C. P. U. No. 215

COMMITTEE ON PUBLIC UNDERTAKINGS
1972-73

(FIFTH LOK SABHA)

TWENTY-FOURTH REPORT

Action taken by Government on the recommendations contained in the Sixty-fifth Report of the Committee on Public Undertakings (Fourth Lok Sabha)

MINING AND ALLIED MACHINERY CORPORATION LIMITED

Ministry of Steel and Mines
(Department of Steel)

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 1972/Agrahayana 1894 (S)

Price: Rs. 2.60

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CORRIGENDA TO TWENTY FOURTH REPORT OF COMMITTEE ON PUBLIC UNDERTAKINGS(1972-73) PRESENTED TO LOK SABHA ON DECEMBER 20,1972.

Page	Line	For	Read
3	7(from bottom)	add 'be' after 'it will not'	
4	5	'Rs.80.37'	'Rs.80.87'
5	10	'recommissioning'	'commissioning'
10	9(from bottom)	'199'	'1969'
14	Last line	'nice'	'notice'
16	21	add 'to' after '30,000 tonnes' and omit ',' after '30,000 tonnes'	
25	5	'MCDC'	'NCDC'
36	3	'item'	'items'
43	10	'annul'	'annum'
44	11(from bottom)	'infrustious'	'infructuous'
50	11(from bottom)	'resign'	'design'
54	14(from bottom)	'copling'	'coupling'
54	19(from bottom)	'Speaker'	'Spreader'
55	11	'require'	'required'
55	15	'repeways'	'ropeway'
56	2(from below)	'and'	'any'
58	8	After 'elaborate' inset 'excercise'	
60	11	'banchi'	'Ranchi'
60	18	'uncharged	'unchanged
79	4(from below)	'import'	'important'
84	31	'paated'	'pattern'
85	13	'filed'	'filled'
86	5(from below)	'will continue will improve'	'will continue to improve
88	8	'and'	'had'
94	3	'and'	'end'
100	for the last 2 lines substitute the following:- [Ministry of Steel and Mines (Department of Steel) D.O.No.7-27/70-HEP, dt.3.4.72]		
106	Omit line 14		
108	2(from bottom)	'non-repetive'	'non-repetitive'
112	4(from bottom)	'classification'	'clarification'
116	4	'Propects'	'Projects'

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(1972-73)

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4. Shri S. N. Misra
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6. Shri G. Bhuvarahan
7. Shri D. P. Singh
8. Shri Lal K. Advani
9. Shri U. N. Mahida
10. Shri Ranen Sen.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty-Fourth Report on the Action Taken by Government on the recommendations contained in Sixty-fifth Report of the Committee on Public Undertakings (4th Lok Sabha) on Mining and Allied Machinery Corporation Ltd.

2. The Sixty-fifth Report of the Committee on Public Undertakings (4th Lok Sabha) on Mining and Allied Machinery Corporation Ltd. was presented to Lok Sabha on the 23rd April, 1970. The replies of Government to all the 45 recommendations contained in the Report were received by the 24th March, 1972. Further information in respect of recommendations at Serial Nos. 1, 4, 6, 17, 21, 35, 36, 37 and 41 was called for and the requisite information was received from the Government by the 3rd April 1972. Further information|clarification in respect of the recommendations at Serial Nos. 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 19, 21, 30, 33, 34, 35, 37 and 44 was again called for by the 24th May, 1972 and the requisite information was received from the Government by the 10th August, 1972 except in respect of recommendations at Serial No.2.

3. At their sitting held on the 20th June, 1972, the Committee on Public Undertakings decided that replies of Government to recommendations contained in the 65th Report on Mining and Allied Machinery Corporation Ltd., may first be considered by the study Group on Action Taken Reports. The replies of Government were accordingly considered by the study Group on Action Taken Reports and Miscellaneous Matters on the 25th August, 1972. The Study Group desired further information to be called for from the Government in respect of recommendations at Serial Nos. 2, 29 and 44. The Study Group further decided that the Report may be finalised by the Chairman in the light of observations made by them and then placed before the Committee for their consideration and approval.

4. Further information in respect of recommendations at Serial Nos, 2, 29 and 44 called for from the Ministry was received from the Government by the 21st November, 1972.

5. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 27th November, 1972 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

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

(i) Report

(ii) Recommendations that have been accepted by Government.

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

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

7. An analysis of the Action Taken by Government on the recommendations contained in the 65th Report of the Committee is given in Appendix II. It would be observed therefrom that out of the total number of recommendations made in the Report 26.6 per cent have been accepted by the Government. The Committee do not desire to puruse 44.4 per cent of the recommendations in view of Government's replies. Replies of Government in respect of 29 per cent recommendations have not been accepted by the Committee.

SUBHADRA JOSHI,
Chairman,
Committee On Public Undertakings.

NEW DELHI;
December 14, 1972.
Agrahayana 23, 1894 (*S*).

CHAPTER I

REPORT

A. Project Estimates

Recommendation No. 1

The Committee found that upto 31st March, 1969, Rs. 35.10 crores had been spent on the Project of Mining and Allied Machinery Corporation Ltd. They expressed their regret that the project estimates had not been approved by the Ministry in spite of the fact that the Estimate Committee (1963-64) in their 51st Report had recommended that "the final estimates of various projects be immediately prepared and placed before the Parliament." In November, 1965, the Ministry in reply to the above recommendation of the Committee stated that "the capital costs of the Heavy Engineering Corporation's projects have been obtained and these are being examined. A decision is expected to be taken shortly."

The Committee took a very serious note that the Ministry had shown a scant regard to an important recommendation of the Committee referred to above and had not implemented the categorical assurance given by them to the Committee on Public Undertakings. They re-emphasised and reiterated what had been stated in the 51st Report that "the total commitments on such projects should be prepared as realistically as possible in the beginning and should be available to Government and Parliament before a project is approved."

The Committee regarded it highly improper that Government proceeded with the setting up of a project of this dimension without a clear idea as to what the project would ultimately cost. They observed that it was unfair to the Parliament and to the country to make them commit to a project on piece-meal basis from year to year without giving a true and realistic picture of the final cost of the project. Government presented before the Parliament the expenditure already incurred on the Project as *fait accompli.* The final sanction and approval of the estimates or its revision was the responsibility of the Government on the basis of which the budgeting and incurring of expenditure should take place. The Committee felt that it was the Ministry that should blame itself for inefficient management and non-sanction of the project estimates for the last 10 years.

The Committee felt that it was highly improper to incur expenditure in excess of the amount provided for under a particular head and to adjust the same according to convenience under another head. They also deplored the creation of a new head, *i.e.* "deffered revenue expenditure" which, they felt, was one of the back-door methods of increasing the estimated expenditure."

In their reply dated the 3rd November, 1971 the Ministry of Steel and Mines (Department of Steel) stated as under:—

"The capital cost of the project is now in the final stage of approval. As per the existing instructions, the estimate of capital cost as finalised after inter-departmental discussions, is being submitted to the Cabinet for approval. The Committee will be informed of the Cabinet approval as and when it is obtained. As regards the criticisms that a new sub head "deferred revenue expenditure" has been introduced in the revised estimates, the position is as under. Normally, the entire revenue expenditure incurred during the construction period of a project is capitalised. However, considering the effect of such expenditure on the value of various fixed assets, MAMC had transferred only a part of such expenditure to "expenditure during the construction" account. The remaining amount of expenditure was transferred to a sub-head "deferred revenue expenditure" for being carried forward and written off in a specific number of years. Even in the initial cost estimates, there was an element of deferred revenue expenditure shown under specific heads "Expenditure on foreign experts" and "expenditure on training". While preparing the latest estimate, the position regarding "deferred revenue expenditure" was re-examined and the project cost estimate re-cast providing for the portion of deferred revenue expenditure which was not included in earlier estimates. It may be added that while the various heads of expenditure under the original project cost estimates have undergone revision in the revised estimates, it has been possible to bring down the total estimate from Rs. 38.42 crores to Rs. 37.60 crores.*

Subsequently the Committee were informed that the approval of the capital cost of the Project was conveyed on 27th December, 1971.

The Committee enquired about the comments of the Ministry to the observations of the Committee regarding inordinate delay in approval of the estimates. The Ministry have stated that "it is agreed that there was avoidable delay in the approval of the capital cost of this project."

Asked as to what were the comments of the Ministry to the observation made by the Committee that it was highly improper to incur expenditure in excess of the amount provided for under a particular head and to adjust the same according to convenience under another head, in their reply dated the 19th February, 1972 the Ministry stated as under:—

"It is a fact that by misapprehension, the heads of account "Deferred Revenue Expenditure" "Expenditure on Foreign Experts" and "Expenditure on Training" were operated upon and the amounts indicated below were booked under these heads:—

(i)	Deferred revenue expenditure	Rs. 227.12 lakhs
(ii)	Expenditure on foreign experts	Rs. 112.17 ,,
(iii)	Expenditure on training	Rs. 71.80 ,,
	TOTAL :	Rs. 411.09

*At the time of factual verifications the Audit have observed as under:—

"Regarding last sentence of the reply it may be mentioned that, if comparison is made between the original estimates and the latest revised estimates under the two main heads *i.e.* (a) plant and (b) construction of township (as done on page 3 of the CPUs report) it will be seen that while the estimates on plant increased from Rs. 29.30 crores (June, 1964) to Rs. 30.96 crores (Dec. 1969), the estimates for township came down from Rs. 9.12 crores to Rs. 6.64 crores. As regards Township estimates, it will not correct to call the reduction as saving as the estimates approved by the Board in June, 1964 were on the high side and in order to arrive at the correct estimates the Board had itself desired the Management to put up a more realistic estimate considering the actual requirement (*vide* para 2.7 of the CPUs Report). In view of the above position it may not be correct how the conclusion that the total estimates were brought down."

The amounts so booked under these heads have been written off over a period of years as indicated below:—

1966-67	Rs. 44.08 lakhs	
1967-68	Rs. 80.32 ,,	
1968-69	Rs. 80.37 ,,	
1969-70	Rs. 81.62 ,,	
1970-71	Rs. 82.22 ,,	(Proposed to be written off).
1971-72 . . .	Rs. 41.98 ,,	
TOTAL :	Rs. 411.09 ,,	

But for this write-off, the capital expenditure on the Plants would have been higher to this extent. However, as the amount has been written off and the loss for the correspondingly increased, it will not be possible now to do anything to restore the capital amount to what it would have been the heads of accounts "Deferred Revenue Expenditure etc., not been operated at all."

The Committee were further informed that "the deferred revenue expenditure was written off over a period of five years as authorised by the Board of Directors of MAMC."

The Committee are not convinced of the reply of Government that there had been an overall saving in the Project Estimate from Rs. 38:42 crores to 37:00 crores. An analysis of the so called reduction would indicate that it is as a result of substantial increase in the estimate for plant and machinery off-set by saving under Township expenditure.

The Committee regret to point out that Government have not given a satisfactory reply to their recommendation that it was highly improper to incur expenditure in excess of the amount provided for under a particular head and to adjust the same according to convenience under another head.

B. *Delay in the construction and commissioning of the Plant:*

Recommendations Nos. 2 & 3

The Committee on Public Undertakings (Fourth Lok Sabha) expressed their regret that no definite schedules of construction and commissioning of the Project were drawn up. First, the general indication was that the Project would be commissioned by the end of 1964, and later the Russian Team indicated end of the year 1966 as the period for the completion of the main units of the Project. In August, 1969, there were 21 machine tools and components of the Project still to be completed and so to say the erection was still in progress. The completion of the erection had been delayed by nearly five years. The Committee deplored the inordinate delay in the completion of the Project and regretted that no heed was paid to the recommendations of the Estimates Committee contained in their 51st Report (1963-64) wherein they had stated, "it is essential for proper planning and execution that definite time schedules of construction and recommissioning of project are prepared as early as possible and adhered to." Even the Ministry did not show any concern in regard to the delay in the construction and commissioning of the plant and had failed to analyse the causes for the same and fix responsibility for the various lapses committed by those who were incharge of the execution of work.

In their reply dated the 22nd March, 1972 the Ministry stated as under:—

> "It is true that the scheduled dates of completion of the various units were not given in the Detailed Project Report. A schedule of construction and commissioning of the Project was, however, drawn up in 1960-61 with reference to the Detailed Project Report for 30,000 tonnes approved in August, 1959. This was done in consultation with the Soviet Collaborators and the progress of the project was being followed up with reference to the said construction schedule. The connected civil construction work started as per schedule served the capacity need of the supplementary Detailed Project Report approved in 1962 raising the capacity of the plant to 45,000 tonnes.* The sequence of civil construction as given, was same for 45,000 tonnes capacity. The other time schedules for commissioning of shops, delivery of equipment etc., remained the same and the sequence was drawn up for production need. It is regretted that the existence of this schedule was not brought to the notice of the Committee earlier.

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*At the time of factual verification of the Report, Audit pointed out the following facts:—

"The sentence does not tally with the reply sent to Audit for vetting which read as follows:—

'This Schedule of construction and commissioning was applicable also to the supplementary Detailed Project Report approved in 1962 raising the capacity of the plant to 45,000 tonnes'."

2. The Soviet long-term planning team that came in 1964-65 to render technical assistance in working out a perspective production plan for the coal mining machinery plant had, whoever, re-assessed with reference to the schedule drawn up originally, the progress of construction of the plant and indicated that completion of work of the main units should be made by end of 1966.

3. While 21 machine tools|equipment awaited completion of erection|commissioning in August, 1969, it may be stated that all the units (production shops) were handed over for commencement of manufacture beginning from October, 1962 (pattern shop) to August, 1964 (Machine Shop II). It may also be mentioned that the first item, *viz.*, a Centrifugal Pump was manufactured in April, 1963 and was delivered to NCDC while the first Belt Conveyor was manufactured in the plant and was delivered to NCDC in December, 1964. Sequence of erection and commissioning of machine tools and equipment was planned in conformity with the requirements of manufacturing programme and erection|commissioning of only a few items was delayed as these were not immediately required in the context of the diversification in the manufacturing programme of the Company. A detailed review has revealed, *inter alia*, that delay in construction and commissioning did not material-

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The following observations were made by Audit as a result of vetting of the Ministry's reply:—

(i) The capacity of 30,000 tonnes and 45,000 tonnes should be read as '30,000 tons and 45,000 tons'.

(ii) The Blue print referred to in the reply and produced to Local Audit Officer was neither signed by any body nor was it dated. It was also not complete. There was no preface to the blue print and there was no indication therein about the time of its preparation. That the blue print was prepared in 1960-61 is, therefore, not supported by any documentary evidence.

(iii) The NAMC could also not produce any record to indicate that this blue print was actually taken as a guidance to watch the progress of construction. Even the draft perspective production plan for 45,000 tons capacity submitted on 2-3-1965 by the Long Term Planning Team does not mention the delays in construction and commissioning with reference to the schedules laid down in the Blue Print.

(iv) The Ministry could not also clarify as to how the Blue Print drawn up in 1960-61 for a plant capacity of 30,000 tons could also serve a guideline even after the capacity had been increased to 45,000 tons in 1962.

ly affect the production of the company in view of the fact all the items of coal mining machinery, as enumerated in the Detailed Project Report, were not required to be taken up for manufacture as there were no demands for them. The facilities available were, therefore, adequate to meet the requirements of the production programme in the intial stages."

In their recommendation at Serial No. 3 the Committee observed that no provision was made in the agreement with the foreign collaborators M|s. Prommashexport, to ensure timely and an agreed sequence of the supply of 23,363 tonnes of machinery and equipment which were to come from the Soviet Union. The main contract No. 624|4, dated 30-7-1962 has only an omnibus stipulation of delivery period as 1960—65. The Committee felt that the delivery of the various items and its sequence of shipment ought to have been explicitly and specifically provided to enable the Company to draw up an efficient and orderly sequence of its erection schedule and dovetail it with the indigenous supply and civil construction. In the absence of such a schedule of shipment from the collaborators it could not be possible to draw up an erection schedule of the Project.

The Ministry agreed for an extension of the delivery period up to March 1967, without carefully examining its financial repercussions on the cost of the Project and without even asking the collaborators to make good loss on account of delay in the shipment according to the original stipulation. Further, no demand on the foreign suppliers was made when the equipments were not supplied even within the extended period of March, 1967. The Committee expressed their regret that the Project cost had gone up by Rs. 157.47 lakhs plus the escalation (in the cost of indigenous material as a result of delay in the supply) of materials and equipment by collaborator. The delay in the supply of equipment and material also resulted in delay in the construction and commissioning of the Project.

It had been stated that the delay in the commissioning of the Project did not materially effect the production programme of the Corporation. It had, however, been pointed out by the Audit [Audit Report (Commercial), 1969, p. 23] that one of the reasons for the shortfall in production was "the delay in the erection and commissioning of machines (originally, all machine tools should have been erected and commissioned by July, 1966). As the foreign suppliers failed to supply all the equipments in time, additional capacity which was expected to be established did not materialise."

The Committee felt that no serious effort had been made by the Management/Ministry to assess the actual loss suffered by MAMC as a result of delay in the construction and commissioning of the Project. The Committee were of the opinion that the question of extending the delivery schedule deserved to be enquird into by Government.

The Committee felt that a penalty clause, which is an usual feature of an agreement for supplies, to ensure timely delivery, ought to have been provided in an agreement of this nature. The Committee expressed their regret that "at no stage, the question of incorporation of the penalty clause was considered by the Government" and put to the collaborators.

Owing to the non-existence of the penalty clause in the agreement with the USSR the question of extra expenditure incurred on the project as a result of delay in the supply of equipment and materials could not be taken up with the suppliers. The Committee felt that the delay in the supply of vital equipment should not have been condoned so easily but should have been viewed seriously.

The Committee recommended that the question of providing a penalty clause in all such agreements needed to be examined with a view to bind the supplier to an agreed schedule.

In their reply dated the 24th March, 1972 the Ministry have stated as under:—

> "A detailed blue print containing, *inter alia,* schedules of delivery of equipment and materials, sequence of erection and commissioning of the same etc., was drawn up by MAMC in consultation with the collaborators. The said blue print also contained schedule of indigenous procurement of materials and equipment and all these schedules were synchronised with the over all programme of erection and commissioning of the plant. However, it is agreed that as far as possible, the schedule and sequence of deliveries should be provided in such contracts to make the commitment legally binding.

In the absence of penal clause in the contract with the collaborators no claims for liquidated damages could be preferred on them.

However, the collaborators were asked on the 22nd April, 1968* to make good the loss sustained by the Company on account of the following:

(a) Rs. 54,600 spent by MAMC for obtaining materials and equipment indigenously which were to be supplied but had not been supplied by M/s. Prommashexport.

(b) Rs. 1,99,526 spent by MAMC for procuring materials indigenously due to non-supply of the same by M/s. Prommashexport in time for commissioning plant equipment.

At the intervention of the Soviet Economic Councellor in Delhi with whom the matter relating to settlement of claims was pursued by MAMC a communication has since been received from M/s. Prommashexport rejecting MAMC's claims as being time-barred. The matter is again being taken up by MAMC with the suppliers as a review has revealed that the claims were taken up with the suppliers within the valid period.

Delay in erection and commissioning, did not materially affect the production programme of the Company in view of the fact that all the items of Coal Mining Machinery as enumerated in DPR were not required to be taken up for manufacture as there were no demands for them. The facilities available were adequate to meet the requirements of the production programme at the initial stages.

Assessment made by MAMC in regard to Loss has revealed that extra expenditure to the extent of Rs. 157.47 lakhs had to be incurred by the Company due to delay in supply made by the collaborators. The additional expenditure which had to be incurred due to escalation of the cost of indigenous materials, as a result of delay in the supply of equipment by the collaborator, is difficult to estimate with any degree of accuracy.

As regards extension of delivery schedule, it may be stated that in 1966 when the extension was granted by the Company, most of the principal equipment and machine tools had been received. On a scrutiny made of the balance items yet to be supplied, it was

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*At the time of factual verification of the Report the Audit have pointed out as under:—

"While Company's letter dated 22-4-1968 to the Soviet suppliers indicated (in an annexure) the details of Rs. 1,99,526, only a sum of Rs. 54.600, was claimed from the suppliers. The letter did not indicate that besides Rs. 54,600, whether amount of Rs. 1,99,526 was also claimed."

found that delay in supply of certain items would not substantially affect the production programme of the Company. Other related aspects do not appear to have been kept in view in agreeing to the extension *viz.* affects of devaluation, extension of stay of experts etc. This is regretted.

While penalty clause in all commercial transaction is considered necessary, this question has to be considered in the context of each agreement whether the penalty clause is to be waived."

On the 13th June, 1972 the Ministry informed that the Chief Auditor, Commercial Accounts, Ranchi had reported that no specific documents showing that a detailed review relating to delays in the construction and commissioning, had been made, could be produced by the Management of MAMC.

Asked as to whether the said document had been shown to Audit and if so, their comments thereon, the Ministry in their reply dated 21st November, 1972 have stated as under:—

> "The Audit Board* have not been able to accept the documents produced by MAMC as conclusive proof of the statement that a detailed review was conducted to show that the delay in construction and commissioning of the plant did not materially affect the production of the plant in view of the fact that all items of Coal Mining, Machi-

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*At the time of factual verification the Audit have stated as under:—

"The Ministry's contention in sub-para 3 of their reply that sequence of erection and commissioning was planned in conformity with the requirement of manufacturing programme and that delay in construction and commissioning did not materially affect the production of the Company in view of the fact that all items of coal mining machinery were not required to be taken up on account of lack of demand, does not fit in with the reasons for shortfall in production as incorporated in para 5.02 of the Audit Report (Commercial), 1969, one of the reasons being delay in erection and commissioning of machines. The facts in the Audit Report were not contested by the Ministry while sending their reply in January, 199.

In respect of the Ministry's contention that a detailed review has revealed that delay in construction and commissioning did not materially affect the production, the Company sent a statement to local audit indicating the actual production *vis-a-vis* the installed capacity during 1964-65 to 1967-68 and argued that this was an indication of the fact mentioned in their reply. The low production itself does not necessarily imply that this was due to lack of demand for products. No other document in support of the fact that a review was made, was produced.

nery as enumerated in the DPR were not required to be taken up for manufacture as there were no demands for them. However, we do not consider that any change in the reply already furnished to the Committee is called for under the circumstances."

The Committee feel that the reply of Government is not convincing. The reply shows conclusively that not only the DPR was faulty as it did not contain the scheduled dates of completion of the various units but a rationalised explanation is also now sought to justify the delay in the commissioning of the Project.

