. The contracts were given to this firm when it was not in a position to raise the required quantities of ores from its own mines as is indicated by its associating other mine-owners for supplies against the long-term contracts.

2. The Government in their reply, have stated that there was no official intimation concerning the CBI Report. According to the established procedure, the names of firms which are black-listed by Government are circulated and the undertakings do not deal with such firms. No instructions in regard to black-listing of M/s. B. Patnaik Mines (P) Ltd. were received by the Ministry Undertaking.

3. The Committee re-affirm that Rourkela Steel Plant ought to have taken into account all these facts before entering into any contracts. The Committee are of the opinion that it was a lapse on the part of the Government not to have circulated a list of firms which were black-listed. The Committee suggest that, in future, Government should circulate such lists to all public undertakings as soon as a firm was black-listed so that the undertakings do not enter into contracts with the black-listed firms.

B. NEED FOR CLOSER LIAISON AND CO-ORDINATION BETWEEN PUBLIC UNDERTAKINGS

4. The Committee find that in most of cases the Ministry of Steel and Heavy Engineering have only brought the recommendations|observations of the Committee to the notice of Hindustan Steel Ltd. for future guidance. They desire that the Ministry should ensure itself

that in future the undertakings should work in more close liaison and Co-ordination with each other and in case of disputes involving delay in settlement such as between Hindustan Steel Ltd. and M.M. T.C. the Government should step in to resolve the difficulty expeditiously.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee are surprised to notice that with a total shortfall of 44,922 tonnes of iron ore and 19279.9 tonnes of manganese ore during the period January to April, 1965 the Rourkela Steel Plant were prepared to treat the matter as a case of temporary imbalance. (Paragraph 30).

Reply of Government

The observation made by the Committee has been noted. It has been brought to the notice of Hnidustan Steel Ltd. for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 2)

Even after April 1965, upto July there was a shortfall of 74,623 tonnes of iron ore and 28,640.9 tonnes of manganese ore. On the 16th August 1965, Chairman HSL sent a letter to Secretary, Ministry of Iron & Steel apprising him of the differences between HSL and MMTC on prices of two ores and shortfall in supplies of manganese ore by MMTC to Durgapur and Rourkela Steel Plants. Meanwhile the position of supplies went on deteriorating.

The Committee feel that active steps should have been taken by HSL to resolve the differences between HSL and MMTC and arrest the deterioration of stock position. (Paras 31-32).

Reply of Government

The observation made by the Committee has been noted. If and when similar situations arise, appropriate action will be taken in the matter without delay.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 3)

The Committee regret to note that the Ministry of Iron and Steel did not pay due attention to the precarious stock position at the Rourkela Steel Plant and treated raw materials stock reports as mere routine statements. They feel that if Government had taken effective action in the matter, the crisis at the Steel Plant could have been avoided.

The Committee are unable to understand why the Ministry issued instructions to the Steel Plant to discontinue the submission of statements to them with effect from the week ending the 12th February, 1966 especially at a juncture when the stock position at the steel plant was desperate. (Paras 36-37).

Reply of Government

The observations of the Committee have been noted. It may however be pointed out that in the context of the general policy of Government to respect the autonomy of Public Undertakings it may not be advisable for the Ministry to attempt to control the stock position which is part of the day to day operational problem.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68. dated the 11th September, 1969].

Recommendation (Serial No. 4)

The matter was also put beyond the pale of any doubt by the letter from Chairman, MMTC to the Secretary, Ministry of Commerce (copy endorsed to Secretary, Steel & Mines) on the 30th August, 1965 wherein he had stated that the reaction of mine-owners to marginal relief in the price (of iron ore) offered by HSL had not been altogether happy and that future supplies of manganese ore on a satisfactory basis would depend on HSL's willingness to pay a reasonable price based on costs.

It is surprising that even inspite of knowing the attitude of MMTC, the Rourkela Steel Plant authorities did not take any action to arrange to supplement their requirements of iron and manganese ores by October/November, 1965 but waited till March, 1966 to place the *ad hoc* contracts. The head office of HSL also appears to have acted in a routine manner instead of resolving the dispute ensuring adequate supplies of ores to the Steel Plant.

It has been admitted both by the Ministry and the Rourkela Steel Plant authorities that there was no ban or directive on the steel plants against making purchases from open market. The Committee feel that the failure of the Rourkela authorities to make purchases from open market earlier was a gross neglect and disservice to the cause of public sector. (Paras 39-40-41).

Reply of Government

The observation of the Committee has been noted.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 5)

During the course of evidence the Committee gained the impression that the Department of Iron and Steel of the Ministry of Steel Mines and Metals were not in full possession of facts relating to the Steel Plants. The Committee do not know whether to ascribe it to lack of proper co-ordination of information in the Ministry itself or to proper exchange of information between the Ministry and the Steel Plants.

During the course of examination of the Head Office of HSL during 1965 the first Committee on Public Undertakings had felt that the Ministry of Iron & Steel had not been able to exercise enough control on the working of HSL and the steel plants. In para 168 of their 28th Report (Third Lok Sabha) they had made the following observations:—

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

The Committee would like to reiterate the above recommendation as they feel that as the Ministry is responsible to Parliament for the general economical and efficient functioning of HSL, they should have periodical reports from the HSL regarding all important aspects of their work of functioning. They hope that they are calling for such reports and getting them duly scrutinised in the Ministry.

While suggesting this the Committee is of the opinion that such exchange of information is in no way to be considered as interference in the day to day administration of the steel plants. No attempt should, however, be made to encroach upon the autonomous powers of the Corporation. The Committee hope that by cooperative efforts better co-ordination would result. (Paras 42-43).

Reply of Government

The observation made by the Committee has been noted. .

As indicated in the reply given to the observation of the Committee in para 168 of their 28th Report (Third Lok Sabha) a quarterly report on the performance of HSL Plants is already being received and reviews are being made.

[Ministry of Steel & Heavy Engineering O.M. No., RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 6)

In order to produce approximately 18,000 tonnes of pig iron every week, the Plant required 12,000 tonnes of high grade iron ore. According to the average weekly "programme accepted" i.e., 20543 tonnes of pig iron, the monthly requirement would be 60,000 tonnes. Against the average monthly requirements of 60,000 tonnes of high grade iron ore, HSL according to their statement indented 75,000 tonnes in June, 1965, 90,000 tonnes for July—September, 1965, 80,000 tonnes for October to December 1965, 50,000 tonnes in January 1966, 45,000 tonnes in February 1966, 50,000 tonnes in March 1966 and more than 81,000 tonnes in April, May and June, 1966. These quantities were later increased by H.S.L. (Rourkela).

These figures of indented iron ore during the 13 months when compared with the requirements as per rated capacity and 'Programme accepted' appear to be far in excess of the actual requirements of Rourkela Steel Plant. (Paras 46-47).

Reply of Government

The observation made by the Committee has been noted. This has been brought to the notice of the HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 7)

The Committee are surprised to see that there is such a wide divergence between the figures submitted by the Rourkela Steel Plant and MMTC in respect of original monthly programmes and Revised Programmes. It is curious that two major public undertakings—one concerned with the supply and the other with the indenting and receipt of iron ore and manganese ore are not able to agree on the quantities indented and the quantities supplied.

The Committee feel that suitable procedure should be evolved to ensure that there is no disparity and discrepancy in the records maintained by the two undertakings in respect of quantities indented and the quantities supplied. (Paras 49-50).

Reply of Government

A system to ensure that there is no disparity or discrepancy in the records maintained by the two undertakings has been evolved by HSL.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

This Ministry accepts the recommendation of the Committee. M.M.T.C. has instructed its Regional Office at Calcutta to get monthly statements from the steel plants concerned about the indents and receipts of iron ore and manganese ore and reconcile discrepancies, if any, with the steel plants direct.