C. *Delivery Schedules Regarding Supply of Equipment by the Collaborators*

Recommendation No. 4

The Committee on Public Undertakings (Fourth Lok Sabha) felt unhappy that no provision was made in the agreement with the foreign collaborators, M/s. Prommashexport, to ensure timely and an agreed sequence of the supply of 23,363 tons of machinery and equipment which were to come from the Soviet Union. The main contract No. 6,24/4 dated 30th July, 1962 had only an omnibus stipulation of delivery period as 1960—65. The Committee felt that the delivery of the various items and its sequence of shipment ought to have been explicitly and specifically provided to enable the Company to draw up an efficient and orderly sequence of its erection schedule and dovetail it with the indigenous supply and civil construction. In the absence of such a schedule of shipment from the collaborators it could not be possible to draw up an erection schedule of the project.

According to clause 3 of para 1 of the agreement dated 12th March, 1960 (also adopted in the contract of July, 1962) the volume and time of delivery of the equipment per year was to be determined by the supplier taking into account the sequence of establishing the various shops and units which was to be determined by the Company and communicated to the supplier within 3 months from the date of signing the contract. The Committee enquired whether such a communication was sent to the foreign supplier. If so, how the actual delivery of the equipment corresponded with the requirements mentioned in such a communication. In reply it was stated as under:—

"On conclusion of the contract for supply of plant and equipment (No. 624/4), series of meetings were held with the representatives of the supplier regarding the sequence of delivery of plant and machinery in conformity with which supplies were to be effected.

It was added that "formal communications exchanged with the supplier regarding sequence of delivery of plant and equipment are not available and hence we regret our inability to make an assessment as to how actual delivery of equipment correspond with the requirements mentioned in such communications."

The Committee expressed their surprise that the vital communications relating to the sequence of delivery of plant and equipment were not available. The Committee observed that in the absence of such documents how the Corporation was able to verify that a particular equipment had been received according to laid down schedule was beyond one's comprehension. The Committee felt that the loss of such an important communication should be investigated by the Ministry followed by fixation of responsibility.

In their reply dated 18th November, 1971 the Ministry stated that the circumstances leading to the loss of vital communications relating to sequence of delivery of plant and equipment was being examined in consultation with the Corporation. Subsequently, the Committee were informed on the 13th June, 1972 that as a first step a Committee had since been constituted in MAMC to investigate the details of the case. The report of the Committee was awaited.

Asked as to when the Committee was constituted and whether the Committee had submitted their report, the Ministry have stated as follows (10th July, 1972):—

> "A Committee of Officers of Mining and Allied Machinery Corporation was constituted early in June, 1972 to investigate this case further. A request has also been made by MAMC to Heavy Engineering Corporation Ltd., Ranchi to nominate their representatives, who were associated with such matters in the formative stages of the Company or the Committee. A programme of joint verification is to be drawn up after HEC have nominated their representatives."

The Committee regret the inordinate delay in investigating the details of the circumstances leading to the loss of vital communications relating to the sequence of delivery of plant and equipment. The Committee strongly urge that the investigations should be completed without further delay.

D. *Shortfall in the supply of Machinery and Equipment*

Recommendation No. 5

The Committee on Public Undertakings (Fourth Lok Sabha) found that the agreement for the supply of equipment and material contained a clause according to which full amount of Rs. 10,33,24,977 had to be paid even if the actual net weight of the equipment and material fell short of the total net weight of 23,363 tons specified in the agreement. The Government was forced to make the full and final payment although about 8 per cent of the contracted quantity still remained to be supplied.

The Committee further note that 42 items mostly representing electrical and instrumentation accessories were yet to be received. They expressed their regret that payment of Rs. 1.42 crores for the equipment and material was made by the Government to the collaborators in May, 1967, whereas the joint examination was undertaken in September, 1967. The Committee felt that Government should have taken up the matter with the Soviet authorities much before the agreed data of payment particularly when they were aware of the basic flaw in the agreement.

The Committee recommended that the circumstances in which such a clause was inserted in the agreement should be investigated so as to avoid such serious lapses in the future.

The Committee expressed their regret that the matter had been allowed to linger on for years and no settlement had been reached. They recommended that the matter should be finalised without any further delay.

In their reply dated the 6th March, 1972 the Ministry *inter alia* stated that the discrepancies in supply and other outstanding issues were under negotiation and settlement since 1967. The matter was also being followed up through the Soviet Economic Counsellor in India who was reminded in June, 1970.

In a subsequent reply dated the 19th June, 1972 the Ministry have stated as under:—

> "The matter regarding discrepancies in the supply of plant and equipments against the main contract, has been taken up with Messrs Prommashexport, Moscow. The discrepancies are yet to be resolved to the mutual satisfaction of both the supplier and the customer."

The Committee feel unhappy that there has been undue delay in the settlement of outstanding issues with the collaborators with regard to the discrepancies in the supply of plant and equipment against the main contract. The Committee view with concern that on account of defective agreement the Corporation had been put to a great loss. They, therefore, reiterate their earlier recommendation that the matter should be finalised without further delay and stress that discrepancies should be resolved expeditiously.

E. *Model Contract*

Recommendation No. 6

The Committee on Public Undertakings (Fourth Lok Sabha) found that the agreement for the supply of equipment and material did not contain any clause providing for variations in the contract value depending on the actual weight of Plant and equipment. They felt that had the terms of the contract been clear there would not have been an occasion for the dispute, regarding the shortage of equipment and material by the collaborators in terms of tonnage. The Committee recommended that the need for provision of such a clause should be brought to the notice of public sector undertakings and administrative Ministries for future guidance.

The need for uniformity in contracts executed by the various project authorities had been felt for some time and the Ministry of Finance had been trying to frame a model contract for adoption by all concerned parties. The Committee felt that such a model contract should also be examined and vetted by the Ministry of Law, which would have proper cell to examine and approve such contracts.

In their reply dated the 18th November, 1971, the Ministry stated that the observation of the Committee were being brought to the notice of all Ministries and Departments and through them to the various public sector undertakings. The Committee's recommendation regarding the framing of a model contract had been noted and would be taken up with the Ministry of Finance and Law.

In a subsequent reply dated 13th June, 1972 the Ministry stated as under:—

> "The observations of the Committee have been brought to the notice of all Administrative Ministries/Departments on the 8th June, 1972. The concerned Ministries/Departments have been requested to bring these instructions to the n' ice of the undertakings under them.

The recommendation regarding framing of a model contract has been taken up with the Ministries of Finance and Law. The comments of these Ministries are awaited."

The Committee desired to know the date when the matter was taken up with the Ministries of Finance and Law and what were their comments, the Ministry stated that "the issue was taken up with the Ministry of Finance (Department of Economic Affairs) and Ministry of Law (Department of Legal Affairs) on the 3rd June, 1972. The comments of these Ministries are still awaited."

The Committee are surprised to note that whereas the 65th Report of the Committee on Public Undertakings (1969-70) on Mining and Allied Machinery Corporation was presented to the House on the 23rd April, 1970, Government took up the issue regarding framing of the model contract with the Ministries of Finance (Department of Economic Affairs), and the Ministry of Law (Department of Legal Affairs) only on the 3rd June, 1972 i.e. after two years of presentation of the Report. The comments of these Ministries were still awaited. The Committee regret that such an important matter as finalising the 'Model Contract' which is very essential for the Public Undertakings had been allowed to linger on for two years. The Committee recommend that Government should now finalise the model contract without any further delay.

F. *Coal Raising Targets*

Recommendation No. 7

Taking into account the number of mines that were to be opened to achieve the targets of 60 million tonnes in 1960 and 100 million tonnes in 1965 and also the expected mechanisation by 75—80 per cent of coal cutting and requirements towards replacements, the Soviet team had assessed that the annual requirements for main mining machinery would be to the extent of 30,000 tonnes per annum.

By the time the Detailed Reports were submitted by the Soviet Organisation, the Government of India had made further assessment in regard to the requirements of coal for the Fourth and Fifth Plan Periods. The coal raising targets were assessed at that time at 136 million tonnes and between 180 million to 200 million tonnes for the Fourth and Fifth Plan periods respectively. Reassessment of the requirements of main mining machinery based on these coal targets was made by a Soviet team.

The Committee on Public Undertakings (Fourth Lok Sabha) were also informed that the main basis for increasing the capacity of the plant was that the target of coal production of 100 million tonnes during the Third Plan period was likely to go upto 200 million tonnes during the Fourth Plan period.

The Committee expressed their regret that conflicting statements had been made in regard to the targets of coal production in the country during the Fourth Five Year Plan.

At one place it had been stated that the capacity of the Project was revised from 30,000 tonnes to 45,000 tonnes on the basis of the coal targets having been fixed at 136 M. tonnes during the Fourth Five Year Plan. Subsequently, however, it had been stated that the coal targets for the Fourth Five Year Plan were fixed at 200 M. tonnes. In the absence of the actual data it was difficult to say how far the revision of the capacity was justified.

In their reply dated 11th August, 1971 the Ministry stated as under:—

> "Target for coal production during the Fourth Plan had not been fixed finally at the time it was decided to expand the capacity of the Coal Mining Machinery Project from 30,000 tonnes, 45,000 tonnes a year. Various figures were being mentioned as the likely targets and the figures referred to are the figures of the likely targets rather than the targets themselves. It was natural that there should be variation in the figures of targets mentioned from time to time. It would appear that the target initially envisaged for production of coal, during the Fourth Plan period, was 200 million tonnes and this figure has been mentioned in the inter-departmental discussions relating to the revision of capacity of the Plant Subsequently, a target of 136 million tonnes appears to have been envisaged.

Asked as to what was the actual position regarding coal production targets from time to time in the chronological order, the Ministry have stated:

> "It is difficult to furnish a statement in chronological order. Different figures have been mentioned at different times and it would be difficult to reconcile these various figures at this point of time."

The Committee feel that the reply furnished by Government is not convincing. At one time the coal raising targets were assessed at 136 million tonnes and between 180 million to 200 million tonnes for the Fourth and Fifth Plan periods respectively and reassessment of the requirement of main mining machinery was made by a Soviet Team based on these coal targets. In the inter-departmental meeting where the expansion of the capacity from 30,000 tonnes to 45,000 tonnes was agreed upon, a reference had been made to the fact that the target of coal production of 100 million tonnes during Third Plan period was likely to go up to about 200 million tonnes during the Fourth Plan period. It is, thus clear that Government have not been able to reconcile their conflicting statements. The Government have also not been able to furnish a statement showing the actual position regarding coal production targets from time to time in the chronological order.

The Committee strongly feel that the capacity of the Plan should have been revised only on the basis of a reliable data rather than merely on the basis of ad hoc figures that were being furnished to the Ministry/Undertaking. They, therefore, reiterate that the decision to expand the capacity was not based on sound judgment.

G. *Unrealistic Assessment of Coal Raising Targets*

Recommendation No. 9

The Committee on Public Undertakings (Fourth Lok Sabha) in Para 4.27 of their 65th Report on Mining and Allied Machinery Corporation Ltd., observed that the rated capacity for this Project was related to the development of the coal capacities in the Fourth and Fifth Five Year Plans. The coal raising targets unfortunately proved to be wrong and that was one of the primary reasons why this project had come to a sad plight. The Committee were told that one of the objectives for putting up MAMC was to manufacture mining equipment particularly for opening up new mines which was to take place under NCDC. Since the target of coal production was drastically revised, NCDC did not go in so extensively for opening up new mines and as a result the products manufactured by MAMC could not find a market.

The Committee expressed their surprise that the Ministry failed to take remedial measures the moment they came to know that the coal raising targets are not coming up to original estimation and would be much less than what was anticipated in the beginning.

The Committee felt that if the Ministry were alert they would have taken remedial measures in time to revise the rated capacity or take up diversification schemes much earlier than what they had done.

In their reply dated 11th August, 1971 the Ministry have stated as follows:—

> "There was a good deal of uncertainty about the targets to be fixed for production of coal during the Fourth Plan period. It was not the situation that on a particular date the coal target was finalised and the stage set for revising the capacity of MAMC. On the basis of a decrease in the Coal target initially anticipated, it was decided not to proceed with the Second Coal Mining Machinery Project which was earlier proposed to be set up with Polish Assistance. The plant of MAMC had almost been completed by the time something definite was known about the decrease in the coal target."

From the Government's reply it is obvious that there was lack of coordination between Mining and Allied Machinery Corporation Ltd., the National Coal Development Corporation, the Ministry of Steel and Mines and the Planning Commission. It has been stated that there was a good deal of uncertainty about the targets to be fixed for production of coal during the Fourth Plan period. It was not the situation that on a particular date, coal targets were finalised and the stage set for revising the capacity of MAMC.

The Committee feel that the capacity of the Plant should not have been revised without knowing 'something definite' about the coal raising targets. It is unfortunate that coal raising targets were not fixed on a realistic basis for a considerable period of time.

H. *Labour Efficiency*

Recommendation No. 19

The Committee on Public Undertakings (Fourth Lok Sabha) found that abnormally low output by workers was due to 'lack of skills and experience in the labour force and inexperience at the supervisory level and their general inadequacy to lead the labour force'. The Committee felt that both these causes could be remedied had the Government taken due care at the appropriate time—" a lapse for which they do not deserve to be excused."

In their reply dated 25th August, 1972 the Ministry have stated as follows:—

"When the DPR was submitted by the USSR authorities, production norms laid down therein could not be verified as corresponding norms were not then available. Further, build-up of skill of workmen depend to a considerable extent on the type of work required to be handled. For jobs of repetitive nature, skill of workmen even while working on sophisticated machines, grow comparatively at a faster rate than when jobs of diverse and non-repetitive nature are handled.

In the DPR, production of certain items of equipment with fixed specifications had been envisaged. However, as the plant is now engaged in production of tailor-made, non-standard items without any scope for series or batch production, the development of skill has been much slower than what was anticipated in the DPR.

It may be added that a few Soviet Specialists/Instructors were brought on deputation by the Company to work on some of the most difficult and sophisticated machines and to demonstrate to the workers with a view to improving their skill and productivity through on the job training.

Asked as to what were the comments of the Ministry to the observation of the Committee regarding the "inexperience at the supervisory level and their general inadequacy to lead the labour force", the Ministry stated as under:—

"It is difficult to offer specific comments on the observation made by the Committee, especially at this point of time. The basis for the Committee's observation has not been indicated. However, one of the causes for the low output can be said to be general inadequacy at the supervisory level."

The Committee are not satisfied with the reply of the Government. The Committee's observation is based on the observation made by the Study Team of the Ministry of Industrial Development and Company Affairs which visited the Corporation in January, 1968. The Study Team observed that the low output per worker "was partly due to lack of skills and experience in the labour force and partly due to unrest and unwillingness of labour to give its best," and that "added to this was inexperience at the supervisory levels and their general inadequacy to lead the labour force." These observations are contained in Para 5.54 of the 65th Report. Moreover, in their reply, Government have admitted that one of the causes for the poor output could be said to be general inadequancy at the supervisory level.

The Committee regret that Government have not indicated as to what action has been taken by the Management/Ministry in this regard.

The Committee reiterate that these causes could be remedied had the Government taken due care at the appropriate time.

I. *Cost of Production and Costing System*

Recommendation No. 21

During the period from May, 1965 to August, 1967 the Company supplied 10 nos. of conveyors to National Coal Development Corporation Limited and 12 nos. to Singareni Collieries Company Limited. The selling prices recovered from the above customers amounted to Rs. 1,13,500 and Rs. 1,62,000 per conveyor respectively as against the cost of Rs. 2,27,960 per conveyor incurred by the Company. In the case of supply to the National Coal Development Corporation Limited, the selling price did not cover even the direct cost of material (Rs. 1,48,324 per conveyor). The Company incurred a total loss of Rs. 19.36 lakhs (approximately) in this deal.

The Committee on Public Undertakings (Fourth Lok Sabha) were however, informed that MAMC had taken up the matter with NCDC and Singareni Collieries for making good the loss to some extent and that negotiations were in progress.

Up to February, 1967 the Company manufactured 102 nos. of centrifugal pumps. As against the cost of Rs. 29,233 per pump the selling price was fixed at Rs. 23,000 per pump. It has been stated that MAMC had sold 68 pumps. Since the selling price was worked out on the basis of the ruling market price the total cumulative loss based on the National estimated cost worked out to Rs. 4,23,844.

A tender was submitted by MAMC for the supply of ore and coal handling plant comprising wagon tipplers, stackers, Techlaimers, Conveyors, ship loaders for the Haldia Port Project. The value of the original quotation was Rs. 4.19 crores. Subsequently, however, it was found that the Corporation submitted an estimate which was lower than the ruling market price. The total revised estimate worked out to Rs. 6.95 crores. It was stated that the matter was taken up with the Calcutta Port Commissioner and Government for revision of the rates to fall in line with the market price. The Committee were further informed that the Port Commisioners had agreed to consider the revised estimate on item to item basis. According to the information furnished by Audit this estimate was further revised to Rs. 9.37 crores.

The Committee expressed their regret that the cost of production of machinery and enuipment manufactured by MAMC was more than their selling price. The three cases cited above clearly demonstrated that throughout the past years, the Company did not observe any fixed pricing policy with the result that the Company had to suffer a huge loss. The Committee observed that the revision of the price later on did not give any credit to the Company for it created a very bad impression in the minds of customers. The recovery of the excess amount also created numerous complications.

The Committee further regretted that because of the defective estimates the Company had lost heavily both on account of quoting far below the cost of production and at times below the market price. It appeared they were operating in a blind alley as they had no system of estimating. The Committee felt that the cases where the prices were quoted below the market price deserved thorough investigation in order to find out the deficiencies in the system of estimating and with a view to fix responsibility.

In their reply dated 11th August, 1972 the Ministry have stated as under:—

> "It is admitted that in the past the pricing policy and the costing system in MAMC had necessarily to be guided by the ruling market price and not by cost of production, which in some cases might have been more than the market prices. Guidelines for pricing policy to be followed

by public enterprises have been laid down by Government and MAMC are following them. A system of costing and estimating has since been introduced in the company, based on the recommendations of a report submitted by National Productivity Council. A separate Estimating Cell has also been formed and suitable steps have been and are being taken to improve the system of costing and estimating."

Asked about the latest position regarding the supply of conveyors to the National Coal Development Corporation Ltd., the Ministry stated as under:—

"In so far as the sale of conveyors to NCDC is concerned, MAMC have intimated that documents have been furnished to the local Audit showing that the price of Rs. 1,13,500 per conveyor was discussed with NCDC and finalised on the basis of landed cost of similar conveyors. The revised cost estimate of Rs. 185,177 per conveyor has also been shown to local Audit. The comments of the local Audit are awaited.

The matter of increased price is still being pursued with NCDC.

It has since been intimated by the Audit Board that MAMC have furnished copies of their correspondence with NCDC according to which MAMC did not have sufficient data to prepare a cost estimate before giving the quotation of Rs. 1,13,500 per conveyor to the NCDC. This price was based on the landed cost as intimated by the NCDC with reference to the tender floated by them during 1962. It has also been noted by Audit that an estimate was prepared before the NCDC was asked to increase the price.

As regards the estimate of costs for supply of equipment for the Haldia Port Project, MAMC have admitted that the landed cost of the equipment could have been ascertained during the time which was available between the submission of tender by MAMC and placement of orders by the Calcutta Port Commissioners. However, as it was then decided that MAMC would manufacture all the equipments indigenously with the minimum amount of imported components and that the World Bank Loan would not be available, a few firms which were manufacturing this type of equipment might not have quoted a realistic price as they would have known that the tender was not really for awarding the contract but only for fixation of price.

This case was also investigated by a Sub-committee of the Board of Directors of MAMC and the conclusion was that for all the items for which NAMC was set up to manufacture, the estimates were satisfactory. It was only in regard to items for which special design and tooling up was necessary that there had been under estimation. There was serious lacuna in regard to checks and compositions of the calculating done by the Design Department under the supervision of the Chief Design Engineer. The conclusion was that the Design Department of the Company took upon themselves and were committed to take the responsibilties of undertaking this work and furnished an estimate for which they were not obviously equipped. The question of revision of the price payable to MAMC by the Calcutta Port Commissioners has been discussed with the Calcutta Port Commissioners and the Ministry of Transport and Shipping and a joint meeting is being held to decide the issue. MAMC have submitted a revised price of Rs. 12.76 crores. In the meantime, the Calcutta Port Commissioners have agreed to make payments against supplies being made by MAMC under special contracts, to the limit of Rs. 7 crores against MAMC's original offer of Rs. 4.19 crores."

The Committee are surprised to note that the Management/ Ministry did not take notice of the fact at the appropriate time that "there was serious lacuna in regard to checks and composition of the calculating done by the Design Department under the supervision of the Chief Design Engineer." The Committee are amazed to find that the Design Department of the Company took upon themselves and were committed to take the responsibilities of undertaking work and furnishing an estimate for which they were not quite equipped. The Committee strongly recommend that responsibility for such serious lapses should be fixed.

The Committee also reiterate their earlier observation that the revision of the price later after the quotation was given does not give any credit to the Company for it creates a very bad impression

in the minds of the customers. The Committee recommend that the cases cited above should be settled expeditiously and Government should see that the Corporation is not put to loss for originally quoting prices much below the cost price. The Committee also stress that the Ministry/Management should take all precautions to assess the costs as accurately as possible so that such lapses do not recur in future.

J. *Import of Gate-end Boxes*

Recommendation No. 29

The Committee on Public Undertakings (1969-70) expressed their regret that the coal cutter machines having been purchased in 1965, the question of import of gate-end-boxes for the machines was taken up with DGTD in April, 1969 *i.e.*, after a lapse of four years. The Committee felt that it was a fit case of investigation and fixation of responsibility. The Government, in their reply have, *inter alia,* stated that the demand for this equipment was received in 1967 from M/s. NCDC for supply in 1971 and immediately after ascertaining that there was no prospect for indigenous production of gate-end-boxes, as was earlier expected, necessary quotations were called for and requisite action taken to import them.

Information on the following points was called for from the Ministry.

"(a) When did the Corporation come to know that there was no prospect for indigenous production of the gate-end-boxes

(b) whether the gate-end-boxes have since been imported and if so when?

(c) whether the coal cutting machine along with the gate-end-boxes has been supplied to NCDC and if so when?"

In their reply dated the 11th October, 1972, the Ministry have stated as under:—

"(a) The decision to import the gate-end-boxes was taken in 1968.

(b) These gate-end-boxes were imported in August, 1971. These were recently approved by the Director-General of Mines Safety for use in Indian Mines.

(c) The gate-end-boxes and the coal-cutting machine will be supplied to MCDC for trial within a month or so."

From the above replies it is clear that the coal cutter machines were purchased in 1965. The order for the machines was received in 1967 from N.C.D.C. for supply in 1971. The decision to import the gate-end-boxes for the machines was taken in 1968. The question of import of gate-end-boxes was taken up with DGTD in April, 1969. The gate-end-boxes were imported in 1971. The coal cutter machines as well as the gate-end-boxes are still to be supplied to NCDC.

.. **The Committee are constrained to observe that timely and adequate steps have not been taken for the indigenous manufacture of the gate-end-boxes although there has been a gap of six to seven years between the purchase of coal cutter machines and their actual supply to NCDC. Having taken the decision to import the gate-end-boxes as far back as in 1968, the management have failed to supply the machines as per delivery schedule. The Committee reiterate their earlier recommendation that it is a fit case for investigation and fixation of responsibility.**

K. *Failure to invest surplus funds*

Recommendation No. 38

The Committee on Public Undertakings (Fourth Lok Sabha) noted with regret that the corporation incurred a loss of revenue amounting to Rs. 1.89 lakhs in the years 1966-67 and 1967-68 on account of their failure to invest their surplus funds in short term deposits with a Bank. It was seen that conflicting statements had been made by the Management with regard to ascertaining the ways and means position of the Corporation.

The data given in the Audit Report (Commercial), 1969 clearly indicated that the Company was having surplus funds for months together. It had been admitted by the Management that inadequate attempts were made in the past to ascertain the position of expected surplus funds which could have been invested even for a short period.

The Committee felt that no surplus funls should be kept uninvested. They recommended that the Corporation should investigate as to why the funds had not been invested and fix the responsibility for the loss suffered on that account.

In their reply dated the 21st June, 1971, the Ministry have stated as under:—

> "It is agreed that the surplus funds should not have been kept uninvested. The company have intimated that this was bona fide mistake and that further investigation, as proposed, will not serve any useful purpose. Government agree with this view."

The Committee feel that to call the non-investment of surplus funds on account of which the Corporation incurred a loss of Rs. 1.89 lakhs, a bona fide mistake is an after-thought to cover a serious lapse in regard to laxity in control on ways and means position. It is surprising that the Government should have concurred with this view. The Committee reiterate that the responsibility for the loss should be fixed.

L. *Purchase of Water Meters*

Recommendation No. 44

The Committee on Public Undertakings (1969-70) observed that the Company incurred an avoildable expenditure of Rs. 1.39 lakhs on the purchase of 2099 water meters. But of these only 636 meters were installed at a cost of Rs. 60,402 and out of these 636 meters already installed 186 meters have been removed at a cost of Rs. 2900. The Management had yet to remove the remaining 450 meters. Because of the abandonment of the scheme all the 2099 meters were yet to be disposed of.

The Committee desired that the case regarding the purchase of meters should be investigated in order to find out the circumstances in which meters were purchased without making a detailed study about their utility. They recommended that efforts should be made to dispose of the meters without any further delay.

In the reply the Ministry have stated that the decision to instal the water meters in the Township of Mining and Allied Machinery Corporation Limited, was taken in 1962 by the management of Heavy Engineering Corporation Limited, which was then in charge of the project. This decision to instal water meters was taken as part of the general decision to instal water meters in every residential quarter. The water meters installed were removed by the Management of MAMC during the period from October, 1967 to January, 1970 as it had by then been proved that installation of water meters was not an economical proposition. Apparently, full details regarding the economies of the water distribution scheme were not available at the time of decision was taken to instal water meters.

As regards the disposal of water meters it was stated that negotiations were in progress with a few Public Sector Projects and other private agencies for disposal of the stock with the Company at reasonable rates. An assurance had also been received on 1-9-1971 from the Development and Planning Department, Government of West Bengal for purchase of 800 nos. of water meters. On the 19th June, 1972 the Ministry stated that the sale of water-meters to Calcutta Metropolitan Development Authority was still under negotiation. On 2-9-72, it was enquired as to what was the latest position regarding the sale of water meters to Calcutta Metropolitan Development Auhority?

In their reply dated 11th October, 1972 the Ministry have stated that the Calcutta Metropolitan Development Authority have expressed their inability to purchase the water meters.

The Committee regret to note that whereas the Management decided to abandon the scheme of installation of water meters in 1967, they have not been able to dispose of these meters even after the lapse of five years. The Committee reiterate their recommendation that urgent steps should be taken to dispose of the meters without any further delay.

M. *Conclusion*

Recommendation No. 45

The Committee on Public Undertakings (Fourth Lok Sabha) found that the overall picture that emerged out of their study of the project was highly depressing and it presented a very sad commentary on the entire way in our planning and the way the projects were being put up and executed. The entire organisation of the Project was in a bad shape. Up to 31st March, 1969, the Company suffered a loss of Rs. 20.16 crores, against its equity investment of Rs. 19 crores and Rs. 49 crores. In reply to a question in the Lok Sabha on the 10th March, 1970, the Minister of Steel and Heavy Engineering revealed that MAMC was losing Rs. 2.20 lakhs every day. The Committee were convinced that the huge losses by the Corporation were due to faulty and unrealistic planning, mismanagement and lack of proper execution of production programme and the absence of even the minimum interest of the Government in the working of this undertaking. During evidence the Government could not convince the Committee that in the coming years the Corporation would be able to show any hopeful results. There was no blue-print which could carry conviction with the Committee that MAMC would be able to become a commercial viable unit. The assumption that upto the year 1972-73 the Corporation would incur a total loss of Rs. 30 crores and that it would reach the break-even stage by 1973-74 was totally undependable as it was not based on any scientific study. The Committee felt that the losses were expected to be much more.

In view of above the Committee came to the conclusion that it would be wise if this undertaking was wound up to avoid further drain on the public exchequer. The Company had already exhausted the paid up capital and was in the process of consuming the loans and credits taken by it.

In their reply dated 18-11-71 the Ministry have stated as under:

"The recommendation of the Committee to wind up Mining and Allied Machinery Corporation Ltd., to avoid further losses, has been carefully examined in the light of the following considerations:—

(i) The Company employs about 6500 persons. Winding up of the the company and consequent unemployment of such a large number of persons will have serious repercussions on the employment situation and industrial climate of Durgapur and in West Bengal. When Government, as a matter of policy, are managing private sector companies which have been closed down, they can hardly think of closing one of their own companies, specially one so important and vital to the economy.

(ii) The machinery and equipment installed in the company are very good and if they can be properly utilised, there is no reason why the company should continue to incur losses.

(iii) The consequence of winding up the company have been fully explained to the labour Unions and their leaders and it is hoped that discipline at Shop Floor, in particular, and labour relations in general, will continue to improve.

(iv) The company at present produces sophisticated equipment and has recently taken up production of a number of new items which would have had to be imported at considerably cost from foreign countries. As at the end of September, 1971, the total orders in hand with the company amounted to 32980 tonnes valued at Rs. 33.65 crores. Some of these are very important orders relating to Bokaro Steel Plant, Haldia Project, etc. and closing of the company will result in a serious setback to these important projects.

(v) It has been decided to reorganise the capital structure of the company, giving relief to the company in the matter of interest and repayment of principal. The Company can, therefore, be expected to turn the corner in the near future.

(vi) Attention is being paid to strengthening the management of the company and with this objective some action has already been taken.

(vii) There has been a perceptible improvement in the production and performance of the company in the last twelve months and the trend is likely to be maintained and accentuated in future.

It is submitted that on these considerations, it will not be prudent to wind up the Company."

The Committee take note of the fact that Government have decided not to wind up the Undertaking as recommended by the Committee on Public Undertakings (Fourth Lok Sabha).

They however, stress that Government should appoint an expert Committee to examine in detail the diversification scheme and the entire future course of development of the project on a sound basis so that past mistakes of running the project on ad-hocism and guestimates are avoided.

While drawing up the future production programme Government/MAMC should also take note of the assessment made by the Fuel Policy Committee with regard to the likely demand of coal in the future and of the projections for coal production being made in Fifth Five Year Plan. The observations/recommendations made therein with regard to the manufacture of mining equipment and machinery in the country should also be carefully examined with a view to draw up a realistic production programme.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 11)

The Committee note that on 9th August, 1961, Government entered into an agreement with International Bank of Construction and Development for a loan of Rs. 16.67 crores to meet the foreign exchange requirement for the import of machinery for the private sector coal industry. The private sector has import machinery worth Rs. 14 crores against this credit. The Committee have also noted that the National Coal Development Corporation imported coal mining equipment from Poland for the development for their new mine at Sudamdih the contract for which was signed on 7-5-1960. Further NCDC imported major portion of their equipment for their Washery Project as MAMC was not in a position to meet the delivery Schedule."

"The Committee feel that if MAMC was put up in time and if forethought had been given on the type of machinery required, probably the foreign currency spent on imports would have been saved and equipment required for the Mining Industry could have been manufactured in India."

(Paragraphs 4.59 and 4.60)

Reply of Government

The observation has been noted. It should be stated that even with the best of planning, it would be difficult to avoid situations of this kind.

[Ministry of Steel & Mines O. M. No. 7-126|70-HEP dt. 29-5-72]

Recommendation (Serial No. 18)

The Committee regret that MAMC signed an agreement with the Polish firm for the preparation of DPR for the Sudamidih Washery without first obtaining firm commitment from NCDC and it took the management more than 1½ years to prefer claim against the former. The Committee feel that undertaking of work without firm orders was a serious lapse on the part of concerned officers. As a result of this lapse the company has suffered a loss of Rs. 3,78,563 for which now they have raised a claim against NCDC.

The Committee find that the issue regarding this claim has not been settled so far. They feel that Government should intervene and settle the case without further delay.

(Paragraphs 5.48 and 5.49).

Reply of Government

MAMC signed the contract with the Polish firm only after it was cleared by Government after the necessary Inter-Departmental consultations. The administrative Ministry concerned with the NCDC was fully in the picture and it was only a matter of time for a formal order to be placed on MAMC for the coal washery. However, in view of the sharp drop in the demand for coal, NCDC deferred the installation of the coal washery.

NCDC agreed on 19th July, 1970 to reimburse MAMC to the extent of Rs. 2.52 lakhs on the cost of the project Report prepared by M|s. Centrozap. The payment was actually made on 26th March, 1971. In regard to the balance expenditure of Rs. 1,26,563 incurred by MAMC on the deputation of Polish Experts and the training of Indian Officials for the purpose of the Project, the question of reimbursement of the amount by NCDC to MAMC was taken up with the erstwhile Ministry of Petroleum and Chemicals and Mines and Metals (Deptt. of Mines and Metals), but that Ministry did not accept the claim. Their argument is that NCDC's programme during the Third Plan period was severely upset by the fall in coal demand anticipated for Steel Plants and Power Houses. It will be unfair for them to meet the expenditure on Polish Experts and training of Indian personnels and MAMC had derived a permanent benefit from the training of their personnel. It has not been considered worthwhile to pursue this case further.

[Ministry of Steel and Mines, Deptt. of Steel O.M. No. 7-58|70HEP, dated 11-8-1971]

Recommendation (Serial No. 22)

"The Committee recommend that all the items of stores should be thoroughly verified in a year so that assessment of surplus stores could be made within a reasonable time. They regret to note that the stocks of stores and spares are very high and these have been increasing year to year. The stock at the end of the years 1967-68 and 1968-69 represented 28 months' and 44 months' consumption requirement which was abnormally high."

(Paragraph 7.7)

Reply of Government

Noted. A standing order has since been issued by the company to ensure that annual verification of stores is conducted with a view to locating non-moving|slow moving items which could be declared surplus for eventual disposal. A quarterly report on inventory position is being submitted to Government, besides special report to the Board. A survey Committee constituted in 1967 is functioning to locate and recommend disposal of surplus stores.

[Ministry of Steel and Mines, Department of Steel, O.M. No. 7-131|70-HEP, dated 11-8-1971]

Recommendation (Serial No. 23)

The Committee are unhappy to note that despite the recommendations of the Estimates Committee in 1963-64 no effort has been made by the Corporation to streamline its purchase and procurement procedures for the reduction of inventories. The Committee are compelled to observe that the management has not treated the recommendations of the Estimates Committee with the attention they deserve. The deficiencies pointed out by the Company's Auditors clearly indicate that inventory control has not received the due attention of the management.

(Paragraph 7.10 and 7.11).

Reply of Government

The Company was aware of the procedural shortcomings in regard to material management and had undertaken a special review of the relevant issues involved. Pursuant to the above, some key areas of material management were covered by issue of comprehensive procedure orders.

The activity of the material management department in all its aspect was subjected to a special study by an outside consultancy firm of repute, A. R. Palit & Co. in 1969-70 and in the light of their recommendations, suitable remedial measures have been adopted with a view to further streamlining the functioning of this department. A comprehensive and self-contained material Management Manual is now under compilation incorporating the procedure orders issued from time to time. The recommendations of consultancy firm are also being kept in view in compiling the said manual.

[Ministry of Steel and Mines, Deptt. of Steel, O.M. No. 7-132|70-HEP, dated, the 11th August, 1971].

Recommendation (Serial No. 25)

The Committee are surprised to note the unusual terms contained in item 26 of the minutes of discussion wherein it is stated that the collaborator can start the manufacture of spares and equipment before signing the contract for their supply as a consequent of which MAMC has been saddled with unwanted spares and stores valued at Rs. 14.43 lakhs. The Committee strongly urge that the implications for such an extraordinary provision be re-examined to avoid difficulties in future.

(Paragraph 7.22).

Reply of Government

Implications of the provisions made in item 26 of the minutes of discussion held in Moscow in August, 1965 were examined. Pursuant to such examination, the suppliers *viz.*, M|s. Prommash export of Moscow were informed in July, 1967 that a normal commercial system should be followed by which quotations and delivery dates should be submitted by the supplier against enquiries of MAMC and formal contracts would be signed only when quotations and delivery dates were found acceptable. All purchases from USSR are now being made on completion of all commercial formalities.

[Ministry of Steel and Mines, Deptt. of Steel, O.M. No. 7-133|70-HEP, dated the 8th September, 1971].

Recommendation (Serial No. 31)

The Committee are disappointed to find that during the financial year 1968-69 the total stores declared surplus amounted to Rs. 55 lakhs out of which stores worth Rs. 35.37 lakhs were disposed of, in the process of which a net loss of Rs. 1.29 lakhs was suffered. Further as on 31st March, 1969 surplus stores worth Rs. 20 lakhs—Rs. 6 lakhs of construction stores and Rs. 14 lakhs of raw material and spares, were lying with the company. As pointed out by the Company auditors the disposal of surplus stores was not done timely and required improvement. The Committee recommend that immediate review of surplus stores should be carried out followed by periodical reviews and the surplus stock should be disposed off.

The Committee regret to note that the company have incurred huge losses in the disposal of surplus stores. They were rather intrigued to find that even materials like G.I. Pipes which are in short supply in the country have been disposed off at a loss of Rs. 1.16 lakhs.

(Paragraphs Nos. 7.56 and 7.57).

Reply of Government

A Survey Committee has been constituted by the Company to make periodical reviews of stores to find out surplus items for disposal. Survey of surplus stores and disposal thereof is now a continuous process and substantial reduction in inventories has been effected as a consequence. The present position of stores with surplus items already located and disposals made is as under:

Disposal of Surplus Stores during 1969-70:

1. Total value of Stores as on 1st April, 1969—Rs. 4,00,25,000.
2. Total value of Stores declared surplus as per Book Value—Rs. 20,17,687.
3. Value of Stores disposed of during the year—Rs. 11,15,603.
4. Profit|Loss incurred—Rs. 13,978.
5. Value of Surplus stores to be disposed of (2-3)—Rs. 9,02,084.
6. Total value of stores on 31st March, 1970—Rs. 3,79,00,000.

As regards slow moving and non-moving items of stores and spares, the major portion of these items constitutes spare parts of imported machines. These were recommended by the Soviet experts and agreed to by the company's engineers. The spares were recommended on the basis of production at full capacity as per the Detailed Project Report. These spares have to be procured along with the machines as otherwise after a few years when the machines are likely to be outdated, the spares may not be available ex-stock and higher prices may have to be paid for them. Moreover, the delay in procurement might have affected the production with consequential financial loss.

Most of the other slow moving items relate to construction stores which are not required for production purposes. These are liquidated by selling to outside parties. The Company is now buying materials on the basis of firm sale orders and thereby maintain a close watch in keeping the inventories under control.

Disposal of surplus stores is made on the basis of open tenders and sold out at best prices offered by customers. Minimum reserve price is also fixed for such item and it is ensured that prices offered are not lower than such minimum reserved prices. In certain cases, however, depending upon the conditions of stores, possible demand in market and the related issues, even the best prices offered, happen to be lower than the book value and disposal of such stores becomes loss to the company. In the face of anticipated further fall in demand and further deterioration in condition of stores it becomes inadvisable to retain such stores. As regards the specific case of G.I. Pipes, referred to, the position is that after inspection of the physical condition of the pipes, the Committee empowered for their disposal was of the opinion that threaded ends of most of the pipes had become rusty and that further storage might lead to deterioration of the quality. Keeping this in view, it was decided to dispose of the G.I. Pipes as prices obtained through advertised tenders/negotiations, though found below the book rates, were almost in the province of the D.G.S. & D. rate contract prices. Further, consideration was given to the fact of the blockage of capital on these surplus/non-moving items of stores and spares and the consequent loss of interest on the same. These pipes blocked a capital of Rs. 7 lakhs approximately and the losses on interest amounted to Rs. 60,000 per year. All the procedural formalities were duly complied with in concluding the deal.

The Audit Board have advised that the date on which the Survey Committee was constituted by the Company may be indicated in the reply. The date is being ascertained from the company and it will be intimated to the Committee soon.

[Ministry of Steel and Mines, Deptt. of Steel O.M. No. 7-139|70-HEP, dated the 11th August, 1971].

Further Information Received from the Ministry

The Survey Committee for disposal of Surplus stores was constituted on 17th March, 1971.

[Ministry of Steel and Mines, Deptt. of Steel O.M. No. 7-139|70-HEP, dated 22nd August, 1971].

Recommendation (Serial No. 32)

The Committee feel that as soon as such gross irregularities came to the notice of the management departmental enquiry should have been instituted and suitable action taken against corrupt officials.

The Committee recommend that responsibility should be fixed in the above two cases without any further delay.

At the time of factual verification, the Ministry gave the following information:

> "The Company has intimated that it checked up with the Central Bureau of Investigation and was informed that the departmental enquiries could be started after C.B.I. had completed its own preliminary enquiries."

(Paragraph No. 7.61).

Reply of Government

The case is still under consideration of Central Vigilance Commission. As advised by C.B.I., departmental proceedings should not be drawn up pending final advice from the C.B.I./Central Vigilance Commission.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 7-140/70-HEP, dated 11th August, 1971].

Further information received from the Ministry

It has since been reported by MAMC that the Central Vigilance Commission to which the case was referred to by the C.B.I. Calcutta, have advised that action as far a minor penalty be initiated against the concerned officer. Departmental proceedings have since been installed by MAMC against the suspected officers.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 7-140/70-HEP, dated 14th September, 1970].

Recommendation (Serial No. 34)

The Committee have noted with great concern that between 1965-66 and 1968-69 there were 138 cases of theft which were reported to the police involving theft of the value of Rs. 2,78,761. Against this loss, property worth Rs. 71,955 was recovered and the loss of Rs. 1,49,119 had to be written off. Those were the cases which were reported to the police. The Committee are afraid that there may be more cases of theft which have not been detected.

The Committee regret to note that there had been so many cases of theft in the Corporation. That shows that the Company had not ensured proper security measure to safeguard its property. There were only 12 cases where departmental inquiries were held in which employees were involved. The Committee feel that in all the cases of theft there aught to have been departmental investigations/and stern action should have been taken against those who were found guilty and who were held responsible for dereliction of duty.

(Paragraph Nos. 7.70 and 7.71).

Reply of Government

All cases of theft are reported to the Police by the Company. Security measures have been adequately strengthened to prevent thefts and pilferages. Contacts are also maintained with local Police to expedite investigations of pending cases.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 7-142/70-HEP, dated 11th August, 1971].

Further Information called for by the Committee

In para 7.71 of the Report the Committee *inter-alia* observed as follows:—

"The Committee feel that in all the cases of theft there ought to have been departmental investigations and stern action should have been taken against those who were found guilty and who were held responsible for dereliction of duty."

What are the comments of the Ministry to the above observation of the Committee?

[Lok Sabha Sectt., O.M. No. 23-PU/70, dated 24th May, 1972].

Reply of Government

It is agreed that as far as possible, departmental investigations should have been taken up against those involved in cases of theft. MAMC have reported that departmental investigations are conducted in all cases of theft, pilferage etc., even concurrently in respect of the cases which are tried in the courts. In cases of proved offence or misconduct, punishment is awarded as a matter of rule.

[Ministry of Steel and Mines, Deptt. of Steel, O.M. No. 20-42/72-HEP, dated 19th June, 1972].

Recommendation (Serial No. 37)

The Committee regret that the Corporation did not have any manual for internal audit and the accounting manual. There also did not exist proper budgetary control.

(Paragraph 8.20).

Reply of Government

An internal audit manual has since been compiled and is awaiting consideration and approval of the Board of Directors of the Company. Compilation of accounting manual is in progress and is nearing completion.

A manual for budgetary control is also now under compilation. Though the budgetary control in the past was not as thorough as it could have been, it is being gradually improved in the light of experience and instructions issued by various authorities.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 7-123/70-HEP, dated the 8th November, 1971].

Further information called for by the Committee

(a) Whether the internal audit manual has since been approved by the Board of Directors?

(b) Whether the compilation of accounting manual has since been completed?

(c) Whether the compilation of a manual for Budgetory Control has since been completed?

[Lok Sabha Secretariat D.O. letter No. 23-PU/70, dated 22-12-1971].

Reply of Government

(a) Internal audit manual was approved by the Board of Directors at its meeting on 24.2.1971. (b) and (c) Accounting manual and the manual for budgetory Control have not been compiled as yet. Review of the entire system of accounting is under progress. A revised system of accounting with rationalised account heads will be introduced from 1st April, 1972. After the account heads are rationalised and departmental budgets are prepred the accounting and budgetory manual will be prepared.

[Ministry of Steel and Mines (Deptt. of Steel) D.O. No. 7-27|70 HEP dated 19-2-1972].

Further Information called for by the Committee

Whether the accounting manual for budgetary control have since been completed and if not, what is the latest position in this regard?

[Lok Sabha Secretariat O.M. No. 23-PU/72, dated 24th May, 1972].

Reply of Government

Review of the entire accounting system is under progress to suit necessary mechanisation and expansion and expanded activities of the Plant. Also a revised and detailed master chart of accounts is under implementation.

A departmental budgeting system has recently been introduced. After study of its operation and effectiveness the manual would be finalised.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 20-42/72-HEP dated 19-6-1972].

Recommendation (Serial No. 41)

"The Committee have noted with regret that the voluntary retirement scheme introduced by the Corporation was not only ill-conceived but was given effect to in a manner which has proved detrimental to the interest of the company instead of proving to be beneficial. The Committee feel that first the Corporation ought to have determined and identified the surplus staff in each category and then alone such a voluntary retirement scheme ought to have been introduced."