[Ministry of Commerce O.M. No. 15/26/67-M&F-1000, dated the 21st June, 1968].

Recommendation (Serial No. 8)

In the light of these figures the Committee are not fully convinced of the frantic urgency that prompted the Rourkela Steel Plant to rush into *ad hoc* contracts and long-term contracts without inviting tenders. (Para 56).

Reply of Government

The observation made by the Committee has been noted. This has been brought to the notice of HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 9)

The Committee fail to understand the reasons which prompted the Rourkela Steel Plant to contract only 10 parties all of whom were not the largest suppliers of ores out of the 43 parties who had supplied ores to them during 1965-66. Calling for offers appears to have been done in an unplanned and arbitrary manner. Had the plant authorities contacted a larger number of suppliers who had supplied bigger quantities of these ores in the past, a more definite trend of market prices would have become apparent and the contracts for ores could have been placed on a more rational basis. (Para 59).

Reply of Government

The observation made by the Committee has been noted. This has been brought to the notice of the HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 11)

The representative of the Rourkela Steel Plant informed the Committee that no approved list of suppliers was being maintained by the Plant, but that such a list was being prepared now.

The Committee regret that even after so many years of the setting up of the plant, a list of approved suppliers of important items like raw materials is not being maintained by the Plant authorities. The Committee hope that a list of approved suppliers in respect of various raw materials required by the plant would be prepared without any further delay. (Paras 62-63).

Reply of Government

Recommendation has been brought to the notice of HSL and they have taken steps to prepare a list of approved suppliers of raw materials.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 12)

Another argument advanced for not calling for tenders was that HSL was discussing the question of price with MMTC at that time and MMTC would not have liked such a move on the part of the Rourkela Steel Plant. It is felt that from the point of view of MMTC calling for open advertised tenders would have had the same effect on the market as calling for offers informally and this argument is therefore not quite valid. (Para 65).

Recommendation (Serial No. 13)

The conditions prevailing at the time when the Rourkela Steel Plant made enquiries from the ten parties mentioned at para 57 were to a great extent those which were stated by HSL to be the prerequisites for calling open tenders. The market and capacity of various suppliers was not fully known to HSL. They knew about the potentialities and capabilities of those firms only which had supplied the two ores to HSL through MMTC. About others they did not have full information. According to their own admission they did not have a list of approved suppliers. It was in the interest of HSL to have encouraged new parties and located all sources of suppliers. (Para 66).

Reply of Government (Sl. Nos. 12 & 13)

The observation made by the Committee has been noted. It has been brought to the notice of the HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 14)

Besides other factors like shortage of diesel oil, shortage of trucks and entry of IISCO in the market the main reasons for dwindling supplies of iron ore and manganese ore to the Plant was the price factor. The Committee are therefore, of the view that calling of open advertised tenders would have resulted in the cheapest rates for the two ores being offered to the HSL. (Para 67).

Recommendation (Serial No. 15)

It was explained to the Committee that tenders were usually not invited in the case of purchase of raw materials. One had to be sure about the quality of the raw materials, the reliability of the party and the timely delivery.

While the Committee agree that all these factors should be taken into account they do feel that the principle of inviting tenders for such large scale purchases is a fundamental one. It is, therefore, necessary that proper policy and procedure should be laid down for purchase of raw material by the HSL Plants. The absence of such a procedure leads to allegations of favouritism and discrimination which should be avoided by a public undertaking at all costs. (Paras 70-71).

Reply of Government (Serial Nos. 14 & 15)

The observation of the Committee has been noted and will be followed by them as far as possible.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 16)

M/s. B. Patnaik Mines (P) Ltd. originally offered iron ore at Rs. 16.50 per tonne and Manganese Ore at Rs. 26 per tonne. M/s. Misrilal Jain had originally offered iron ore at Rs. 17 per tonne and manganese ore at Rs. 27 per tonne. On the other hand M/s. K. C. Thaper & Sons had offered iron ore at Rs. 16.50 per tonne and had indicated that if an order for one lakh tonnes of iron ore was placed, they would be able to bring down the price to Rs. 16 per tonne. Similarly M/s. Serajuddin & Co. had offered manganese ore at Rs. 25 per tonne although they could not make any definite commitment due to prior arrangement with MMTC. M/s. Baijnath Sarda had offered to supply iron ore at Rs. 17 per tonne.

The Committee are unable to understand why the Rourkela Steel Plant did not consider the offer for 1,00,000 tonnes of iron ore by M/s. K. C. Thaper at Rs. 16 per tonne. Similarly the matter could have been pursued further with other firms who had quoted low prices.

Instead of following this straight forward line of action the plant authorities preferred the procedure of negotiating with parties who had quoted higher prices for these raw materials. If negotiations with M/s. B. Patnaik Mines & M/s. Misrilal Jain could bring down the rates quoted by them for these ores there is every reason to believe that similar negotiations with others would have brought down their rates. Thus the likelihood of further lowering of prices was ruled out by negotiating with certain chosen parties. Paras 77, 78 & 79).

Reply of Government

The observation made by the Committee has been noted. This has been brought to the notice of the HSL for future guidance. [Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 18)

Manganese ore was much more difficult to get than iron ore. The export market for manganese ore was extremely good at that time. The economics of the Plan were that if iron ore and manganese ore were linked up only then could they expect manganese ore at a reasonable price. Otherwise they would have had to pay Rs. 26.50 to Rs. 27 or even Rs. 28 per tonne of manganese ore.

This plea of HSL does not appear to have a sound basis as even in February, 1966, when HSL contacted ten parties informally two firms had offered manganese ore at Rs. 25 per tonnes. This is also borne out by the fact that M/s. B. Patnaik and M/s. Misrilal Jain subsequently offered this ore at Rs. 25 per tonne. These mine owners shared the supplies to be made to Rourkela Steel Plant with a number of other mine-owners. It would, therefore, appear that the linking of two ores was artificial and commercially unsound. (Paras 82-83).

Reply of Government

The observation of the Committee has been noted. This has been brought to the notice of the HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 19)

The Committee feel that the insistence of the MMTC on a package deal for both the Rourkela and Durgapur Steel Plants was unreasonable and largely responsible for further deterioration of relations between the two undertakings. (Para 102).

Reply of Government

The Committee's observations have been noted.

[Ministry of Commerce O.M. No. 15/26/67-M&F-1000, dated the 21st June, 1968].

Recommendation (Serial No. 20)

The ad hoc contracts placed on M/s. Mishrilal Jain & Sons and M/s. B. Patnaik Mines on 2nd March, 1966 were to have run upto June, 1966. From March, 1966 to June 1966 there was ample time for the Rourkela Steel Plant to have called for open or limited tenders. (Para 104).

Recommendation (Serial No. 21)

In June 1966 it was well known among the mine-owners that MMTC had finally refused to supply to HSL and that made the position even worse. So, issue of limited tender enquiries was not considered advisable by HSL since it was intended to ensure regular supplies at reasonable price.

This argument of HSL does not appear to be convincing as M/s. Mishrilal Jain & Sons, M/s. B. Patnaik Mines (P) Ltd. and M/s. Rungta & Sons who had signed the minutes of the meeting of the 19th May, 1966 agreed to enter into long terms contracts with the Rourkela Steel Plant in spite of a self-imposed ban. In fact a number of mine-owners belonging to the Association of mine-owners are now sharing the supplies with M/s. B. Patnaik Mines and M/s. Mishrilal Jain & Sons against the direct contracts. These arguments of Rourkela Steel Plant therefore are not convincing.