(Paragraph 9.20)

Reply of Government

The posts which fell vacant as a result of the release of personnel under the voluntary retirement scheme, were abolished and new incumbents were not brought in as replacement. It has been estimated that a sum of Rs. 48,000 had to be paid by the Company as compensation under the scheme while a saving of Rs. 1,09,749 per annum representing the pay, allowances etc. of the personnel so released under the scheme could be effected. In view of this, it could not be said that the scheme proved detrimental to the interests of the company.

The voluntary retirement scheme was withdrawn on 1-1-1968. A few of the resultant vacancies had to be filled in partly in December, 1969 and partly in August, 1970 in the context of increasing workload. It has to be borne in mind that with the increasing activity of the company, requirement of personnel also increased. However, the total number of persons employed which stood at 6,471 at the time of abolition of voluntary retirement scheme decreased to 5,394 as on 31.3.1971. The comments of the Committee have, however, been noted for guidance.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 7-127/70-HEP, dated the 18th November, 1971].

Recommendation (Serial No. 42)

The Committee find that qualified engineers have been placed in situations where knowledge acquired by them in training is not being properly utilised. The Committee feel that the Management should have made a systematic survey and efforts should have been made to place the right man in the right place.

(Paragraph No. 9.22)

Reply of Government

Every effort is made to ensure that engineers, especially those trained abroad, are utilised in their field of specialisation. The position is reviewed from time to time. Exceptions sometimes become necessary to suit official exigencies and in the light of the performance of the officers.

[Ministry of Steel & Mines, Deptt. of Steel, O.M. No. 7-145|70-HEP dated 11-8-1971].

Recommendation (Serial No. 43)

The Committee note that the management have taken steps to solve the basic problem of labour relations. The production in the Plant cannot improve unless labour do not feel their active participation and put their zeal in the work. The Committee recommend that the management should set up a permanent body to keep a constant watch on the labour relations in the company.

(Paragraph No. 9.27)

Reply of Government

With a view of maintain proper relationship with labour, the company has developed grievances' machinery, salient features of which are indicated below:

Grievances are discussed at the shop level by representatives of Personnel Department with workmen in consultation with the shop superintendent or other supervisors. In case of their failure to settle, the matter is referred to the Production Manager and Personnel Manager and it is at this level that most of the grievances are settled. Important issues with wide implications are generally referred to the top management for decision, failing which matter is taken for conciliation under the Industrial Disputes Act. Such cases are, however, rather few.

Besides, a works committee, with representatives of labour and management has also been constituted to consider and recommend important matters with which labour is concerned.

[Ministry of Steel and Mines Deptt. of Steel, O.M. No. 20-42|72-HEP dated 11-8-1971].

CHAPTER III

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

Recommendation (Serial No. 8)

The Ministry on the basis of the first estimates that is 60 M. Tonnes in 1960 and 100 M. Tons by 1965, got a project report prepared by the Team of Soviet Experts and on that basis the annual requirement for the mining machinery were placed at 30,000 tonnes per annum. This feasibility report for the production of 30,000 tonnes per annul of mining machinery as given by the Soviet Team was accepted by the Govt. on the 14th December, 1957 and Government placed the final orders on the Soviet organisation to prepare the Detailed Project Report for a capacity of 30,000 tonnes. This Detailed Project Report was received by the Government on 23rd April, 1959 and contract for the supply of machinery and equipment was signed on 12th March, 1960. In April, 1960 *i.e.* just after about one month after signing the contract Government thought it wise to accept the revised targets for coal production of 135 M. Tonnes and 180 to 200 M. Tonnes for the Fourth and Fifth Five Year Plans. Accordingly, they signed a contract for the revised project report and working drawings for 45,000 tonnes capacity on 12th December, 1960. The contract for machinery and equipment for 45,000 tonnes capacity was signed on the 30th July, 1962.

Thus the previous project report and the contract signed on 12th March, 1960 became redundant and all efforts made on that became infructuous and as a consequence the whole project report and its implementation was delayed. The delay in the construction and commissioning of Project also resulted in the increase in the cost of the Project. This was adversely commented upon by the Estimates Committee in their 51st Report (1963-64) wherein they have strongly criticised this revision of the contract at so late a stage.

The Committee regret to note that the Ministry failed to profit by the criticism and the advice of the Estimates Committee contained in their 51st Report. On the other hand they have justified their action and have not cared to examine the appropriateness of the revision of the capacity in the light of the recommendation of the Parliamentary Committee. It has now been proved that the assessment of Government that no delay would occur as a result of the revision has been proved wrong. The Committee strongly feel that if Govt. had implemented the recommendations of the Estimates Committee and reviewed the rated capacity of this project, it would have been rescued from meeting such a fate. The Committee regret that the Ministry failed to implement the repeated recommendations of the Parliamentary Financial Committee.

(Paragraph 4.15—4.17)

Reply of Government

On the basis of the DPR for 30,000 tonnes which was accepted in October, 1959, order was placed with the Collaborators on 1st February, 1960 for preparation of Working Drawings. The delivery schedule stipulated in this contract indicates that the construction drawings were to be supplied within the period from May, 1960 to April, 1962 at a cost of Rs. 51.50 lakhs (pre-devaluation). Contract for Plant and equipment for 30,000 tonnes was concluded on 12.3.1960 at a cost of Rs. 750 lakhs (Pre-devaluation).

In April, 1960, the decision was taken to expand the capacity of the Project to 40,000 tonnes and accordingly a revised contract was concluded on 12.12.1960 for preparation of Project Report and Working Drawings for 45,000 tonnes.

It may, however, be stated that the previous Project Report and the contract signed on 12.3.1960 for 30,000 tonnes did not become redundant nor did efforts made on these infrustious in view of the following reasons:

1. The Project Report for expansion of the Project to 45,000 tonnes as also working Drawings, was prepared by the collaborators in the form of an Addendum to the Original Report. In the Memorandum of Instructions finalised for preparation of Project Report for 45,000 tonnes as also in the Contract signed on 12th December, 1960, it was clearly stipulated that design documentation will be carried out by the supplier on the basis of:

(a) Detailed Project Report for the Project prepared for 30,000 tonnes.

(b) Memorandum of Instruction for 30,000 tonnes.

(c) The conditions of electric power supply, gas water, sewerage etc. are to be taken in accordnce with approved DPR for 30,000 tonnes with necessary modifications.

(d) The conditions of receiving semi-finished goods and articles from outside as complementry items are to be taken as the same as provided in DPR for 30,000 tonnes.

2. There was no change in the delivery schedule in regard to submission of working drawings by the supplier even for 45,000 tonnes as per contract signed on 12.12.1960 for the delivery schedule stipulated from 30,000 tonnes.

3. Possible delay in the supply of revised working drawings for 45,000 tonnes was avoided by incorporating a provision in the contract signed on 12.12.1960 that simultaneously with the preparation of the Addendum to the DPR for expansion of the capacity of the CMMP from 30,000 upto 45,000 tonnes of machinery articles per annum, the supplier will prepare the Working Drawings for establishment of the Plant to the capacity of 45,000 tonnes of machinery articles per annum.

4. A sum of Rs. 60.90 lakhs was required to be paid to the collaborators as a cost of preparing addendum to DPR and working drawing for expansion of the plant to 45,000 tonnes as against the original cost of Rs. 86 lakhs (51.50 lakhs + Rs. 34.50 lakhs) for working drawing and DPR for 30,000 tonnes respectively.

It may be stated, however, that payment for working drawing for 30,000 tonnes amounting to Rs. 51.50 lakhs was not required to be made at all due to timely negotiation made with the collaborators for revision of capacity. Similarly for Plant and Euipment also an additional amount of Rs. 224 lakhs (Pre-devaluation) was to be paid due to revision in plant capacity in addition to Rs. 751.49 lakhs (pre-devaluation) paid for 30,000 tonnes. Substantial economy was also secured on the cost of equipment in increasing the capacity of the plant by 50 per cent.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 7-155/70-HEP, dated the 11th August, 1971].

Further Information called for by the Committee

How far the delay in the construction and commissioning of the project was due to the revision in the capacity and to what extent such delay resulted in increase in the cost of the project?

[Lok Sabha Secretariat, O.M. No. 23-PU/70, dated 24th May, 1972].

Reply of Government

Since the construction work started in 1960-61 and the contract for increased capacity of 45,000 tons was also signed in 1960, further constructions and commissioning work of the project were done on the basis of increased capacity. As such, there was no delay in the construction and commissioning of the project due to revision in the capacity of the plant. Consequently, there was also no increase in the cost of the Project.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 24|42|72-HEP dated 19.6.72].

Recommendation (Serial No. 10)

The Committee express their deep concern over the huge losses suffered by the Corporation as a result of gradually scaling down the build-up capacity and non-attainment of the capacity of production. The built-up rate was scaled down because of lack of demand of the coal mining equipment for which the plant was mainly set up and also because the 'specification of the requirement' according to the demands of the customers differed appreciably from those laid down in the Detailed Project Report.

The Committee note with great regret that the Ministry decided to go ahead with this project only on the basis of the feasibility and the Detailed Project Reports made by the foreign experts without having them examined by the Team of Indian experts. It was left to the foreign experts to suggest as to what would be the annual requirements for mining machinery for mechanisation and replacements of the existing machinery in use in the collieries by 1975—80.

It has come to evidence that the mechanisation to the extent envisaged in the Soviet Team assessment would never come about. The replacement of the labour in the mining industry by highly mechanising the mines may not also be conducive from the employment angle. Therefore, it appears that the whole assessment of the annual requirement of the main mining machinery either at 30,000 tonnes or 45,000 has proved to be grossly erroneous.

It was only in the year 1968 that the working group for mining and drilling equipment, set up by the Ministry of Industrial Development and Company Affairs assessed that the requirement of mining equipment during the Fourth Plan period would be only 2820 tonnes. The Committee feel that this tragedy of overassessing the requirement for coal mining machinery about 15 times the actual requirement could have been avoided if the Ministry had thought it wise to get the assessment made by the foreign experts checked up by an Indian Team.

The Committee further deprecate that the Ministry were not even woken up in the year 1968 to do something drastic about this project after findings of the Working Group were known.

The Committee have further noted that most of the existing equipment in use in the coal mining is of the Western design and that they had not much experience of the use of the Soviet design equipment. Therefore, they were reluctant to use the new type of machinery that was planned to be produced in this Project. About 20 per cent capacity of the Plant was meant for the manufacture of a particular type of belt conveyors, of the weight of 17.42 tonnes for which there was no demand in the country. Therefore, MAMC had to design new types of belt conveyors with different sizes and weight which are in use in this country. Because, these new types of conveyors were widely different from the specifications of the standard conveyors in the DPR. MAMC had to put in a lot of effort in the technical preparations before the required types of conveyors belts could be produced. Again the Company had to produce long-wall-*cum*-short-wall coal cutting machines of U.K. design which were in actual use in this country but MAMC was not equipped to produce the same. Thus on one hand coal industry was starved of these equipment| spares and on the other hand MAMC, which was meant primarily to meet the needs of the collieries, was not in a position to supply the required equipment and spares.

As some of the machinery to be produced by this project can never be used for replacement purposes the Company is negotiating with the Western Countries to produce equipment and spares required by the collieries in India.

The Committee feel that what MAMC is doing now at this late stage to get the designs of the manufacture of such equipments from the Western Countries, ought to have been done well in time either in late 50's or early 60's. The Committee, therefore, conclude that this project has come to this grief only because of lack of proper forethought and planning at early stages.

(Pargraphs 4.44 to 4.51)

Reply of Government

A team of Engineers was deputed to USSR in early 1959 to participate and discuss with the concerned Soviet Institute in the preparation of the Detailed Project Report for the Coal Mining Mchinery Project of capacity of 30,000 tonnes a year. The DPR was submitted by the Soviet Agency in April, 1959 and immediately thereafter a Committee of Experts was appointed to consider and examine the DPR and to submit its recommendations. The composition of the Committee of Experts was as under:—

1. Shri K. N. A. Subbaraman, Chief Engineer, Hindustan Steel Limited, Bhilai Steel Project.
2. Shri S. K. Kanjilal, Chief Engineer, Durgapur Industries Board.
3. Shri A. K. Ghosh, Supdt. Engineer (Elect.) Durgapur Industries Board.
4. Shri B. D. Kalelkar, Sr. Industrial Adviser, Ministry of Commerce & Industry, New Delhi.
5. Shri A. B. Guha, Mining Adviser, Ministry of Steel, Mines & Fuel, New Delhi.
6. Dr. J. W. Whitaker, Director, Central Mining Research Institute, Dhanbad.
7. Shri S. N. Sahgal, Chief Engineer, NCDC Limited, Ranchi.
8. Shri N. G. Chhkravarthi, Works Manager, Foundry Division, TELCO.
9. Dr. Chatterjee, Superintendent, Metal & Steel Factory, Ichapur.
10. Shri A. N. Lahiri (Convener).

The DPR was finally accepted on the recommendation of the Committee of Experts noted above.

The addendum to the DPR for expanding the capacity to 45,000 tonnes a year was also exmined by a group of Engineers in the light of recommendations of the team of engineers who were deputed to USSR earlier. Recommendations made by the Committee of Experts set up for examination of DPR for 30,000 tonnes were also kept in view. Matters arising out of this scrutiny were initially taken up through correspondence with M/s. Prommashexport Moscow and later discussed in detail with the Vice-President of M/s. Promashexport who came to India specially for this purpose. Based on the detailed study and the discussions with Mr. Bebenin, Vice-President of M/s. Prommashexport a memorandum of acceptance on the Addendum to the DPR for 45,000 tonnes was ultimately prepared and approved.

The scope of Project and the items of production incorporated in the Addendum to Detailed Project Report for 45,000 tonnes was finalised in accordance with the decisions arrived at in a meeting held in New Delhi in April, 1960 between officials of the Ministries of Commerce & Industry, Steel Mines & Fuels, representatives of NCDC and Private Sector Coal Industry and the Soviet Team of Specialists.

In view of the position explained above, it would not be correct to suggest that 'it was left to the foreign experts to suggest as to what would be the annual requirements for mining machinery.'

The plant capacity was finally decided in 1960 based on the accepted norms of mechanisation required for a given output of coal, as assessed in 1959-60 by the different concerned agencies/Departments *viz.* Planning Commission, Department of Mines, Metals, & Fuels, Coal Controlller etc.

Assessment of the Soviet Team was made on the basis of relevant data furnished by the concerned Departments in India and these related to (a) Existing mines, (b) New Mines to be opened during 2nd and 3rd Five Year Plan period, (c) output of coal per man-shift to be achieved, (d) degree of mechanisation proposed to be achieved etc. All these information and statistics were submitted to the Soviet Team based on the Coal raising targets planned during the successive Plan periods.

That the assessment has proved to be unrealistic now can be appreciated from the basic fact that against the original projected coal raising target in 1970-71 for 180—200 million tonnes, the current estimate is only 82 million tonnes.

The assessments made by the foreign experts were examined by Indian Teams. The over assessment of the requirements for coal mining machinery has been due not to any wrong assessment/requirement of mining machinery but due to projected coal targets made in 1959-60 not having been realised.

It is a fact that a substantial portion of the existing equipment in use in coal mines is of the Western Design and that demand for spares for such equipment could not always be met by MAMC in view of the fact that (a) demand was for very small quantity for each item which proved uneconomical to be taken in MAMC and (b) equipment in use in mines being of various types demand for spares was also mostly tailor-made and non-repetitive in nature (c)

Design Drawing and technology were not always available and these had to be developed.

It should be noted however, that it is not the existence of equipment of Western Design that has acted solely as the inhibiting factor for the collieries to place orders on MAMC for new equipment of Soviet Design. The principal reasons for abnormal fall in demand has been due to the fact that mining equipment, irrespective of whether they are of Western or Soviet design, were not really required by the Coal industry due to sharp fall in the demand for coal and general recession in the country due to which programmes for opening new mines or for modernisation of existing mines were not taken up by industry. The industry was not in a position to go in for substantial capital investment in the face of fall in demand of these products. MAMC'S major customers were supposed to be Public Sector Organisation like M/s. NCDC and M/s. Singareni Collieries and requirements of these two organisations during the 4th and successive plan periods were to take account of the major share of MAMC's products. The requirements did not, however, meterialise for reasons not connected with the design of equipment which were to be manufactured by MAMC.

It is not the fact that because mining machinery of Soviet design cannot replace the existing equipments operating in Indian coal mines that MAMC is negotiating with Western countries to purchase equipment of the right type. There is no bar in mining equipment of Soviet design being put to use in Indian mines in replacement of coal mining equipment of Western design. As a matter of fact, a number of miscellaneous mining equipment of Soviet designs have replaced the old mining equipment of Western resign, such as, Conveyors, Pumps, Booster Fans etc.

MAMC is now negotiating with Western countries for design documentations for various equipment (including non-mining equipment). As a result of the programme of diversification adopted by the Corporation which includes manufacture of miscellaneous mining equipment not included in the D.P.R.

It is also not the fact that because MAMC could not replace equipment of Western design by those of Soviet design that there is no demand of such equipment. Had there been demand for mining equipment Indian colliery industry would have accepted mining equipment of Soviet design.

MAMC has been negotiating for the manufacture of certain mining equipment with Western countries as far back as 1962-63. This was for manufacture of Short Wall Coal Cutting Machine with the firm in UK as Soviet Collaborators did not use this type of machine in their coal industries. Subsequently, MAMC had negotiated with a few firms in UK for the manufacture of Hydraulic Props which were not included in the range of products to be manufactured under DPR. This was under the programme of diversification. Similarly, negotiations are on for the manufacture of Snorer type Face Pump and Long wall cum Short Wall Coal cutting Machine.

In consideration of the above facts, it would be seen that adequate planning and forethought was made prior to setting up of the plan as are normally required. Due to certain circumstances beyond the control of the Project coupled with the general economic recession in the country which would not be foreseen in early 1960s, the plant is facing difficulties in regard to manufacture and supply of mining equipment. The shortfall is not due to equipment of Soviet design.

It may be pointed out that the Report of the Working Group was not a final document. The Report of the Working Group was submitted to the Planning Group on Machinery Industries constituted by the Ministry of Industrial Development to report on the equipment for machinery industries required during the fourth plan period. The report of the working Group was to be considered by the Planning Group and the Report of the planning groups was in turn, to be submitted to the Planning Commission for consideration. Till the Fourth Plan was finally approved, MAMC could not definitely know what would be the expected orders on the company for the items of coal machinery included in its production programme. Unless an assessment in regard to this was made, it would not be possible to plan clearly for diversification of production. However, continuous efforts were made to diversify the production of the company in the best possible manner and after consideration a Technical Committee was constituted by the Company to examine this question in all its respects. The Report of the Committee has since been received and a considerable amount of diversification of production has in fact already been made.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 7-148/70-HEP, dated 11th August, 1971].

Further information called for by the Committee.

(a) Please state the names with designation of the group of engineers who examined the addendum to the DPR for expanding the capacity to 45,000 tonnes a year.

(b) Whether the engineers were deputed by the Government or by the Corporation to examine the addendum?

(c) Please furnish a copy of the report submitted by the group of engineers.

(d) What are the comments of the Ministry to the observation of the Committee on Public Undertakings contained in Para 4.49 of the 65th Report?

(e) It has been stated that the Report of the working Group was not a final document. At what time MAMC came to know definitely as to what would be the expected orders on the Company for the items of coal machinery included in its production programme?

(f) Whether any comprehensive scheme for diversification of production has since been prepared and if so, what are the salient features of the scheme?

(g) What specific action has been taken on the Report of the Technical Committee and what results have been achieved as a result of diversification of production?

[Lok Sabha Secretariat OM No. 23-PU|70 dated 24th May, 1972].

Reply of Government

(a) The names and designations of the group engineers who examined the addendum to the DPR for expanding the capacity to 45,000 tonnes a year are appended below:—

(1) Shri M. M. Bose, Chief Engineer.

(2) P. K. Bose, Civil Engineer (RCC).

(3) Shri S. K. Dutta, Civil Engineer (Steel & Metal structures.)

(4) Shri D. A. Nayar, Civil Engineer (Public Health).

(5) Shri S. K. Basu, Electrical Engineer.

(b) The engineers were deputed by the Heavy Engineering Corporation Limited.

(c) A copy of the report submitted by the group of Engineers is inclosed. (As this document is bulky, it is not possible to make

25 copies within the short time at disposal. The copy may be returned to this Ministry after perusal. Copies for record will be sent later if required).

(d) The Ministry has no comments to offer in addition to those contained in the reply sent to the recommendation, relevant extracts of which are reproduced below.

It is a fact that a substantial portion of the existing equipment in use in coal mines is of the western design and that demand for spares for such equipment could not always be met by MAMC in view of the fact that (a) demand was for very small quantity for each item which proved uneconomical to be taken in MAMC and (b) equipment in use in mines being of various types demand for spares was also mostly tailor-made and non-repetitive in nature (c) Design Drawing and technology were not always available and these had to be developed.

It should be noted, however, that it is not the existence of equipment of Western Design that has acted solely as the inhibiting factor for the collieries to place orders on MAMC for new equipment of Soviet Design. The principal reasons for abnormal fall in demand has been due to the fact that mining equipment, irrespective of whether they are of Western or Soviet design, were not really required by the Coal Industry due to sharp fall in the demand for coal and general recession in the country due to which programmes for opening new mines or for modernisation of existing mines were not taken up by Industry. The Industry was not in a position to go in for substantial capital investment in the face of fall in demand of these products. MAMC's major customers were supposed to be Public Sector Organisations like M|s. NCDC and M|s. Singareni Collieries an requirements of these two organisations during the 4th and Successive Plan Period were to take account of the major share of MAMC's products. These requirements did not, however, materialise for reasons not connected with the design of equipment which were to be manufactured by MAMC.

It is not the fact that because mining machinery of Soviet design cannot replace the existing equipments operating in Indian coal mines that MAMC is negotiating with Western Countries to purchase equipment of the right type. There is no bar in mining equipment of Soviet design being put to use in Indian mines in replacement of coal mining equipment of Western design. As a matter of fact, a number of miscellaneous mining equipment of Western design, such as, Conveyors, Pumps, Boostar Fans etc.

It is also not the fact that because MAMC could not replace equipment of Western design by those of Soviet design that there is not demand of such equipment. Had there been demand for mining equipment Indian Colliery Industry would have accepted mining equipment of Soviet design.

(e) It can be said that MAMC came to know of the orders likely to be placed in the company during the 4th Plan period, with any degree of accuracy, only during the deliberation of the Experts Committee on diversification of production. The report of this Committee was considered in April, 1970 and the Committee considered as reasonable the assessment made by MAMC regarding the likely orders for mining equipment during the years 1970-71, 1971-72, 1972-73 and 1973-74.