Considering all the circumstances the Committee feel that after entering into ad hoc arrangements for three months in March, 1966 there was sufficient time for HSL to invite open tenders for their long term supplies. In view of the known attitude of MMTC there seems to be no justification for HSL to wait till July, 1966 for making firm arrangements for the supply of these vital ores. (Paras 106-107-108).

Reply of Government (Serial Nos. 20 & 21)

The observation of the Committee has been noted. This has been brought to the notice of the HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 22)

It is thus clear that the parties with whom the contracts were signed did not themselves have enough capacity to fulfil the contracts. The Committee therefore, feel that orders could have been placed on a larger number of mine-owners of the area particularly in view of the assurance given to them by the Chairman, HSL in the meeting of the 4th April, 1966. (Para. 122).

Reply of Government

The observation of the Committee has been noted. This has been brought to the notice of the HSL for future guidance.

[Ministry of Steel & Heavy Engineering O.M. No. RM--9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 23)

The argument, that HSL preferred to place contracts with two or three firms instead of a large number of firms because it was more conducive to ensuring regular supplies is also not very convincing. HSL had at every stage visualised routing the contracts through MMTC. They had also made a provision for this in the contracts negotiated by them. In fact the long term contracts placed by Rourkela Steel Plant are now being routed through MMTC with effect from 1st July, 1967 and those by Durgapur Steel Plant w.e.f. 1-11-1967. (Para 123).

Reply of Government

The observation made by the Committee has been noted.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 24)

The explanation for placing the contract on M/s. Rungta & Sons does not appear to be valid for the following reasons:

- (i) M/s. Rungta Sons as per information received from the Indian Bureau of Mines, do not own any iron ore or man-

nese ore mines. According to the Government of Bihar they obtained a mining lease in September, 1965 but have not raised any quantity of iron ore from these mines since September, 1965 to September, 1967 and have not paid any royalty.

- (ii) They had not made any offers at the time when ad hoc contracts were being placed. The offers were made by Madan Gopal Rungta and M/s. Mangi Lal Rungta and not by M/s. Rungta Sons.
- (iii) The offers were subsequently withdrawn by M/s. Madan Gopal Rungta and M/s. Mangi Lal Rungta. (Para 128).

Reply of Government

The observation made by the Committee has been noted.

[Ministry of Steel & Heavy Engineering O.M. No. RM--9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 25)

According to the information supplied by MMTC they had agreed to supply the enhanced quantities of iron ore and manganese ore asked for by the Rourkela Steel Plant. Only the revised programme for February, 1966 to June, 1966 had not been accepted by them. The Committee feel that MMTC should have adhered to the accepted revised programme and ensured full supplies accordingly every month. The excuses for short supplies put forward by them do not do any credit to them as a commercial concern. (Para 151).

Reply of Government

Committee's observations have been noted. As the Committee itself has observed, supplies to Rourkela have been re-routed through the M.M.T.C. since 1-7-1967 and supplies to Durgapur since 1-11-1967. The M.M.T.C. has been advised to take note of Committee's observations in making supplies under the re-routed contracts.

[Ministry of Commerce O.M. No. 15/26/67-M&F-1000, dated the 21st June, 1968].

Recommendation (Serial No. 26)

MMTC had also agreed to the revised price of Rs. 23 per tonne for manganese ore, on the 11th May, 1965. The trend of rising prices, heavy export commitments must have been taken into account by them before agreeing to that price.

The Committee are of the view that after having accepted the price and a certain revised programme for supplies of manganese ore, MMTC should have honoured their commitment. They feel that the plea of "unattractive price" put forward by MMTC every time the question of short supplies was raised, besides being unfair to the indenter is also unbecoming for a large trading concern. As an efficient and reputable trading concern they should have adhered to the understanding arrived at a meeting. (Paras 152-153).

Reply of Government

Committee's observation has been noted MMTC has been advised to avoid recurrence of such lapses .

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 27)

Throughout the period July, 1965 to May, 1966 MMTC and HSL entered in to lengthy and repetitive correspondence with each other regarding prices. Upto May, 1966, however, no efforts were made by MMTC to convene a meeting of the mine-owners for settling the price issue. Had the meeting that they finally convened on the 19th May, 1966, been held in August/September, 1965, the entire matter could have been settled earlier. The Committee feel that MMTC except for sending complaints and counter complaints to HSL, Ministry of Commerce, Secretary Iron and Steel and the General Managers of the Steel Plants, did not initiate any positive steps to resolve the differences. The fact that even this positive step on the 19th May, 1966 by MMTC was taken as a result of instructions from the Minister of Commerce and Secretary, Ministry of Commerce is clearly indicative of the uncompromising attitude of MMTC. It is regrettable that MMTC did not suo moto think of such a meeting much earlier. (Para 163).

Reply of Government

The observations of the Committee have been noted. M.M.T.C. has been advised to take note of the Committee's observations and to take steps to ensure that differences between the Corporation and other public sector undertakings are resolved within a reasonably

short period of time failing which assistance of concerned Ministries should be involved to ensure that inter-undertaking disputes are not unduly prolonged and do not adversely affect public interest.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 28)

The meeting with mine-owners on the 19th May, 1966, as is clear from the minutes of the meeting, dealt with the issue of prices for HSL and for export supplies. The question of prices of ores for domestic and export consumption are so interlinked that one cannot be considered without the other. The plea put forward by Chairman MMTC that they did not consider it useful for the representatives of HSL to have attended the meeting as it considered matters relating to exports, is totally untenable. The Committee feel that the decision of MMTC to exclude HSL out of the negotiations with mine-owners was unfair and unhealthy. HSL were vitally interested in the matter and it would have been more advantageous both for MMTC and HSL to present a joint front to the mine-owners. The uncompromising attitude of MMTC in fact resulted in misunderstanding and distrust between the two undertakings. (Para 169).

Reply of Government

M.M.T.C. has noted this observation and subsequent to the direct taking over of the Hindustan Steel Limited contracts, a close liaison has been established between the M.M.T.C. and the H.S.L. officials particularly in matters regarding prices.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 29)

In the above mentioned meeting with mine-owners, it was decided inter alia that:

“In future, the mine-owners will desist from making any direct approach to HSL for contracts for supply. It is the unanimous recommendation of the mine-owners that any mine-owner who negotiates and/or concludes contract directly with HSL should be debarred from claiming any business through MMTC.”

The Committee feel that this decision was highly objectionable as it sought to pressurise HSL either to agree to the prices offered by MMTC or face closure of the steel plant. It is regrettable that one public undertaking i.e., MMTC permitted the mine-owners to take such a decision against a sister public undertaking i.e., HSL. It is all the more unfortunate that this decision was taken at a meeting convened by MMTC at which the Chairman, MMTC presided and a Joint Secretary of the Ministry of Commerce was also present. It is surprising that neither the Chairman MMTC nor the Government representative made any effort to prevent the mine-owners from adopting such a resolution which was against the interests of another public undertaking. In fact an impression is created that the mine-owners were encouraged to pass such a resolution in order to get even with another public undertaking which had not agreed to their terms. (Paras 170-171).

Reply of Government

The Ministry and the M.M.T.C. have noted the observation of the Committee. All efforts will be made to avoid recurrence.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 30)

The minutes of this meeting reveal that the firms on whom *ad hoc* contracts for iron ore and manganese ore had been placed by the Rourkela Steel Plant had been invited to the meeting and were themselves a party to this decision. These very parties as well as Shri S. R. Rungta, who was the President of the Eastern Zone Mining Association later entered into long term contracts with the Rourkela Steel Plant directly in spite of this decision. The Committee are not sure whether these parties did not take advantage of this decision so as to sign long-term contracts with HSL. (Para 172).