(f) A comprehensive scheme of diversification has been prepared in the year 1970. An expert committee was constituted by the Chairman, MAMC. The members of the Committee were drawn from both Public and Private Sectors as also from the Government. The important items of diversification that were considered, are:—

(1) Equipments for bulk handling of raw materials for ports, power station etc., viz. Stacker, Reclaimer, Ship Loader, Heavy Duty Conveyor, Berge Loader, Spreaker etc.

(2) Casting and Forging of Railways.

(3) Coal Washing Plant and Ore Beneficiation Plant.

(4) Sand plants for Mines and Ash handling plants for Power Stations and Chemical Industries.

(5) Heavy Duty Gear Box (upto 500 HP) and Fluid copling.

(6) Front End Loader for Export to USSR & Medium duty Gear Box for Export to USSR.

(7) Spares for Ropeways.

(8) Forged neck flanges for steel plants, Fertilizer and Chemical Industries.

(g) The report of the Experts Committee on the diversification of products of MAMC was approved by the Board of Directors at its 34th meeting held on 27th July, 1970.

In regard to the programme of diversification the Company has already taken up work relating to bulk handling of equipments of Haldia Port Project which is progressing satisfactorily. The Company has also undertaken supply of equipments like Stackers, Reclaimers, Ship loaders and conveyors to Madras and

Mormugao Ports. A decision has also been taken to supply substantial portion of the handling equipments required for the expansion programme of Visakhapatnam Port. Negotiations are being conducted to supply various types of handling equipments to the ports of Cochin, Tuticorin and Kandla. The Company has entered into collaboration agreement with M|s. Demag, West Germany for executing the orders for bulk material handling equipments.

The Company has also gone in for coal handling equipments at Power Plant. Salt Scrapers and special types of pumps have been developed for the Fertilizer Projects. A decision has been taken to develop special types of conveyors for chemicals require by the Fertilizer and other Chemical Plants. Other items of work such as, manufacture of components for Power Plants are being pursued. A few new items of equipments which could constitute the standard products of the Company such as repeways, escalators etc. are being proposed to be taken up for manufacture. These proposals have been approved by the Board in principle.

The Company has been negotiating with the USSR for the export of Gear Boxes and Excavators. Besides, the Company is involved in collaboration with CMERI for development of 20 HP Agricultural tractor.

A review is also being undertaken to assess the profitability for different items included in the diversification programme with a view to selecting the items which are repetitive in nature and also profitable. Against this background, it would be possible to provide sustained load to utilise the available capacity of the Plant to a greater extent.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20-42/72-HEP, dated 19th June, 1972].

Recommendation (Serial No. 12)

As against the rated capacity of 45,000 tonnes, the actual production of the mining and the coal mining machinery and equipment in MAMC has been

16000 tonnes in 1965-66

3000 tonnes in 1966-67

650 tonnes in 1967-68 and

240 tonnes in 1968-69

It is clear that MAMC is not producing the mining machinery and equipment for which this project was primarily established at an investment of Rs. 50 crores. Because of the slackening demand of mining equipment, MAMC had to resort to diversification. The Committee regret to note that the Management proceeded with the diversification of production in the Plant without any blue print. The future production programme has again been projected on the assumption that the Company would be successful in negotiating with the USSR for the export of wagons and also that its programme of manufacturing tractors will materialise about which Government have failed to take any concrete decision.

The Committee feel that MAMC has so far failed to produce a comprehensive and convincing scheme for diversification of its production. The diversified items have been produced on the basis of an *ad hoc* scheme which was prepared by the MAMC technicians themselves. It is hard for the Committee to place any reliance or creditability for such diversification schemes prepared by the Company. The Committee wanted to have the Report of diversification scheme for which a technical committee had been appointed. Although during evidence the Managing Director promised that the Report would be available in January, 1970, it has not been furnished to the Committee. Therefore, the Committee cannot place any reliance upon this diversification scheme. The Committee feel that Ministry should have appointed a well qualified team of consultants in order to make a correct assessment as to how best the idle capacity could be utilised in a commercial viable way. This ought to have been done at a very early stage when the Ministry came to know that the coal targets had been drastically revised and that the equipment and machinery for which the plant was designed were not having ready market.

Government have already put in nearly Rs. 50 crores and they are again going ahead with a diversification scheme without properly assessing and approving the estimates for the same. They have allowed the diversification scheme to proceed without knowing what investment will be required to implement it properly. The economics of such a scheme have not been worked out. In such a situation, the Committee are unable to endorse the views of Government for making any further investment.

It has been stated by the study team appointed by Government that in the present pattern of production the plant could admit diversification upto 30 per cent only. Thus the remaining 70 per cent of the plant capacity will not admit and diversification. The Ministry have, therefore,, to examine after proper technical study whether only 30 per cent of the plant which can admit diversification could bear the overheads for the entire plant and could make this plant a commercially viable unit. This has to be examined because the demand of coal mining machinery and equipment is not more than 3000 tons during the 4th Five Year Plan. The other factor that must also be kept in view is that the diversification of production does not lead or cause any idle capacity somewhere else, either in the private or public sector. If it does, it will injure the national economy and create employment problems somewhere else.

The Committee were informed that till 1972-73, there will be another loss of Rs. 10 crores provided the production came up according to the anticipated scheme of things. The Committee are convinced that the way things are proceeding, MAMC will never be able to produce 25,000 tonnes at which point break even is expected to be achieved because the factors on which these assumptions have been made are quite unpredictable. The Committee, therefore, feel that the loss in the years to come may be much more than Rs. 10 crores upto 1972-73. It is difficult to forecast what could be the loss in the absence of any properly drawn up feasibility report and the lack of inbuilt flexibility for diversification in this Plant.

(Paragraphs 4.77 to 4.82).

Reply of Government

Out of a total production of 4099 tonnes (saleable output) during the year 1968-69, production of mining machinery and equipment was 1678 tonnes and not 240 tonnes. The total production also included a quantity of 599 tonnes of billets produced for internal consumption. To overcome the difficulties arising out of slackening of demand of each mining equipment, MAMC had to find out new items which could be taken up for manufacture with minimum additional capital investment and could be treated as 'allied' items from the point of view of plant facilities already established. Accordingly, diversification of production was thought of as early as 1964. The first item that was considered and adopted was manufacture of equipment for coal washeries. Accordingly Collaboration Agreement was entered into with M|s. Centrozap of Poland in 1965 and thereafter with M|s. Stamicarbon N. V. of Netherlands. This decision to take up development and manufacture of coal washing equipment in India was arrived at after detailed examination by Government of all relevant factors in a series of inter-departmental meetings when representatives of Planning Commission, Ministries of Mines & Metals, Industry, Finance and concerned agencies were represented.

The next important item that was taken up in the context of unutilised capacity of MAMC was the manufacture and supply of equipment for bulk handling of raw materials at Haldia Port of the Calcutta Port Commissioners.

Besides, the above two major items, miscellaneous orders for castings and forgings,, spare parts, conveyors for Steel & Power Plants, structurals etc. not falling in line with these recommended in the DPR also to be accepted by MAMC even before an elaborate about perspective loading could be completed. This was done with a view to ensuring that MAMC could keep itself busy to the maximum extent possible. It was considered inexpedient that MAMC should wait to accept orders, till a detailed exercise for a blue print for diversification which is time consuming, was completed.

However, an Experts' Committee was constituted early in 1969 to advise *inter alia,* which items should be taken up by MAMC under its programme of diversification keeping in view all the relevant factors. The members of the Committee were drawn both from Private and Public Sectors as also from Government. The said Committee has since submitted its report (copy enclosed). MAMC Board of Directors has examined the main recommendations of the Committee, and MAMC will now be required to go ahead with its programme of diversification as recommended by the Committee.

The Committee has recommended that MAMC should take up eight principal items under the programme of diversification it has been estimated by the Committee that the new items will give an annual load of 9300 M. T. valued at Rs. 830 lakhs. The items include (i) manufacture of components for Agricultural Tractor on which decision of Government has since been communicated, and (ii) manufacture of Gear Boxes and Front End Loaders for export to USSR. It may be mentioned here that negotiations between India and USSR over export of Wagons have failed and the two items at (ii) above were suggested by the Soviet Minister for Heavy Engineering. Mr. Zhigalin during his last visit to MAMC. It has been estimated that the two items for export to USSR will provide a load of 1300 M. T. valued at Rs. 130 lakhs per year.

The Committee tried its best to finalise its report before January, 1970 but due to certain developments which could not be foreseen earlier, it could submit its Report in April, 1970.

The Experts' Committee on diversification has estimated vide Annexure IX of the Report, that additional capital expenditure to the extent of Rs. 90 lakhs might be necessary to obtain a few special purpose machines to take up manufacture of new items under the programme of diversification of which Rs. 40 lakhs would be in foreign exchange. The Expenditure of the said Rs. 90 lakhs would however, be in phases. The Committee has also worked out detailed economics in regard to implementation of its recommendations. Vide Annexure-X of the Report, the Committee has estimated that in 1973-74, when MAMC is expected to produce 18175 tonnes valued at Rs. 1702 lakhs, break even point will be attained.

It is true that initially it was considered that the production could be diversified only up to 30 per cent of capacity. However, on a subsequent analysis it was felt that due to the sluggish demand for coal mining equipment the diversification would be very much in excess of 30 per cent. The expert Committee on diversification of production at MAMC has recommended that in view of the fall in demand for coal mining machinery, MAMC should go in for diversification in a big way. The built up capacity recommended by the said Committee (vide Annexure-IV of the Report) indicates that in the production programme of 1973-74 diversified items will account for as much as 14685 tonnes while only 3490 tonnes will represent conventional mining equipments.

As regards creation of idle capacity elsewhere consequent to MAMC's taking up new items, it may be mentioned that the aforesaid committee had kept this factor in view while making its recommendations. It is in consideration of this factor that the Committee could not recommend for taking up certain items like agricultural implements and accessories since indigenous capacity is already established to take up these items vide para 9.1 of Chapter-3 of Report.

The Experts' Committee mentioned in the preceding para, had the opportunity to examine in detail the present order position and the rate of productivity and other allied factors. The Committee had felt consequent to the introduction of incentive scheme in the shops it should not be difficult for MAMC, even with the diversified nature of work to achieve 40 per cent productivity in 1970-71 to be gradually stepped up to 70 per cent in 1973-74, which would mean that from 11,000 tonnes valued at Rs. 900 lakhs in 1970-71, MAMC should be in a position to achieve 18000 tonnes valued at Rs. 1700 lakhs in 1973-74 and will also break-even.

The latest estimate is that the company will break even in 1975-76 when a production of 20,000 tonnes valued at about Rs. 15 crores is expected.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 7-151/70-HEP dated 10th March, 1972].

Further Information Received from the Ministry

The reply has been drafted after consultation with the Office of the Comptroller and Auditor General of India (Commercial Audit Wing). Certain facts mentioned in the reply are still to be verified by the Chief Auditor, Commercial Accounts Ranchi, and his comments if any, will be intimated later.

[Ministry of Steel and Mines (Department of Sttel) O.M. No. 7-151|70|70-HEP dated 10-3-1972].

Further information called for by the Committee

It is seen that certain points in the reply of the Ministry have been referred to the Chief Auditor, Commercial Accounts, Panchi. If the reply has been revised in the light of Audit comments, 25 copies of the revised reply duly vetted by Audit may kindly be furnished.

(Lok Sabha Secretariat O.M. No. 23-PU|70 dated 24th May, 1972)

Reply of Government

The Audit Board have no further comments to offer on the basis of local verification and the reply already sent stands uncharged.*

(Ministry of Steel and Mines Department of Steel O.M. No. 20-42|72-HEP-I Dated 13th June, 1972).

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*At the time of factual verification of the Report, the Audit have, however, stated as under:—

"The papers sent by the Ministry in support of their reply did not bear out that there was a programme of diversification chalked out in 1964 and that the manufacture of coal washing equipment was an item envisaged therein. The MAMC Ltd. from whom a clarification was sought by the Ministry on receipt of audit observations had stated in their letter dated 31-12-1971 that no formal blue print as such for the programme of diversification as a whole was worked out during 1964-65 although the problem of under-utilisation of capacity was discussed on many occasions.

Regarding Ministry's statement in sub-para 8 of their reply that the plant was capable of admitting diversification in excess of 30%, no documents could be furnished by the Company to local audit.

Regarding the last sub-para of the Ministry's reply viz. the Company will break even in 1975-76, the Company produced two annexures which were stated to have been submitted to the Ministry in a discussion in June, 1971. It was, however, not clear whether these documents had been approved by the competent authority i.e. the Managing Director or the Board of Directors. The date on which these documents were prepared was also not clear.

Recommendation (Serial No. 13)

The Committee depore the indecisive attitude of Government and the abnormal delay in coming to a final decision with regard to the manufacture of 20 HP Tractors. Diversification programme and the question of utilisation of idle capacity in two big Public Sector Undertakings—HMT and MAMC has been held up for a pretty long time. Both these undertakings are anxiously awaiting the approval of Government with regard to the scheme of manufacturing of tractors but the Government have shown utter callousness and carelessness in dealing with this most urgent problem.

(Paragraph 4.87).

Reply of Government

A decision in this case was delayed as there were differences of opinion between Mining and Allied Machinery Corporation Limited and the National Industrial Corporation Ltd. who had been appointed as consultants for this project. These differences had to be considered in detail and a decision taken. The results of the field trails of the proto-type tractors manufactured in MAMC with the assistance of the Central Mechanical Engineering Research Institute had also to be taken into account before a decision was arrived at. In an inter-departmental meeting convened by the Cabinet Secretary on the 15th January, 1970, a decision was taken that action should be initiated to pursue production of Zetor Tractors immediately and to pursue the designs of the CMERI Tractors to set right the deficiencies noted in the testing. It was also agreed that when the CMERI designs would be ready the demand would be sufficient to allow another public sector production line based on the new designs. It was agreed that the Pinjore unit of Hindustan Machine Tools Limited would take up manufacture but sub-contract several items to MAMC. This arrangement or the reverse arrangement by which MAMC takes up full manufacture and HMT Pinjore does some of the parts may be found suitable when the designs of CMERI Tractors are ready. In the light of the above decision, MAMC is now in correspondence with HMT and is awaiting firm orders.

(Ministry of Steel and Mines Department of Steel O.M. No. 7-136|70-HEP dated 11-8-1971).

Further information called for by the Committee

What is the latest position regarding the manufacture of tractors by MAMC and HMT?

(Lok Sabha Secretariat O.M. No. 23-PU|70 dated 24th May, 1972).

Reply of Government

MAMC had incurred an expenditure to the etxent of Rs. 5 lakhs for the development of design and manufacture of 20 HP prototype Agricultural tractors (Swaraj Tractors) in collaboration with CMERI. The CMERI-MAMC tractors have had several field tests and the result was reported to be encouraging. The Board of Directors of MAMC decided that subject to market potentiality, Swaraj tractors should be manufactured in MAMC.

In the context of the above the manufacture of several items of components of Zetor Tractors proposed to be sub-contracted to MAMC by HMT has not been pursued.

(Ministry of Steel and Mines Department of Steel O.M. No. 20-42|72-HEP dated 19-6-1972).

Recommendation (Serial No. 14)

The Committee regret to note that the Management has done nothing substantial to explore the possibilities of export despite the fact that enormous capacity of the Plant remains unutilised. The Government should have at least made efforts to export such coal mining equipment and machinery as were within the manufacturing capability of MAMC but which were not needed in the country owing to the slump in coal production. The Committee feel that there should not have been any slackening of effort in the direction of finding possibilities of exports to UAR, USSR and other countries.

(Paragraph 4.92).

Reply of Government

There are practical difficulties in entering the export markets before a certain measure of stability in production has been achieved. No foreign party would normally like to import equipment which has not already been installed somewhere and has been in successful operation for some time. To the extent possible, attempts have been made and will continue to be made to export the products of MAMC. MAMC has also become a Member of each of two Consortia of Public Sector Undertakings, one for Power Projects and another for Engineering Projects set up for taking up 'turn key' orders from the home as well as foreign markets.

As a result of discussions with the Soviet authorities it has already been accepted in principle, that MAMC would export excavator and gearboxes to the USSR over a period commencing from

1972 to 1976. The details of this deal are being negotiated at present.

(Ministry of Steel and Mines O.M. No. 7-125|70-HEP dated 29-5-71).

Recommendation (Serial No. 15)

The Committee are distressed to note the poor production performance of MAMC. The Company have not been able to do justice to the annual targets of production fixed by it on the basis of orders secured by the company. The percentage of shortfall in production to the annual targets is as follows:

1965-66	33.2 per cent.
1966-67	54.1 per cent.
1967-68	69.8 per cent.
1968-69	60.0 per cent.

In the foregoing paragraphs the Company|Ministry have given detailed reasons for the shortfall in production and it is apparent that the primary factor which was responsible for the shortfall was that the management particularly the technical management was not equal to the task and owing to their failure alone the production had been so low.

In their anxiety to load MAMC with substantial order the Ministry obtained a decision from the Cabinet that "other public sector undertakings should be directed to obtain such of their requirements as were within the manufacturing capacity of MAMC from that company without calling for open tenders". This has resulted in abnormal delays in executing the programme of work of public undertakings which had placed order on MAMC. To give work to MAMC without calling an open tender is also fraught with danger because in that way Government will be saddling other public undertakings to foot the bill of inefficiency and inexperience of MAMC which will amount to veiled subsidy to MAMC. The Committee feel that if a subsidy was to be given to MAMC it should have been a direct subsidy from the Government so that the Parliament would have known it and sanctioned such grants instead of encumbering other developing and efficient public undertakings.

(Paragraph No. 5.15).

Reply of Government

It is conceded that production performance of MAMC in the past has not been satisfactory. This has, however, been due to a combination of factors which were, by and large, beyond the control of the company as analysed below:

(i) The plant facilities were planned and established to take up manufacture of 14 principal items of coal mining machinery of certain specifications. To plan manufacturing programme of these 14 items and to stabilise production in a single plant is considered a complicated process. It is in this context that a recommendation was made in the Detailed Project Report as reproduced below:

> "As other coal mining machinery plants are built in India, this plant can transfer the manufacture of certain types of items to them and gradually specialise in the manufacture of a narrower nomenclature of coal mining machinery thus promoting efficiency and reducing the cost of production."

While the technical and other preparations including development of new designs and adaptation of Soviet designs for some items to suit Indian mining conditions were being attended to by the Company, which in itself was time consuming and has to be proceeded with through trial and experiments and involved building up of expertise, development of suitable organisation from the construction to the production stage, etc. the company was faced with the acute recession in the Coal Industry and consequent fall in demand for the standard mining equipment which were under development. Even when the company was, therefore, in the process of development of certain products, it had to accept miscellaneous non-standard tailor made jobs which did not provide any scope for series and batch production.

The company had to start technological and design preparation for these tailor made items along with the development of standard items. Development of a few items had also to be abandoned altogether for want of commercial prospects and the time and resources put in this regard were lost.

This situation had put the company in a very difficult position. Fresh endeavours were required to be made in every sphere of activities like building up of skill of personnel for new products, technological preparations like tooling, designs, processes, patterns and actual manufacture itself. No advance material planning in a big way could be achieved in the absence of a production programmes for standard items and before the design for these items were fully ready. Being tailor made items, increased efforts and time had to be put in the preparation work before actual manufacture could be undertaken. Time schedules drawn up for completion of designs and technologies could not be adhered to as some of the actual difficulties experienced in the process of development of designs and technology could not be foreseen.

All these factors had contributed to the delay in achieving production and shortfall in output compared to targets.

(ii) Secondly, the company had to reckon with a very unfavourable industrial climate in and around Durgapur which made it extremely difficult to enforce discipline amongst the work force for uninterrupted production with a reasonable level of productivity. For quite some time the atmosphere was surcharged with political tension and the management could hardly overcome the difficulties inherent in such a situation, despite serious attempts taken to set right the position. Inter-union rivalry further complicated the situation.

(iii) The company transformed itself from the construction to the production stage only in 1965-66. The normal gestation period of sophisticated manufacturing organisation like MAMC with its peculiar problems and difficulties, as highlighted in (i) above, has essentially to be longer and the shortfalls in production were unavoidable during the initial period.

As per the Cabinet Directive, other Public Sector Undertakings Government Departments are required to place orders for items coming within the purview of MAMC's range of manufacture without calling for open tenders. The Cabinet directive was initially for two years *i.e.* upto February, 1969 and was later on extended by another three years *i.e.* upto February, 1972. In regard to this, the question of allowing veiled subsidy to MAMC does not, however, arise. It has been made clear in the said Cabinet directive that the price at which MAMC will supply such equipment to other Public Sector Undertakings and|or autonomous bodies will be in conformity with the pricing policy prescribed by Government on 27-12-1968, which *inter alia* stipulated that price charged should not exceed the landed cost. It would be open to the enterprises to have price negotiations and fix prices at suitable levels for their products. In respect of products manufactured in competition with other domestic producers, the normal market forces of demand and supply will operate and their products will be governed by the competitive prices prevailing in the market. Thus the preference given to MAMC is only a purchase preference and not a price preference. A subsidy cannot achieve the purpose behind the decision for purchase preference.

(Ministry of Steel and Mines Department of Steel O.M. No. 7-152|70-HEP dated the 13th September, 1971).

Recommendation (Sl. No. 16)

The Committee are unhappy to note that the delay in execution of orders has acted as an inhibiting factor in getting fresh orders from customers. Production programme of some undertakings *e.g.* NCDC, Bokaro, PPCL) was held up, due to delay in adhering to the delivery schedule by the Company. The Committee are convinced that MAMC had booked orders on a doubtful time schedule when it was fully conscious of the fact that most of the items did not conform to MAMC's production pattern. In a few cases the claims for compensation have been lodged against Company for its failure to execute the orders in time. A few orders had to be cancelled due to non-adherence of the original or even the revised schedules.

The Committee are unhappy over the serious delay in the execution of orders particularly in view of the fact that only small percentage of the rated capacity of the Plant was utilised and production was undertaken on the basis of the orders secured by the company. For the delays in the execution of order the Company earned a bad name everywhere.

It is all the more distressing to note that no remedial measures have been taken since 1965-66 although the previous Managing Director and the Commercial Manager have brought these facts to the notice of the Government. The Committee feel that MAMC could have secured far more orders to load it with work, if the management of this undertaking had been improved so that it could meet the promised delivery schedules. The Committee feel that no such improvement was brought about during the last five years nor there is any prospect that improvements would be effected in the near future.

(Paragraphs 5-32 to 5.84)

Reply of Government

Noted, it should, however be appreciated that orders were accepted in the past for certain items which required development right from the design stage for the first time and even before definite product lines were established and in the process unforeseen difficulties had crept in resulting in delays in the execution of orders.

Remedial measures so far taken to improve the performance of MAMC may be indicated as under:—

(i) The initial problems of diversification such as Technical Collaboration, design documentation of products, development of technology, tooling etc. are being resolved as expeditiously as possible. In many cases design documentations are being purchased instead of these being developed in the plant to cut down the time cycle of manufacture. A number of collaboration agreements have already been entered into with foreign agencies. Long term Planning has also been taken up for arranging shop loading and procurement of materials against the programme of diversification and current orders in hand for uninterrupted production.

(ii) In order to get orders for repetitive nature for batch production negotiations are in progress with soviet agencies for the manufacture and export of heavy duty gear boxes and loaders to USSR. If negotiations are successfully finalised these two items would give adequate load to certain sections of the plant. Orders are also being secured for casting and forging components for agricultural tractors to ensure continuous load of repetitive nature.

(iii) An Incentive Scheme has been introduced from March, 1970. After resolving initial difficulties and disputes in connection with the introduction of the Incentive Scheme most of the Shops have now started responding to the scheme. Many of the Incentive Groups have crossed the minimum productivity lend of 35 per cent and have earned Incentive Payments. It is expected that with the catching up of incentive scheme the productivity would increase in future. The skill of workmen is also being improved through scheme of on-the-job training with the help of Soviet Instructors. The supervision and progress and planning activities are also being streamlined to aid production.

(iv) After a period of industrial unrest a tripartite agreement was entered into with the two major Trade Unions operating in MAMC in May, 1970. All the major disputes have been resolved and the industrial climate has improved significantly.

(v) Right type of orders are being canvassed for to provide balance load for all the sections of the plant. In this connection negotiations are going on with ordance factories, railways and other private and public sector undertakings.

(iv) A capital intensive engineering industry like MAMC with heavy overheads and interest charges on loan is bound to effect adversely the working results of the company. During the last years, the Company has incurred a loss to the extent of Rs. 10.60 crores on interest and depreciation charges alone out of a total loss of Rs. 20.15 crores. The overheads are expected to be absorbed in greater proportion with the increase in the output.

(vii) Great stress has been laid on streamlining the progress and planning section for regular flow of material from shop to shop. Inter Department movement has been improved significantly. Technological Assistance has been available to the shops by placing Engineers under the charge of the shops. A number of technological aspects of production are being re-examined with a view to reduce rejection to the minimum. Production is now directly linked up with the orders in hand and delivery schedule. Wherever balancing items are required to complete despatch of finished goods to the client these have been given priority. The procurement of materials, inventory control etc. are being streamlined.

It may be stated here that it was upto the former Managing Director to propose specific measures either to the board of Directors or to Government to the extent necessary. This is therefore a failure of the top management and to some extent, the Board of Directors.

The performance of the top management has been under continuous review by Government and changes have been and are being made as and when necessary.

[Ministry of Steel and Mines Department of Steel O.M. No. 7-153|70-HEP Dated, the 20th September, 1970]

Recommendation (Sl. No. 17)

"The Committee are perturbed to find such a high percentages of rejections (in certain items rejection was 100 per cent). They regret that no norms for rejections have so far been laid down by the Undertaking nor Government took any interest to study this problem with a view to taking remedial action."

(Paragraph 5.41)

Reply of Government

As earlier stated, rejections in a few cases had been to the extent of 100 per cent. In these cases, sample castings were made for testing and checking dimensions and examining the necessity of improving the technology. Norms for rejections as recommended by a Technical Committee set up for this purpose, have now been approved by the Board of Directors of the Company. These norms are:—

(i) 8 per cent for iron casting; and

(ii) 7 per cent for steel casting.

[Ministry of Steel and Mines O.M. No. 7-124|70-HEP dated 21.6.71]

Further information called for by the Committee

What is the actual percentage of rejection in case of iron castings and steel castings during the year 1969-70 and 1970-71 as against the norms approved by the Board of Directors.

[Lok Sabha Secretariat D.O. letter No. 23-PU|70 dated 22-12-1971]

Reply of Government

The percentages of rejection during the years 1969-70 and 1970-71 as against the norms approved by the Board of Directors are as under:—

Description of Materials	Rejections norms approved by the Board	Percentage of rejection 1969-70	1970-71
Iron castings .	8%	10·08	7·10
Steel castings	7%	11·5	4 5

Prior to preserioption of norms, the rejections were high and were due to inferior quality of raw materials and lack of floor supervision and technological inefficiency. The percentage of rejections for 1970-71 is within the prescribed limits.

[Ministry of Steel and Mines Department of Steel, D.O. letter No. 7-27|70-HEP dated 19.2.1972]

Recommendation (Sl. No. 20)

"It is seen that the Management paid Rs. 30,000 to M|s. Ibcons in 1965 for recommending an incentive scheme. But after receipt of their report it was felt by the Management that the introduction of such a scheme would not be helpful to improve the overall productivity of the Plant. Thus the money spent on the report became more or less infructuous. Thereafter the Management introduced in 1967 another interim incentive scheme without determining the minimum production level for the purpose of eligibility to bonus.

According to the productivity analysis conducted by M|s. Ibcons, the productivity index was as low as 15 per cent in one of the sections and never exceeded 22 per cent in other sections of the shops. The Committee are of the opinion that it was highly improper on the part of the Management to link the payment of incentive to a low level of productivity achieved prior to introduction of incentive bonus scheme without defining the minimum output to be given by a worker. Having once introduced on *ad hoc* incentive scheme on the basis of a low level of productivity it is very difficult to introduce any incentive scheme setting higher norms of production. The Committee feel that the incentive scheme should have been based on a scientific detailed study."

(Paragraphs 5.68 & 5.69)

Reply of Government

With a view to increase production to a reasonably good level without any loss of time, it was felt that an interim incentive scheme to raise production may be introduced without waiting for a detailed study for fixation of norms etc. This interim incentive scheme did have a favourable initial impact on raising production, but the effect was temporary.

2. Subsequently, on the basis of the detailed work study conducted by M|s. IBCONS first in 1965 and subsequently in 1968-69, a productivity incentive scheme was introduced with effect from 1st March, 1970 in most of the principal shops. Despite some difficulties at the initial stages, the scheme has, by and large, been implemented. The minimum productivity level under this scheme has been fixed at 35 per cent and this compares favourably with the norms adopted in the other engineering industries of the Eastern Region.

[Ministry of Steel & Mines Department of Steel O.M. No. 7-129|70-HEP Dated the 11th August, 1971].

Recommendation (Sl. No. 24)

The Committee regret to note that before placing the orders for spares, the management did not make any proper study of the actual requirement. Orders for electrical items and bearings were deleted as they were found to be either indigenously available or were not required. The Committee recommend that the management should investigate the circumstances under which orders for the different items, which were not required, were placed. Responsibility should be fixed for not making a proper study of the actual requirements before placing the orders.

(Paragraph 7.18)

Reply of Government

It may be stated that MAMC did not place any formal order for spares. However, the list of spares was scrutinised on receipt of the draft contracts and the suppliers were informed that the Company were willing to sign the contracts provided some items were deleted. It would appear that this scrutiny was not thorough, perhaps, because the company would have had another occasion to scrutinise the list before the contracts were actually signed after negotiating price and delivery. In the circumstances and the subsequent course of the transaction, an investigation as proposed is not considered necessary.

[Ministry of Steel and Mines Department of Steel O.M. No. 7-133/70-HEP Dated the 9th December, 1971]

Recommendation (Serial No. 26)

The Committee are sorry to note that the Management have laid the blame on the Ministry for taking undue time in granting the necessary import licence and the Ministry have in turn blamed the Management for the late submission of application for the licence. The delay in taking delivery has resulted in the wharfage charges amounting to Rs. 70,000. The Committee would like the cause of delay to be investigated and responsibility fixed.

They also fail to understand as to why the question of recovering demurrage charges from the foreign supplier was not taken up, when the material was shipped by them in the absence of any agreement.

(Paragraphs 7.28 & 7.29)

Reply of Government

On the 12th April, 1969, Mining & Allied Machinery Corporation Limited, Durgapur, applied to the Ministry of Industry for recommendation for grant of a *ad hoc* licence to the company for clearing the spares already received from the USSR. Such a licence could not, however, be issued without a formal application containing full particulars of the imported materials and in the absence of a valid contract between MAMC and their foreign suppliers. The Company were informed on the 28th April, 1967 that as the contracts in respect of the consignments were yet to be concluded, it was not possible to recommend issue of import licence. Therefore, the question of accepting the consignments already sent by the U.S.S.R. authorities without a valid contract and without a valid import licence, was under consideration. The case was under correspondence between MAMC and the foreign suppliers upto September, 1967 and thereafter, it was under discussion between the Ministry and the Company on the one hand and the foreign suppliers on the other. It was only on the 9th January, 1968, that after the completion of all the formalities, MAMC applied for inclusion of the list of spares already received against a licence issued to them earlier and in which there was a sufficient margin for covering these spares. Necessary action was taken on an immediate basis to obtain the clearance of the Directorate General of Technical Development and the Office of the Chief Controller of Imports & Exports were requested to do needful on the 18th January, 1968.

Taking into account all the facts of the case and having decided to accept the consignments, it was not considered desirable that the Soviet suppliers should be pressed to bear the demurrage charges. An effort was to get this waived but this did not succeed.

[Ministry of Steel and Mines Department of Steel O.M. No. 7-133|70-HEP Dated the 9th December, 1971]

Recommendation (Sl. No. 27)

The Committee regret to note that the prototype of the ONKT Mechanised Coal Mining System worth Rs. 16,37,431.60 was ordered without assessing the actual demand of such machines in the country. Even when it had come to notice that there was no demand, no step was taken to cancel the order. The Committee feel that the collaborators should have been approached for cancellation of the order the moment it was known that the machines were no longer needed even as a Prototype. This is an example how careless the company has been in dealing with public money entrusted to its care.

(Paragraph 7.35)

Reply of Government

It may be stated that as a result of efforts made by the company, the foreign suppliers have agreed to the cancellation of the entire contract. The company does not, therefore, have to import any item of equipment against this order.

The Audit Board have advised that confirmation should be obtained from the company to the effect that for the cancellation of the contract no compensation was required to be paid to the suppliers. The confirmation is being obtained from the company.

[Ministry of Steel and Mines Department of Steel O.M. No.7-134/70-HEP dated the 11th August, 1971].

Further information received from the Ministry

It is now confirmed that no compensation is required to be paid to the Suppliers for the cancellation of the contract.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 7-134|70-HEP Dated the 4th Sept. 1971]

Recommendation (Sl. No. 28)

The Committee feel that before importing any prototypes it should have been ensured that such machines were suitable for the industry in this country and that there was sufficient demand for the same. In this case Coal Cutters and Loaders were purchased as prototypes for Rs. 5.32 lakhs for which there was no demand in the country. The Committee recommended that such a serious lapse should be enquired into and responsibility fixed.

Reply of Government

The decision to import certain prototypes of sophisticated coal mining machines for trial, mastering of design and eventual manufacture at MAMC was taken by the Committee of Directors of the company on 9th December, 1964 in the light of the recommendation contained in the D.P.R. as reviewed subsequently by the Long Term Planning Team as also the deliberations of the Joint Planning Wing representing the Private and Public Sector Coal Mines in India.

Based on information collected from various agencies including prospective customers the Long Term Planning Team in their report submitted in 1965 had assessed the annual requirement of such equipment like coal cutters, loaders, combines as under *vis-a-vis* these indicated in D.P.R. for the period from 1965-66 to 1975-76.

	NUMBER OF UNITS	
	D.P.R.	Team assessment
1. Coal cutter, Combines	600	400
2. Loaders	250	220

However, the Committee's recommendation regarding the desirability of undertaking a thorough exercise to find out suitability and likely demand before importing such equipments has been noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 7-133|70-HEP Dated the 13th Sept., 1970].

Recommendation (Sl. No. 30)

"This is another case where orders worth Rs. 17 lakhs were placed without assessing the requirement and this amount has become a dead loss. The Committee are surprised that the coal plough imported was suitable for operation on 660 volts supply although it is well known that collieries in India either use 500|550 or 400|440 volts supply. This is another example of negligent way of placing orders."

(Paragraph 7.51)

Reply of Government

The prototypes were imported from the U.S.S.R. by the Company as it was felt necessary that certain sophisticated items of coal mining machinery should be imported with a view to making the coal mining industry familiar with these equipments as also to prove and demonstrate their performance and to enable the company to develop design and technology for the items and to adopt them to suit Indian mining conditions. It was also considered necessary from the commercial point of view that field testing of prototypes of new equipments should be made with a view to creating demands for them from prospective customers.

As a result of attempts made by the company to dispose of the machine, armoured chain conveyor has already been sold to Pyrites, Phosphates and Chemicals. The final price for the supply is still under negotiation. Attempts are also being made to dispose of the balance items as early as possible.

As for the import of the equipment with 660 volts supply, this is the standard voltage in USSR applicable to such high productive units. Transformers required for this equipment for use in Indian Mines are indigenously available. Further, as the power supply to the Indian Coal Mines is generally through 3300 volts, a transformer for the coal plough would be necessary irrespective of whether the equipment is of 560 volts supply or 400|440 or 500|550 volts supply. In the circumstances, it would appear that there was no negligence in placing the order for the supply of this item of equipment.

[Ministry of Steel and Mines (Department of Steel), O.M. No. 7-137|70-HEP, dated the 13th October, 1971.]

Further information called for by the Committee

(a) It is seen the Coal combine and coalplough complete with Armoured chain (coal planning machines) were imported from Russia in July, 1967 at a cost of Rs. 17.40 lakhs to serve as prototypes for trials under actual Indian mining conditions.

What steps were taken to achieve the above objective and with what results?

(b) Whether the final price for the supply of armoured chain conveyor sold to Pyrites, phosphates and chemicals has since been settled, if not, what are the reasons for the delay.

(c) What is the latest position regarding the disposal of balance items.

(d) To what extent the cost on the transformers would have been avoidable in case the coal plough machine was suitable for 500|550 or 400|440 volts supply.

[Lok Sabha Secretariat O.M. No. 23-PU|70 dated the 24th May, 1972]

Reply of Government

(a) The Double-drum Shearer (Coal combine) was put into operation on trial in Chinakuri Colliery of Bengal Coal Co. During the period of operation for 3 months from November, 1967 to January, 1968, the performance of the machine was satisfactory. On completion of the trial performance, the machine was brought back to Durgapur. Through the trial operation it has been ascertained that this type of imported machines of USSR design would be used in Indian Mines with success. (b) PPCL has agreed to pay a price of Rs. 3,33,398 for Armoured chain conveyors. They have also agreed to pay for the Pusher at the same rates which have been quoted to them by an Agency in USSR. MAMC has asked for Rs. 5, 67,000 for the Armoured chain conveyors. The matter is under discussions for a final price.

(c) Efforts are now being made to sell the balance items to NCDC and TISCO as they may have need for such items.

(d) It is presumed that in the question the reference is to 'transformers' and not 'transfers'. The point was referred to in our main reply where it was stated as follows:—

> "As for the import of the equipment with 660 volts supply, this is the standard voltage in USSR applicable to such high productive units. Transformers required for this equipment for use in Indian Mines are indigenously available. Further, as the power supply to the Indian Coal Mines is generally through 3300 volts, a transformer for the coal plough would be necessary irrespective of whether the equipment is of 660 volts supply or 400|440 or 500|550 volts supply."

In view of the fact that transformers would be necessary in any case, the question of avoiding cost on transformer does not perhaps arise.

[Ministry of Steel and Mines (Department of Steel), O.M. No. 20-42|72-HEP, dated 1st July, 1972].

Recommendation (Sl. No. 33)

The Committee regret that the manufacture of certain items was taken up without simultaneouly making arrangements for the procurement of components required for the completion of those items. They hope immediate efforts would be made to clear the accumulated semi-finished products.

(Paragraph 7.66)

Reply of Government

Manufacture of certain standard items of coal mining machinery was taken up initially as stock items in anticipation of orders. The items were also recommended to be produced by a team of Soviet Experts which visited India in 1964-65.

Bought out items like flame-proof electricals were proposed to be procured as and when firm orders for the main items of equipment were received as it was felt that no further investment should be made on bought out items till such firm orders were actually received.

The semi-finished items lying in the various shops as in July, 1968, included pumps, Conveyors Components and Castings. Out of 123 pumps of various sizes, 54 numbers have so far been sold and efforts are being made to dispose of the rest. Of the pumps sold, 36 were sold with flame-proof electrical motors. The remaining 18 pumps were sold without motors. These were dismantled and sold as components against orders for spares. As regard Conveyor Components, 5 Nos. Drive Unit, 10 Nos. Drum and 19,400 Nos. of Idlers and rollers have so far been sold. As regard to castings, 700 tonnes have so far been disposed of. Of these 100 tonnes were sold and the remaining 600 tonnes were used as conveyor components.

The loss or gain made in the disposal of the semi-finished goods has been as under:—

(a) *Pumps*: The selling price worked out during the initial stage of manufacture and supply, was not changed and subsequently the stocks were|are being disposed of at the original rate without deducting any amount on account of depreciation, discount, or otherwise;

(b) *Conveyor Components*: The components manufactured earlier at a lower selling price were used for manufacture of Conveyors for supply to different parties at high price.

(c) *Castings*: 660 tonnes of castings were utilised against internal order mostly for Bokaro Conveyers. As these castings were produced earlier when the cost of raw-materials was considerably, lower, the utilisation of the castings has been to the advantage of the company. Besides, 100 tonnes of cast steel rims have been forged to cater to the requirements of Garden Reach Workshops Limited and Flender and Macneill, and sold at a profit.

A complete inventory of the balance items made and verified, has been distributed to Commercial and Design Cell for disposal or utilisation against incoming orders.

[Ministry of Steel and Mines (Department of Steel), O.M. No. 7-141/70-HEP, dated the 7th January, 1972]

Further information received from the Ministry

The Ministry's reply was prepared after taking into account the comments of the Audit Board. On the last draft sent to the Audit Board, the Audit Board had stated that certain additional information contained in the reply was being sent to the Chief Auditor, Commercial Accounts, Ranchi, for local verification and that the Audit Board's observations on the reply would be communicated on receipt of a reply from the Chief Auditor, Commercial Accounts, Ranchi. These comments are still awaited.

[Ministry of Steel and Mines, (Department of Steel), D.O. Letter No. 7-27/1970-HEP, dated the 3rd April, 1972].

Further information called for by the Committee

It is seen that certain points in the reply of the Ministry have been referred to the Chief Auditor, Commercial Accounts, Ranchi. If the reply has been revised in the light of Audit comments, 25 copies of the revised reply duly vetted by Audit may kindly be furnished.

[Lok Sabha Secretariat O.M. No. 23-PU/70, dated 29th May, 1972].

Reply of Government

On the basis local verification by Audit the following observations have been made by the Audit Board:—

(1) 32 Nos. of Pumps (and not 36 Nos.) were sold with flame proof electrical motors and 4 Nos. were sold without motors while 18 nos. Pumps were dismantled and some parts were sold for Rs. 28,990 up to September, 1971;

(2) The Ministry's reply does not indicate the actual loss or gain made in the disposal of semi-finished goods. The company has stated that the verification of individual profit/loss on jobs executed during the early stages has presented considerable difficulty particularly due to lack of sound and effective costing system at that time. The factual position may be brought out in the Ministry's reply.

(3) As regards the action taken for the disposal|utilisation of the balance items, the inventory list distributed for disposal indicate the various items in tonnes only and not in numbers as stated in the Report of the Committee on Public Undertakings. It was, therefore, not possible for the Chief Audit, Commercial Accounts to varify whether all the items which were lying with the company had been included in the list or not.

(4) Regarding the import of flame-proof electricals the company has stated that 70 Nos. were imported. The company has, however, been able to sell only 32 Nos. of Pumps with motors. In view of this position, sub-para 2 of Ministry's reply needs revision.

The case has been taken up with MAMC with a view to ascertaining whether they agree with the comments of local Audit. The reply is awaited.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 20-42/72-HEP-I, dated 13th June, 1972].

Further information called for by the Committee

It is seen that certain points in the reply of the Ministry have been referred to the Chief Auditor, Commercial Accounts, Ranchi. If the reply has been revised in the light of Audit Comments, 25 copies of the revised reply duly vetted by Audit may kindly be furnished.

[Lok Sabha Secretariat O.M. No. 23-PU/70, dated 31st July, 1972].

Reply of Government

MAMC have confirmed that the position stated by the local Audit is correct. In other words, of the pumps sold, only 32 Nos. were sold with flame proof electrical motors and not 36 Nos. as stated earlier. 4 Pumps were sold without motors. The remaining 18 Nos. Pumps were dismantled and some parts thereof were sold for Rs. 28,990 up to September, 1971.

2. A sumarised inventory list was previously produced by the management of MAMC to Audit. However, detailed lists having full particulars of tonnage and units of each item are also maintained by the management of MAMC. This can be verified by the Local Audit.

3. It is confirmed that 70 Nos. of flame proof electrical motors were imported. However, sub-para 2 of the Ministry's reply to the recommendation does not require any amendment as it indicates the general policy adopted by the company.

Recommendation (Sl. No. 35)

The Committee find that the proposal ragarding the organisation of the capital structure of MAMC is pending with Govt. since its inception. The reasons advanced for delay in the re-organisation of the capital structure are far from convincing and cast a bad reflection on the manner in which import financial matters are being dealt with by the Ministry.

The Committee consider that the debts of the Company are on the high side. Normally the total debts should not exceed the amount of paid up capital. While expressing deep disappointment at the attitude of the Ministry, the Committee urge that Govt. should examine the financial matters and finalise the capital structure without any further loss of time.

(Paragraph 8.6 and 8.7)

Reply of Government

A decision has since been taken, subject to approval of Parliament being obtained, to reorganise the capital structure of MAMC as under:—

(i) Out of the existing loans given to MAMC as on the 31st March, 1971 (Rs. 40.45 crores), loans amounting to Rs. 24 crores equivalent to the existing cumulative cash losses, should be converted into an interest free loan for a period of 5 years, with effect from the 1st April, 1971, the position being reviewed in the fifth year. The Company would continue to pay interest at the normal rate on the balance amount of Loan i.e. Rs. 16.45 crores.

(ii) The question of converting the cash losses incurred/likely to be incurred by the Company during 1971-72 and 1972-73 into an interest free loan till 1975-76, in addition to the amount of Rs. 24 crores, would be considered later.

(iii) There will be a mortorium on the repayment of loans by the company for a period of four years up to and including 1974-75.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 7-128|70-HEP, dated the 16th November, 1971].

Further information called for by the Committee

When is the approval of Parliament to the reorganised capital structure likely to be obtained?

[Lok Sabha Secretariat D.O. letter No. 23-PU, dated the 22nd Dec., 1971].

Reply of Government

The case is under consideration in consultation with the Ministry of Finance and if the approval of Parliament is considered necessary, it will be obtained during the ensuing Budget session of the Parliament.