Reply of Government

The observation made by the Committee has been noted.

[Ministry of Steel and Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

Recommendation (Serial No. 31)

The Committee feel that when there was acute shortage of supplies of ores to the steel plants the Government should have stepped in to resolve the difficulty which was within the knowledge of the highest officers of the two Ministries concerned. It should not have been left to MMTC to decide whether supplies to HSL should be curtailed in the interest of exports. The steel plants form a very important component of India's economic activity and should not have been neglected in this manner. (Para 178).

Reply of Government

The observation of the Committee has been noted. If such situation arises in future, Government will take necessary action to overcome the difficulty.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

The observation of the Committee have been noted. If and when similar situations arise, Government will take appropriate action without undue delay.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 32)

During evidence the representative of MMTC admitted that the programme of export supplies did not suffer throughout the entire period, when supplies of ores to HSL (Rourkela) were being curtailed.

The Committee strongly deprecate the attitude of MMTC in increasing their export targets when HSL was in a precarious position on account of short supplies of ores by MMTC. There were firm and regular HSL contracts with MMTC for iron ore and manganese ore. As a commercial body it was incumbent upon MMTC to have honoured their home contractual obligations first. The Committee regret to note that MMTC did not attach much importance to the needs of Rourkela. The Committee feel that the Government should take strong measures against MMTC which failed to fulfil the contract with the Rourkela Steel Plant and practically starved it. (Paras 180-181).

Reply of Government

The Committee's observations have been noted. A letter issued to the Chairman of the Corporation is enclosed. (Appendix I). The Chairman has been asked to place this letter before the Board of Directors of the Corporation.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 33)

The Committee regret to note that both MMTC and HSL (Rourkela) failed to realise that they are Public Sector organisations and they should not have done anything which would in any way act prejudicially to the interest of either of them because ultimately their failure harms the interest of public and creates a bad opinion about the public sector undertakings. (Para 182).

Reply of Government

The observation of the Committee has been noted.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

The Committee's observation has been noted.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

Recommendation (Serial No. 34)

The Committee feel that the Ministries of Commerce and Steel, Mines and Metals (Department of Iron & Steel) should have intervened in this matter as early as August/September, 1965 and taken positive steps to prevent the deterioration of the situation. (Para 185).

Reply of Government

The observation of the Committee has been noted.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

The Committee's observations have been noted for future guidance.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

CHAPTER III

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

NIL

CHAPTER IV

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

Recommendation (Serial No. 17)

In view of these reasons the Committee are not fully convinced that Rourkela Steel Plant were not unreasonably inclined to favour some mine-owners. It is difficult to believe that the Management of the Rourkela Steel Plant and other concerned offices were not aware of the C.B.I. report on B. Patnaik etc. It is still more surprising that the contracts were given to this firm when it was not in a position to raise the required quantities of ores from its own mines as is indicated by its associating other mine-owners for supplies against the long term contracts. (Para 80).

Reply of Government

There was no official intimation concerning the C.B.I. Report. According to the established procedure, the names of firms which are black-listed by Government are circulated and we do not deal with such firms. No instructions in regard to black-listing of M/s. B. Patnaik Mines (P) Ltd. were received by us.

Rourkela Management had verified the mining leases held by M/s. B. Patnaik Mines (P) Ltd. and had satisfied themselves that M/s. B. Patnaik Mines (P) Ltd. had sufficient raising capacity.

[Ministry of Steel & Heavy Engineering O.M. No. RM-9(15)/68, dated the 11th September, 1969].

CHAPTER V

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

Recommendation (Serial No. 10)

The Committee are surprised to note that at a time when manganese ore was being quoted at the maximum price of Rs. 28 per tonne in Barajamada area, MOIL another public undertaking under the Ministry of Steel, Mines and Metals was quoting an exorbitant rate of Rs. 46 per tonne. The Committee feel that the Government should undertake a cost analysis of the working of the Manganese Ore (India) Ltd. to assess the reasons for the high prices for manganese ore being demanded by them and to ascertain whether any subsidy hidden or otherwise is being paid by Government to this Company. (Para 61).