[Ministry of Steel and Mines (Department of Steel), D.O. letter No. 7-27|70, dated the 19th February, 1972].

Further information called for by the Committee

What is the latest position regarding the obtaining of approval of Parliament to the reorganised capital structure of the Corporation?

[Lok Sabha Secretariat O.M. No. 23-PU/70, dated 24th May, 1972].

Reply of Government

On reconsideration, the view has been taken that a vote of Parliament is not required as what has been sanctioned is not reorganisation of the capital structure as such but concessions in the terms of the loans granted to the company. This has been brought to the notice of the Parliament through the notes on the Demands for Grants for 1972-73.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 20-42/72-HEP-I, dated 13th June, 1972].

Recommendation (Sl. No. 36)

The Committee are deeply concerned at the huge loss suffered by the Corporation since its birth. Up to the end of 1968-69, the company has suffered losses amounting to Rs. 20.16 crores against its paid up capital of Rs. 19.6 crores. It will be noted that the loss suffered completely wipes out the paid up capital. It has been stated by the Secretary of the Ministry that the company would continue to incur losses in the near future.

According to him the loss would be Rs. 30 crores by 1972-73 and the break even point would only be reached if the Company produced about 25,000 tonnes of machinery and equipment worth Rs. 16 crores per year. This is expected to be attained by the year 1973-74 provided all the presumptions made turn out to be reliable and true. The Committee have serious doubts about achieving the target of production of 25,000 tonnes by 1973-74. They feel that the operational losses might be much more than what has been stipulated.

The Committee have examined "Notes on Important Projects and Schemes" included in the Demands for Grants of the Ministry since the year 1966-67 and have noticed that the Government justified the huge losses incurred by the Corporation in the following words:

> "The types of losses suffered by the company are not unusual during the initial stages in caiptal intensive heavy engineering projects of specialised nature, as it takes some years before batch production of sophisticated machinery items can be started."

The Committee is of the opinion that it is better for the Government to give a true and correct picture of the affairs of the project to the Parliament.

(Paragraph 8.11).

Reply of Government

It is true that the company had incurred heavy losses in the first five years since its formation as a separate company on 1st April, 1965. This huge loss is attributable to a variety of reasons including such factors as (i) non-materialisation of initial planning and build-up of expertise in the mastering of production for certain items of coal mining machinery (ii) unsatisfactory level of productivity in the absence of opportunities for taking up series and batch production, (iii) unsatisfactory industrial climate in and around Durgapur for some time and (iv) Initial difficulties experienced by the plant management in the organisation of production etc. But the most important factor which has contributed to the huge loss suffered by the company would appear to be heavy interest charges on loan capital and depreciation charges. Actual losses suffered on operational account excluding the above two items are considerably less.

The Expert Committee on Diversification has recommended a perspective production programme for the company which shows that of the 17000 tonnes production valued at Rs. 16 crores expected to be achieved by the company in 1973-74, which incidentally, will the break even stage for MAMC, as much as 14000 tonnes would be for items of products all of which will be under the programme of diversification. Detailed analysis, including techno-economic study conducted by the said committee reveals that MAMC should reach the break-even point in 1973-74. This has been considered by the Committee as reasonable and based on rational conjectures. The Company has directed its activities towards achieving that end.

*The general statement made about losses in capital intensive heavy engineering projects continues to be valid for MAMC, though this is not the sole reason for the loss. It is agreed that the reasons for the loss could have been given in greater detail.

[Ministry of Steel and Mines, (Department of Steel), O.M. No. 7-143/70-HEP, dated August, 11, 1971].

Recommendation (Sl. No. 39)

"The Committee fail to appreciate the circumstance under which the present Managing Director of MAMC was appointed. He had earlier resigned from the NCDC on personal grounds when certain charges against him had been made and investigated. They feel that appointment to a top post like this should be viewed from various angles. The person appointed to such a post should not only possess technical and managerial skill but should also be above board so far as his integrity and public dealings are concerned."

(Paragraph 9.10)

Reply of Government

The circumstances in which the Managing Director of MAMC was appointed have already been explained. At the time Shri Murthy was appointed, there was no charge pending against him. Government have agreed that he may relinquish charge of his post on the conclusion of his present terms of appointment which would expire by the end of July, 1971.

[Ministry of Steel & Heavy Engg. O.M. No. 7-120/70-HEP dated 13th May, 1971].

Recommendation (Sl. No. 40)

The Committee have noted with great concern that MAMC have given employment indiscriminately. They have employed persons in some categories far in excess than what is prescribed in the Detailed Project Report for a production of 45,000 tonnes per year,

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*At the time of factual verification Audit have stated that this portion did not find place in the reply vetted by the local Audit.

although the capacity utilised is only 9 per cent of the rated capacity. The former Managing Director in a note to the Ministry dated the 25th March, 1967 has commented regarding the employment of staff and workers as follows:—

"(i) A lot of officers had been taken in but many were either immature or inexperienced in factory production methods and they were not pulling their weight.

(ii) Far too many people have been recruited and not all commensurate with the activity. Many people were virtually sitting idle. This had resulted in low productivity, labour trouble and lowering morale generally."

The Committee regret to note that although the position was known to the Corporation and the Government as early as 25th March, 1967 no remedial measures were taken to ractify the situation and bring down the staff strength to the required level which according to the Managing Director would have improved efficiency. The excess staff employed has not only meant payment of excessive wages and salaries but, to quote the words of the former Managing Director had resulted in low productivity, labour trouble and lowering morale generally."

(Paragraphs 9.16 & 9.17).

Reply of Government

It may be stated that most of the recruitment for production personnel was completed by 1964-65 when trial production was already taken up based on the recommendation of expert bodies with a view to arrange for their training in different manufacturing plants in India and in USSR. This was considered necessary with a view to building up adequate skill as also to organise and sort out technological problems involved in taking up manufacture of complex items for the first time in the country. It is, unfortunate however that due to unexpected changes in the product paated of the Company necessitated by sharp fall in the demand for mining machinery; initial attempts towards building up expertise of the personnel could not be suitably utilised and had to be re-oriented in new directions.

A comparative analysis is however given in Appendix I of the manning patern as envisaged (i) in the DPR and (ii) as obtaining to day. This analysis is restricted to only those departments for which recommendations in the DPR are available. From the Appendix I referred to above, it may be seen that compared to the

DPR estimates, actual manning in the concerned departments have not been excessive, even though it is conceded that due to problems associated with diversification of production, utilisation of personnel in the past has not been at the optimum level.

The Company was aware of the low utilisation of personnel consequent on the change in production profile leading to lower build-up of production. An embargo was accordingly put on all fresh recruitments as early as in 1966-67 except in very special circumstances. A table given below would illustrate that fresh recruitment since 1966-67 has been almost negligible. On the other hand, arrangements were made to deploy personnel to new positions from within through orientation courses etc. Vacancies caused due to retirement|resignation|death have not been filed in by fresh recruitment.

No. of Personnel recruited through outside recruitment

1966-67	1967-68	1968-69	1969-70
232	12	25	36

As a result of the various measures taken as above, the total number of personnel employed by the company did not increase since 1968-69. On the contrary, there has been some reduction, as may be seen from the table given below:—

Total No. of Personnel employed by MAMC.

1967-68	1968-69	1969-70
6473	6386	6273
+133	—87	—113

[Ministry of Steel and Mines (Dept. of Steel), O.M. No. 7-144/70-HEP, dated August 11, 1971].

Recommendation (Serial No. 45)

"The overall picture that emerges out of the study of the project is highly depressing and it presents a very sad commentary on the entire way in our planing and the way the projects are being put up and executed. The entire organisation of the project is in bad shape. Up to 31st March, 1969, the Company suffered a loss of Rs. 20.16 crores, against its equity investment of Rs. 10 crores and Rs. 30 crores of loan, totalling an overall investment of Rs. 49 crores. In reply to a question in the Lok Sabha on the 10th March, 1970, the Minister of Steel and Heavy Engineering revealed that MAMC is losing Rs. 2.20 lakhs every day. The Committee are convinced that the huge losses by the Corporation are due to to faulty and unrealistic planning programme and the absence of even the minimum interest of the Government in the working of this undertaking. During evidence the Government could not convince the Committee that in the coming years the Corporation will be able to show any hopeful results. There was no blue-print which could carry conviction with the Committee that MAMC will be able to become a commercial viable unit. The assumption that upto the year 1972-73 the Corporation will incur a total loss of Rs. 30 crores and that it will reach the break-even stage by 1973-74 is totally undependable as it is not based on any scientific study. The Committee feel that the losses are expected to be much more.

In view of above Committee have come to the conclusion that it would be wise if this undertaking is wound up to avoid further drain on the public exchequer. The Company has already exhausted the paid up capital and is in the process of consuming the loans and credits taken by it."

(Paragraph 11.12 and 11.13)

Reply of Government

The recommendation of the Committee to wind up Mining and Allied Machinery Corporation Ltd., to avoid further losses, has been carefully examined in the light of the following considerations:

(i) The Company employs about 6500 persons. Winding up of the company and consequent unemployment of such a large number of persons will have serious repercussions on the employment situation and industrial climate of Durgapur and in West Bengal. When Government, as a matter of policy, are managing private sector companies which have been closed down, they can hardly think of closing one of their own companies, specially one so important and vital to the economy.

(ii) The machinery and equipment installed in the company are very good and if they can be properly utilised, there is no reason why the company should continue to incur losses.

(iii) The consequences of winding up of the company have been fully explained to the Labour Unions and their leaders and it is hoped that discipline at Shop Floor, in particular, and labour relations, in general, will continue will improve.

(iv) The company at present produces sophisticated equipment and has recently taken up production of a number of new items which would have had to be imported at considerable cost from foreign countries. As at the end of September, 1971, the total orders in hand with the Company amounted to 32980 tonnes valued at Rs.33.65 crores. Some of these are very important orders relating to Bokaro Steel Plant, Haldia Project, etc. and closing of the company will result in a serious set-back to these important projects.

(v) It has been decided to reorganise the capital structure of the company, giving relief to the company in the matter of interest and repayment of principal. The Company can, therefore, be expected to turn the corner in the near future.

(vi) Attention is being paid to strengthening the management of the company and with this objective some action has already been taken.

(vii) There has been a perceptible improvement in the production and performance of the company in the last twelve months and the trend is likely to be maintained and accentuated in future.

It is submitted that on these considerations, it will not be prudent to wind up the company.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 7-128/70-HEP dated 18th November, 1971].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED

Recommendation (Sl. No. 1)

The Committee find that upto 31st March, 1969, Rs. 35.10 crores have been spent on this project. They regret that the project estimates have not been approved by the Ministry in spite of the fact that the Estimate Committee (1963-64) in their 51st Report and recommended that "the final estimates of various projects be immediately prepared and placed before the Parliament." In November, 1965, the Ministry in reply to the above recommendation of the Committee stated that "the capital costs of the Heavy Engineering Corporation's projects have been obtained and these are being examined. A decision is expected to be taken shortly."

The Committee take a very serious note that the Ministry have shown a scant regard to an important recommendation of the Committee referred to above and have not implemented the categorical assurance given by them to the Committee on Public Undertakings. They would like to re-emphasise and reiterate what has been stated in the 51st Report that "the total commitments on such projects should be prepared as realistically as possible in the beginning and should be available to Government and Parliament before a project is approved."

The Committee regard it highly improper that Government proceeded with the setting up of a project of this dimension without a clear idea as to what the project would ultimately cost. It is unfair to the Parliament and to the country to make them commit to a project on piece-meal basis from year to year without giving a true and realistic picture of the final cost of the project. Government presents before the Parliament the expenditure already incurred on the Project as *fait accompli*. The final sanction and approval of the estimates or its revision is the responsibility of the Government on the basis of which the budgeting and incurring of expenditure should take place. The Committee feel that it is the Ministry that should blame itself for inefficient management and non-sanction of the project estimates for the last 10 years.

The Committee feel that it is highly improper to incur expenditure in excess of the amount provides for under a particular head and to adjust the same according to convenience under another head. They also deplore the creation of a new head, *i.e.*, "deferred revenue expenditure" which, they feel, is one of the back-door method of increasing the estimated expenditure.

(Paragraph 2.18—2.21)

Reply of Government

The capital cost of the project is now in the final stage of approval. As per the existing instructions the estimate of capital cost as finalised after inter-departmental discussions, is being submitted to the Cabinet for approval. The Committee will be informed of the Cabinet approval as and when it is obtained.

2. As regards the criticisms that a new sub head "deferred revenue expenditure" has been introduced in the revised estimates, the position is as under. Normally, the entire revenue expenditure incurred during the construction period of a project is capitalised. However, considering the effect of such expenditure on the value of various fixed assets MAMC had transferred only a part of such expenditure "expenditure during the construction" Account. The remaining amount of expenditure was transferred to a sub-head "deferred revenue expenditure" for being carried forward and written off in a specific number of years. Even in the initial cost estimates, there was an element of deferred revenue expenditure shown under specific heads "Expenditure on foreign experts" and "expenditure on training". While preparing the latest estimate, the position regarding "deferred revenue expenditure" was re-examined and the project cost estimate re-cast providing for the portion of deferred revenue expenditure which was not included in earlier estimates. It may be added that while the various heads of expenditure under the original project cost estimates have under-

gone revision in the revised estimates, it has been possible to bring down the total estimate from Rs. 38.43 crores to Rs. 37.60 crores.*

[Ministry of Steel and Mines, Deptt. of Steel O.M. No. 7-149|70-HEP dated the 3rd November, 1971].

Further information called for by the Committee

(a) Whether the capital cost of the project has since been approved?

(b) If not, what is the latest position?

(c) What are the comments of the Ministry to the observations, made by the Committee in paras 2.19 & 2.20 of the Report regarding inordinate delay in the approval of the estimates.

(d) In para 2.21 the Committee observed that it was highly improper to incur expenditure in excess of the amount provided for under a particular head and to adjust the same according to convenience under another head. What are the comments of the Ministry to the observations of the Committee?

[Lok Sabha Sectt. D. O. No. 23-PU|71 dt. 22-12-71].

Reply of Government

(a) Approval of the capital cost of the project was conveyed on 27th December, 1971.

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*At the time of factual verification the Audit have observed as under:—

"Regarding deferred revenue expenditure CPU have not disputed the commercial practice of operating this head. They have commented upon the booking of expenditure under a new item for which there was no provision in the estimates approved by the Board of Directors in June, 1964, which otherwise would have been booked under the existing items and may have thus resulted in the actual expenditure on certain items exceeding the estimates. This will be clear if the Committee's observations in para 2.21 are read with para 2.13 of their report.

Regarding last sentence of the reply it may be mentioned that, if comparison is made between the original estimates and the latest revised estimates under the two main heads *i.e.* (a) plant and (b) construction of township (as done on page 3 of the CPUs report) it will be seen that while the estimates on plant increased from Rs. 29.30 crores (June, 1964) to Rs. 30.96 crores (Dec. 1969) the estimates for Township came down from Rs 9.12 crores to Rs. 6.64 crores. As regards Township estimates, it will not correct to call the reduction as saving as the estimates approved by the Board in June, 1964 were on the high side and in order to arrive at the correct estimates the Board had itself desired the Management to put up a more realistic estimate considering the actual requirement (*vide* para 2.7 of the CPUs Report). In view of the above position it may not be correct how the conclusion that the total estimates were brought down."

(b) Does not arise.

(c) It is agreed that there was avoidable delay in the approval of the capital cost of this project. The circumstances leading to this delay have already been explained.

(d) It is a fact that by misapprehension, the heads of account "Deferred Revenue Expenditure", "Expenditure on Foreign Experts" and "Expenditure on Training" were operated upon and the amounts indicated below were booked under these heads:—

	Rs. in lakhs
(i) Deferred Revenue Expenditure ..	227.12
(ii) Expenditure on Foreign Experts ..	112.17
(iii) Expenditure on Training	71.80
Total	411.09

The amounts so booked under these heads have been written off over a period of years as indicated below:—

		Rs. in lakhs
1966-67	.. ..	44.08
1967-68	.. ..	80.32
1968-69	.. ..	80.87
1969-70	.. ..	81.62
1970-71	(Proposed to be written off) ..	82.22
1971-72	.. ..	41.98
	Total	411.09

But for this write-off, the Capital Expenditure on the Plants would have been higher to this extent. However, as the amount has been written off and the loss for the correspondingly increased, it will not be possible now to do anything to restore the capital amount to what it would have been the heads of accounts "Deferred Revenue Expenditure" etc. not been operated at all.

[Ministry of Steel & Mines (Deptt. of Steel) D.O. letters No. 7-27/70-HEP dt. 19-2-72 and 3-4-72].

Further information called for by the Committee

(a) It has been stated that the circumstances leading to the delay in the approval of the capital cost of the project have already been explained. The reference to the document where the reasons for delay have been given may kindly be indicated.

(b) The authority for writing off the expenditure over a period of years may also be stated.

(Lok Sabha Sectt. O.M. No. 23-PU|70 dt. 24-5-1972)

Reply of Government

(a) The reference is to paras 2.2 to 2.8 of the 65th Report of the Committee on Public Undertakings.

(b) The deferred revenue expenditure was written off over a period of five years as authorised by the Board of Directors, of M.A.M.C.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 20-42/72-HEP dt. 19-6-72].

Recommendation (Serial No. 2)

The Committee regret that no definite schedules of construction and commissioning of the Project were drawn up. First, the general indication was that the Project would be commissioned by the end of 1964, and later Russian Team indicated end of 1966 as the period for the completion of the main units of the Project. In August, 1969, there were 21 machine tools and components of the Project still to be completed and so to say the erection is still in progress. The completion of the erection has been delayed by nearly five years. The Committee deplore the inordinate delay in the completion of the Project and regret that no heed was paid to the recommendations of the Estimates Committee contained in their 51st Report (1963-64) wherein they had stated, "it is essential for proper planning and execution that definite time schedules of construction and commissioning of Project are prepared as early as possible and adhered to." Even the Ministry did not show any concern in regard to the delay in the construction and commissioning of the plant and have failed to analyse the causes for the same and fix responsibility for the various lapses committed by those who were incharge of the execution of work.

(Paragraph 3.5)

Reply of Government

It is true that the scheduled dates of completion of the various units were not given in the Detailed Project Report. A schedule of construction and commissioning of the project was, however, drawn up in 1960-61 with reference to the Detailed Project Report for 30,000 tonnes approved in August, 1959. This was done in consultation with the Soviet Collaborators and the progress of the project was being followed up with reference to the said construction schedule. The connected civil construction work started as per schedules served the capacity need of the supplementary. Detailed Project Report approved in 1962 raising the capacity of the plant to 45,000 tonnes. The sequence of civil construction as given, was same for 45,000 tonnes capacity. The other time schedules for commissioning of shops, delivery of equipment etc, remained the same and the sequence was drawn up for production need. It is regretted that the existence of this schedule was not brought to the notice of the Committee earlier*.

2. The Soviet long-term planning team that came in 1964-65 to render technical assistance in working out a perspective production plan for the coal mining machinery plant had, however, re-assessed

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*At the time of factual verification of the Report, Audit pointed out the following facts:—

"The sentence does not tally with the reply sent to Audit for vetting which read as follows:—

'This schedule of construction and commissioning was applicable also to the supplementary Detailed Project Report approved in 1962 raising the capacity of the plant to 45,000 tonnes'.

The following observations were made by Audit as a result of vetting of the Ministry's reply:—

(i) The Capacity of 30,000 tonnes and 45,000 tonnes should be read as 30,000 tons and 45,000 tons.

(ii) The Blue print refereed to in the reply and produced to Local Audit Officer was neither signed by any body nor was it dated. It was also not complete. There was no preface to the blue print and there was no indication therein about the time of its preparation. That the blue print was prepared in 1960-61 is, therefore, not supported by any documentary evidence.

(iii) The M.A.M.C. could also not produce any record to indicate that this blue print was actually taken as a guidance to watch the progress of construction. Even the draft perspective production plan for 45.000 tons capacity submitted on 2-3-1965 by the Long Term Planning Team does not mention the delays in construction and commissioning with reference to the schedules laid down in the Blue Print.

(iv) The Ministry could not also clarify as to how the Blue Print drawn up in 1960-61 for a plant capacity of 30,000 tons could also serve a guideline even after the capacity had been increased to 45,000 tonnes in 1962.

with reference to the schedule drawn up originally, the progress of construction of the plant and indicated that completion of work of the main units should be made by the and of 1966.

3. While 21 machine tools|equipment awaited completion of erection|commissioning in August, 1969, it may be stated that all the units (production shops) were handed over for commencement of manufacture beginning from October, 1962 (pattern shop) to August, 1964 (Machine Shop II). It was also be mentioned that the first item, *viz.* a Centrifugal Pump was manufactured in April, 1963 and was delivered to NCDC while the first Belt Conveyor was manufactured in the plant and was delivered to NCDC in December, 1964. Sequence of erection and commissioning of machine tools and equipment was planned in conformity with the requirements of manufacturing programme and erection|commissioning of only a few items was delayed as these were not immediately required in the context of the diversification in the manufacturing programme of the Company. A detailed review has revealed, *inter-alia*, the delay in construction and commissioning did not materially affect the production of the company in view of the fact all the items of coal mining machinery, as enumerated in the Detailed Project Report, were not required to be taken up for manufacture as there were no demands for them. The facilities available were, therefore, adequate to meet the requirements of the production programme, in the initial stages.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 7-121/70-HEP dated the 22nd March, 1972].

Further Information called by the Committee

It is seen that certain points in the reply of the Ministry have been referred to the Chief Auditor, Commercial Accounts, Ranchi. If the reply has been revised in the light of Audit comments, 25 copies of the revised reply duly vetted by Audit may kindly be furnished.

[Lok Sabha Secretariat, O.M. No. 23-PU|70, dt. 24th May, 1972].

Reply of Government

The Audit Board have since intimated that they have no further comments to offer. However, they have stated that the Chief Auditor, Commercial Accounts, Ranchi has reported to them that not specific document showing that a detailed review relating to delays in the construction and commissioning, had been made could not be produced by the management of MAMC. This is being further checked up with MAMC.

[Miny. of Steel & Mines (Deptt. of Steel), O.M. No. 20-42|72-HEP-I, dt. 13th June, 1972].

Further Information called by the Committee

Whether the said document has since been shown to Audit. If so, kindly furnish a copy of the same.

[Lok Sabha Secretariat, D.O. No. 23-PU|70, dt. 26th June, 1972].

MAMC have intimated that they have furnished to the local Audit a document purporting to show that a review was made of the saleable output *vis-a-vis* the available capacity pertaining to the period 1965-66 to 1967-68 establishing the point that delay in construction and commissioning of the Plant did not affect the production materially. The comments of the local Audit are, however, yet to be received.

[Miny. of Steel & Mines (Deptt. of Steel), O.M. No. 20-42|72-HEP, dt. 10th August, 1972].