Recommendation (Serial No. 35)

The Committee regret to note that statements showing precarious stock position of ores in the Rourkela Steel Plant received by the Ministry of Steel, Mines and Metals were not taken notice of. The Committee fail to understand as to why such statements were called from the Steel Plants if they were not to serve any useful purpose in the Ministry. The Committee can only hope that such failure would not recur. The Committee regret to note that both the Ministries failed to take cognizance of the matter at the proper time and allowed matters to drift. They recommend that Government should lay down some procedure for speedy settlement of disputes between public sector undertakings. (Para 186).

Reply of Government

Action has been initiated to evolve a procedure for speedy settlement of disputes between the public sector undertakings. The matter is under consideration with the Bureau of Public Enterprises and the Committee will be informed of the final action taken in the matter.

[Ministry of Commerce O.M. No. 15/26/67-M&F—1000, dated the 21st June, 1968].

APPENDIX I

[Vide reply to recommendation at serial No. 32—Page 19]

Copy of letter No. 15| (26) |67-M&F dated June, 1968 from Shri K. B. Lall Secretary, Ministry of Commerce to the Chairman, M.M.T.C. New Delhi.

You are aware that the Committee on Public Undertakings enquired into the contracts entered into by the Rourkela Steel Plant of Hindustan Steel Limited and others for the supply of Iron Ore and Manganese Ore and in its Sixth Report has made certain recommendations/observations. One of such observations is reproduced below:—

“32. During evidence the representative of M.M.T.C. admitted that the programme of export supplies did not suffer throughout the entire period, when supplies of ores to HSL (Rourkela) were being curtailed.

The Committee strongly deprecate the attitude of M.M.T.C. in increasing their export targets when HSL was in a precarious position on account of short supplies of ores by M.M.T.C. There were firm and regular HSL contracts with MMTC for iron ore and manganese ore. As a commercial body it was incumbent upon MMTC to have honoured their home contractual obligations first. The Committee regret to note that MMTC did not attach much importance to the needs of Rourkela. The Committee feel that the Government should take strong measures against MMTC which failed to fulfil the contract with the Rourkela Steel Plant and practically starved it.”

2. Government are distressed that the functioning of M.M.T.C. should have given cause for the Committee to express such strong views. It is expected that these will be borne in mind in your Corporation's future work.

I am to request you to place this communication before your Board of Directors.

APPENDIX II

[Vide para 4 of the Introduction]

Analysis of the action taken by Government on the recommendations contained in the Sixth Report of the Committee on Public Undertakings (4th Lok Sabha).

1.	Total number of recommendations	35
2.	Recommendations which have been accepted by Government (<i>vide</i> Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33 & 34).	
	Number	32
	Percentage to total	91%
3.	Recommendations which the Committee do not desire to pursue in view of Government's reply	NIL
4.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> Sl. No. 17).	
	Number	1
	Percentage of total	3%
5.	Recommendations in respect of which replies of Government are still awaited (<i>Vide</i> Sl. Nos. 10 & 35).	
	Number	2
	Percentage to total	6%

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency, Connaught Place, New Delhi.		33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
25.	Sat Narain & Sons, 141, Mohd. Ali Bazar, Mori Gate, Delhi.		34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.		35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jains & Brothers, Mori Gate, Delhi.		36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.		37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
MANIPUR					
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.		38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.		AGENTS IN FOREIGN COUNTRIES		
31.	Bahrée Brothers, 188, Lajpatrai Market, Delhi-6.		39.	The Secretary, Establishment Department, The High Commission of India, 'India House', Aldwych, LONDON W.C.—2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.				

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