Further information furnished by Government

The Audit Board* have not been able to accept the documents produced by MAMC as conclusive proof of the statement that a detailed review was conducted to show that delay in construction

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*At the time of factual verification the Audit have stated as under:—

"The Ministry's contention in sub-para 3 of their reply that sequence of erection and commissioning was planned in conformity with the requirement of manufacturing programme and that delay in construction and commissioning did not materially affect the production of the Company in view of the fact that all items of coal mining Machinery were not required to be taken up on account of lack of demand, does not fit in with the reasons for shortfall in production as incorporated in para 5.02 of the Audit Report (Commercial), 1969, one of the reasons being delay in erection and commissioning of machines. The facts in the Audit Report were not contested by the Ministry while sending their reply in January, 1969.

In respect of the Ministry's contention that a detailed review has revealed that delay in construction and commissioning did not materially affect the production, the Company sent a statement to local audit indicating the actual production *vis-a-vis* the installed capacity during 1964-65 to 1967-68 and argued that this was an indication of the fact mentioned in their reply. The low production itself does not necessarily imply that this was due to lack of demand for products. No other document in support of the fact that a review was made, was produced."

and commissioning of plant did not materially affect the production of the plant in view of the fact that all items of Coal Mining Machinery as enumerated in the D.P.R. were not required to be taken up for manufacture as there were no demands for them. However, we do not consider that any change in the reply already furnished to the Committee is called for under the circumstances.

[Miny. of Steel & Mines, D.O. No. 20-42|72-HEP(I), dt. 21-11-1972].

Recommendation (Sl. No. 3)

The Committee are unhappy that no provision was made in the agreement with the foreign collaborators, M/s. Prommashexport, to ensure timely and an agreed sequence of the supply of 23,363 tonnes of machinery and equipment which were to come from the Soviet Union. The main contract No. 624|4, dated 30-7-1962 has only an omnibus stipulation of delivery period as 1960—65. The Committee feel that the delivery of the various items and its sequence of shipment ought to have been explicitly and specifically provided to enable the Company to draw up an efficient and orderly sequence of its erection schedule and dovetail it with the indigenous supply and civil construction. In the absence of such a schedule of shipment from the collaborators it could not be possible to draw up an erection schedule of the Project.

The Ministry agreed for an extension of the delivery period to March, 1967, without carefully examining its financial repercussions on the cost of the Project and without even asking the collaborators to make good loss on account of delay in the shipment according to the original stipulation. Further, no demand on the foreign suppliers was made when the equipments were not supplied even within the extended period of March, 1967. The Committee regret to note that the Project cost has gone up by Rs. 1575.47 lakhs plus the escalation (in the cost of indigenous materials as a result of delay in the supply) of materials equipment by collaborator. The delay in the supply of equipment and material also resulted in delay in the construction commissioning of the Project.

It has been stated that the delay in commissioning of the Project did not materially effect the production programme of the Corporation. It has, however, been pointed out by the Audit [Audit Report (Commercial), 1969 P. 23] that one of the reasons for the shortfall in production was the delay in the erection and commissioning of machines (originally, all machine tools should have been erected and commissioned by July, 1966). As the foreign supplier failed to supply all the equipment in time, additional capacity which was expected to be established did not materialise".

The Committee feel that no serious efforts has been made by the Management|Ministry to assess the actual loss suffered by MAMC as a result of delay in the construction and commissioning of the Project. The Committee are of the opinion that the question of extending the delivery schedule deserves to be enquired into by Government.

The Committee feel that a penalty clause, which is a usual feature of an agreement of supplies, to ensure timely delivery, ought to have been provided in agreement of this nature. The Committee regret that "at no stage, the question of incorporation of the penalty clause was considered by Government" and put to the collaborators.

Owing to the non-existence of the penalty clause in its agreement with the USSR the question of extra expenditure incurred on the Project as a result of delay in the supply of equipment and materials could not be taken up with the suppliers. The Committee feel that the delay in the supply of vital equipment should not have been condoned so easily but should have been viewed seriously.

The Committee recommended that the question of providing a penalty clause in all such agreements needs to be examined with a view to bind the supplier to an agreed schedule.

Reply of Government

A detailed blue-print containing, *inter alia,* schedules of delivery of equipment and materials, sequence of erection and commissioning of the same was drawn up by the MAMC in consultation with the collaborators. The said blue print also contained schedule of indigenous procurement of materials and equipment and all these schedules were synchronised with the over-all programme of erection and commissioning of the Plant. However, it is agreed that as far as possible, the schedule and sequence of deliveries should be provided in such contracts to make the commitment legally binding.

3.16 In the absence of penal clause in the contract with the collaborators no claims for liquidated damages could be preferred on them. However, the collaborators were asked on the 22nd April, 1968* to make good the loss sustained by the Company on account of the following:

(a) Rs. 54,600/- spent by MAMC for obtaining materials and equipment indigenously which were to be supplied but had not been supplied by M/s. Prommashexport.

(b) Rs. 1,99,526|- spent by MAMC for procuring materials indigenously due to non-supply of the same by M/s. Prommashexport in time for commissioning plant equipment.

At the intervention of the Soviet Economic Counseller in Delhi with whom the matter relating to settlement of claims was pursued by MAMC a communication has since been received from M/s. Prommashexport rejecting MAMC's claims as being time-barred. The matter is again being taken up by MAMC with the supplier as a review has revealed that the claims were taken up with the suppliers within the valid period.

Delay in erection and commissioning, did not materially affected the production programme of the Company in view of the fact that all the items of Coal Mining Machinery as enumerated in DPR were not required to be taken up for manufacture as there were no demands for them. The facilities available were adequate to meet the requirements of the production programme at the initial stages.

Assessment made by MAMC in regard to Loss has revealed that extra expenditure to the extent of Rs. 157.47 lakhs had to be incurred by the Company due to delay in supply made by the collaborators. The additional expenditure which had to be incurred due to escalation of the cost of indigenous materials, as a result of delay in the supply of equipment by the collaborator, is difficult to estimate with any degree of accuracy.

As regards extension of delivery schedule, it may be stated that in 1966 when the extension was granted by the Company, most of the principal equipment and machine tools had been received. On

*At the time of factual verification of the Report Audit have pointed out as under:—

"While Company's letter dated 22-4-1968 to the Soviet suppliers indicated (in an annexure) the details of Rs. 1,99,526, only a sum of Rs. 54,000 was claimed from the suppliers. The letter did not indicate that besides Rs. 54,600, whether amount of Rs. 1,99,526 was also claimed."

a scrutiny made of the balance items yet to be supplied, it was found that delay in supply of certain items would not substantially affect the production programme of the Company. Other related aspects do not appear to have been kept in view in agreeing to the extension *viz.*, affects of devaluation, extension of stay of experts etc. This is regretted.

While penalty clause in all commercial transaction is considered necessary, this question has to be considered in the context of each agreement whether the penalty clause is to be waived.

[Miny. of Steel & Mines (Deptt. of Steel), O.M. No. 7-150|70-HEP, dt. 24th March, 1972].

Further Information called for by the Committee

(a) Whether the matter regarding settlement of claims has again been taken up by MAMC with the supplier and if so, what is the latest position?

(b) It has been stated that an extra expenditure to the extent of Rs. 157.47 lakhs had to be incurred by the Corporation due to delay in supply made by the collaborators. How has this amount been regularised?

[Lok Sabha Sectt. O.M. No. 23-PU|70, dt. 24th May, 1972].

Reply of Government

(a) The matter has been taken up with the supplier and is still being pursued.

(b) The extra expenditure of Rs. 157.47 lakhs was incurred on the following items and has been adjusted accordingly:—

(i) Increase in cost of equipment due to devaluation of the Indian rupee.	Rs. 85.53 lakhs.
(ii) Extension of stay of Soviet Specialists.	Rs. 1.80 lakhs.
(iii) Wages of construction staff	Rs. 70.14 lakhs.
	Rs. 157.47 lakhs.

[Miny. of Steel & Mines (Deptt. of Steel), O.M. No. 20-42|72-HEP, dt. 19th June, 1972].

Recommendation (Serial No. 4)

The Committee are of the opinion that the agreement regarding the sequence of delivery of equipment and machinery should form a part and parcel of the contract regarding the supply of such machinery. In this case, the collaborators were informed about the sequence of supply of machinery and equipment orally at meetings held with them, which have no legal binding. The Committee regret that no minutes of the meetings with the representatives of the supplier regarding the sequence of delivery of plant and machinery were kept.

It is surprising that the vital communications relating to sequence of delivery of plant and equipment are not available. In their absence how the Corporation has been able to verify that a particular equipment has been received according to laid down schedule, is beyond anyone's comprehension. The Committee feel that the loss of such an important communications should be investigated by the Ministry followed by fixation of responsibility.

(Paragraphs 3.24 & 3.25).

Reply of Government

The desirability of a schedule regarding sequence of delivery of equipment and machinery forming a part of the contract is admitted in principle. It may, however, be stated that collection of, necessary detailed information|data for preparation of such a schedule is time consuming and it is in consideration of this that such a schedule is generally drawn up by the parties concerned after the conclusion of a contrat.

The circumstances leading to the loss of vital communication relating to sequence of delivery of plant and equipment are being examined in consultation with the company and further communication will follow.

[Miny. of Steel & Mines (Deptt. of Steel) O.M. No. 7-150|70-HEP, dt. 18th November, 1971].

Further information called for by the Committee

(a) Whether the circumstances leading to the loss of vital communications relating to sequence of delivery of plant and equipment have since been examined?

(b) if so, what are the findings of the Ministry?

[Lok Sabha Secretariat D.O. No. 23-PU/71, dated 22-12-1971].

Reply of Government

(a) and (b). The examination is yet to be completed.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20—42' 24-42-HEP-I, dated 13th June, 1972].

Further information called for by the Committee

Whether the circumstances leading to the loss of vital communication relating to the sequence of delivery of Plant and equipment have since been examined and if so, what are the findings of the Ministry?

[Lok Sabha Secretariat O.M. No. 23-PU/70, dated 24th May, 1972].

Reply of Government

As a first step, a Committee has since been constituted in MAMC to investigate the details of this case. The report of the Committee is awaited.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20—42 HEP—I, dated 13th June, 1972].

Further information called for by the Committee

It has been stated that a Committee had been constituted in MAMC to investigate the details of the circumstanies leading to the loss of vital communication relating to the sequence of delivery of plant and Equipment.

(a) When was this Committee constituted?

(b) Whether the Committee have submitted their report? and

(c) If so, what are the findings of the Committee?

[Lok Sabha Secretariat D.O. No. 23-PU/70, dated 24th June, 1972].

Reply of Government

(a) A committee of Officers of Mining and Allied Machinery Corporation was constituted early in June, 1972, to investigate this case further. A request has also been made by MAMC to Heavy Engineering Corporation Ltd., Ranchi to nominate their representatives, who were associated with such matters in the formative stage of the Company, on the Committee. A programme of joint verification is to be drawn up after HEC have nominated their representatives.

(b) The report of the Committee is still awaited.

(c) Does not arise.

[Ministry of Steel & Mines Department of Steel O.M. No. 20-42/72-HEP, dated 10-7-1972].

Recommendation (Serial No. 5)

The Committee are surprised to note that the agreement for the supply of equipment and material contained a clause according to which full amount of Rs. 10,33,24,977 had to be paid even if the actual net weight of the equipment and material fell short of the total net weight of 23,363 tonnes specified in the agreement. The Government was forced to make the full and final payment although about 8 per cent of the contracted quantity still remained to be supplied.

The Committee have further noted that 42 items, mostly representing electrical and instrumentation accessories, are yet to be recevied. They regret that payment of Rs. 1.42 crores for the equipment and material was made by the Government to the collaborators in May 1967, whereas the Joint examination was undertaken in September, 1967. Government should have taken up the matter with the Soviet authorities much before the agreed date of payment particularly when they were aware of the basic flaw in the agreement.

The Committee recommend that the circumstances in which such a clause was inserted in the agreement should be investigated so as to avoid such serious lapses in future.

The Committee regret to note that the matter has been allowed to linger for years and no settlement has been reached so far. They recommend that the matter should be finalised without any further delay.

(Paragraphs 3.29 to 3.30).

Reply of Government

It may be pointed out that the total weight of the equipment was really not relevant to the supply of equipment, which was in accordance with the details of specification listed in Appendix I of the Agreement. The total weight was presumably calculated on an approximate basis only to work out the rational value per tonne for the purpose of preparing invoices as and when shipments were made.

The amount of Rs. 1.42 crores was not paid by the Government to M|s. Prommashexport. This payment was obtained by the foreign collaborators from the State Bank of USSR in Moscow after presentation of the requisite documents in accordance with the procedure stipulated in the contract. There was, therefore, nothing to prevent this payment being made to the foreign party. As regards the circumstances in which such a clause was inserted, it is submitted that such a clause existed in similar agreements concluded in the past by Heavy Engineering Corporation (HMBP) Limited and Bharat Heavy Electricals Limited (Hardwar Plant) with the Soviet authorities. Further, it is difficult at this stage to find out exactly how such a clause was inserted in the agreement.

Discrepancies in supply and other outstanding issues are under negotiation and settlement since 1967. The matter is also being followed up through the Soviet Economic Counsellor in India who was reminded in June, 1970.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 7-150|70-HEP, dated the 6th March, 1972].

Further information called for by the Committee

What is the latest position regarding settlement of outstanding issues with the collaborators?

[Lok Sabha Secretariat O.M. No. 23-PU/70, dated 24th May, 1972].

Reply of Government

The matter regarding discrepancies in the supply of plant and equipments against the main contract, has been taken up with Messrs. Prommashexport, Moscow. The discrepancies are yet to be resolved to the mutual satisfaction of both the supplier and the customer.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20-42|72-HEP, dated 19th June, 1972].

Recommendation (Serial No. 6)

The Committee do not agree with the explanation of the Government that the desirability of weight tolerance clause was not felt as the contracts was for the supply of plant and equipment as per specifications detailed in an annexure to the contract. They feel that had the terms of the contract been clear there would not have had an occasion for the dispute, regarding the shortage of equipment and material by the collaborators in terms of tonnage. The Committee recommend that the need for provision of such a clause should be brought to the notice of public sector undertakings and administrative Ministries for future guidance.

The Committee understand that the need for uniformity in contracts executed by the various project authorities has been felt for some time and the Ministry of Finance have been trying to frame a model contract for adoption by all concerned parties. They feel that such a model contract should also be examined and vetted by the Ministry of Law, which would have proper cell to examine and approve such contracts.

(Paragraphs 3.34 and 3.35).

Reply of Government

The observation of the Committee is being brought to the notice of all Ministries and Departments and through them to the various public sector undertakings. The Committee's recommendation regarding the framing of a model contract has been noted and will be taken up with the Ministries of Finance and Law.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 7-150|70—HEP dated the 18th November, 1971].

Further information called for by the Committee

Whether the Committee's recommendation regarding framing of a model contract has since been taken up with the Ministries of Finance and Law and if so, with what results. Please furnish the upto date information with regard to the action taken on the recommendation.

[Lok Sabha Secretariat O.M. No. 23-PU/70 dated, 4-2-1972].

Reply of Government

Further action on the recommendation is still to be taken. This could not be done so far as replies to the related recommendations Nos. 3, 4 and 5 were being framed in consultation with MAMC. Action will now be taken as soon as possible.

[Ministry of Steel and Mines (Department of Steel) D.O. letter No. 7—27|70—HEP dated 3rd April, 1972].

Further information called for by the Committee

(a) Whether the observation of the Committee has been brought to the notice of all Ministries and Departments and through them to the various public sector undertakings.

(b) Whether the Committee's recommendations regarding framing of a model contract has been taken with the Ministries of Finance and Law? Upto date information with regard to the action taken on the recommendation may be furnished.

[Lok Sabha Secretariat O.M. No. 23-PU/70, dated 24th May, 1972].

Reply of Government

(a) The observations of the Committee have been brought to the notice of all Administrative Ministries/Departments on the 8th June, 1972. The concerned Ministries/Departments have been requested to bring these instructions to the notice of the undertakings under them.

(b) The recommendation regarding framing of a model contract has been taken up with the Ministries of Finance and Law. The comments of these Ministries are awaited.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20-42|72—HEP—I, dated 13th June, 1972].

Further Information called for by the Committee

It has been stated that the recommendation of the Committee regarding framing of a model contract had been taken up with the Ministries of Finance and Law. On what date the matter was taken up with the Ministries of Finance and Law and what are their comments?

[Lok Sabha Secretariat O.M. No. 23-PU|70, dated 26-6-1972].

Reply of Government

The issue was taken up with the Ministry of Finance (Department of Economic Affairs) and Ministry of Law (Department of Legal Affairs) on the 3rd June, 1972. The comments of these Ministries are still awaited.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20-42|72—HEP—I, dated 10-7-1972].

Recommendation (Serial No. 7)

The Committee regret to note that conflicting statements have been made in regard to the targets of coal production in the country during the Fourth Five Year Plan.

At one place it has been stated that the capacity of the Project was revised from 30,000 tonnes to 45,000 tonnes on the basis of the coal targets having been fixed at 136 M. tonnes during the Fourth Five Year Plan. Subsequently, however, it has been stated that coal targets for the Fourth Five Year Plan were fixed at 200 M. tonnes. In the absence of the actual data it is difficult to say how far the revision of the capacity was justified.

(Paragraphs 4.5 & 4.6).

Reply of Government

Target for coal production during the Fourth Plan had not been fixed finally at the time it was decided to expand the capacity of the Coal Mining Machinery Project from 30,000 tonnes to 45,000 tonnes a year. Various figures were being mentioned as the likely targets and the figures referred to are the figures of the likely targets rather than the targets themselves. It was natural that there should be variation in the figures of targets mentioned from time to time. It would appear that the target initially envisaged for production of coal, during the Fourth Plan period, was 200 million tonnes and this figure has been mentioned in the inter-departmental discussion relating to the revision of capacity of the Plant. Subsequently, a target of 136 million tonnes appears to have been envisaged.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 7-154|70-HEP, dated August 11, 1971].

Further Information called for by the Committee

In reply to this recommendation it has been stated that the target period was 200 million tonnes and this figure has been mentioned initially envisaged for production of coal during the Fourth Plan in the inter-departmental discussions relating to the revision of the capacity of the plant.

At page 23 of the Report it has, however, been stated that in April, 1960 *i.e.* just after about one month after signing this contract Government thought it wise to accept the revised target for coal production of 136 M. tonnes and 180 to 200 M. tonnes for the Fourth and Fifth Five Year Plans. Accordingly they signed a contract for the revised Project Report and working drawings for 45,000 tonnes capacity on 12th December, 1960.

(a) The above two statements may be reconciled.

(b) Kindly state the actual position regarding coal production targets from time to time in the Chronological order.

(c) What figure was taken into account at the time of revision of capacity from 30,000 tonnes to 45,000 tonnes?

(Lok Sabha Secretariat O.M. No. 23-PU/70, dt. 24th May, 1972).

Reply of Government

(a) As already stated in the reply to the recommendation, various figures were being mentioned as the likely targets and the figures referred to in page 23 of the Report, which was based on the initial information furnished by MAMC through the Ministry to the Committee, are figures of the likely targets rather than the targets themselves. The likely target of 200 million tonnes of coal during the Fourth Plan period has been mentioned in the inter-departmental discussions relating to the revision of the capacity of the plant.

(b) It is difficult to furnish a statement in chronological order. Different figures have been mentioned at different times and it would be difficult to reconcile these various figures at this point of time.

(c) In the inter-departmental meeting where the expansion of the capacity from 30,000 tonnes to 45,000 tonnes was agreed upon, a reference had been made to the fact that the target of coal production of 100 million tonnes during the Third Plan period was likely to go up to about 200 million tonnes during the Fourth Plan period. It would, therefore, appear that the decision to increase the capacity of the plant from 30,000 tonnes to 45,000 tonnes was based on the likely target for production of coal during the Fourth Plan period, of 200 million tonnes.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 20-42-72-HEP-I dated 13th June, 1972].

Recommendation (Serial No. 9)

The rated capacity for this Project was related to the development of the coal capacities in the Fourth and Fifth Five Year Plans. The coal raising targets have unfortunately proved to be wrong and that is one of the primary reasons why this project has come to this sad plight. The Committee were told that one of the objectives for putting up MAMC was to manufacture mining equipment particularly for opening up new mines which was to take place under NCDC. Since the targets of coal production was drastically revised, NCDC did not go in so extensively for opening up new mines and as a result the products manufactured by MAMC could not find a market.

What surprises the Committee most is that the Ministry failed to take remedial measures the moment they came to know that the coal raising targets are not coming up to original estimation and would be much less than what was anticipated in the beginning. The Committee feel that if the Ministry were alert they would have taken remedial measures in time to revise the rated capacity or taken up diversification schemes much earlier than what they have done.

(Paragraphs 4.27 & 4.28)

Reply of Government

There was a good deal of uncertainty about the targets to be fixed for production of coal during the Fourth Plan period. It was not the situation that on a particular date the coal target was finalised and the stage set for revising the capacity of MAMC. On the basis of a decrease in the coal target initially anticipated, it was decided not to proceed with the Second Coal Mining Machinery Project which was earlier proposed to be set up with Polish Assistance. The plant of MAMC had almost been completed by the time something definite was known about the decrease in the coal target.

[Ministry of Steel & Mines Department of Steel O.M.No. 7-156/70-HEP, dated August 11, 1971].

Recommendation (Serial No. 19)

The Committee feel that if Government|Company felt that the production norms laid down in the DPR were not susceptible for adoption to Indian conditions owing to their being framed by the foreign experts, the Government should have represented this fact to the experts in time. In the event of their inability to agree, the Government|Company should have made their own assessment. Owing to this negligence on the part of the Government an erroneous impression about the production norms has come to stay.

The Committee also understand that abnormally low output by workers was due to 'lack of skills and experience in the labour force and inexperience at the supervisory level and their general inadequacy to lead the labour force.' The Committee are of the opinion that both these causes could be remedied had the Government taken due care at the appropriate time—a lapse for which they do not deserve to be excused.

(Para 5.58 and 5.59)

Reply of Government

When the DPR was submitted by the U.S.S.R. authorities, production norms laid down therein could not be verified as corresponding norms were not then available. Further, build-up of skills of workmen depend to a considerable extent on the type of work required to be handled. For jobs of repetitive nature, skill of workmen even while working on sophisticated machines, grow comparatively at a faster rate than when jobs of diverse and non-repetive nature are handled.

In the DPR, production on certain items of equipment with fixed specifications had been envisaged. However, as the plant is now engaged in production of tailor-made, non-standard items without any scope for series or batch production, the development of skill has been much slower than what was anticipated in the DPR.

It may be added that a few Soviet Specialists|Instructors were brought on deputation by the company to work on some of the most difficult and sophisticated machines and to demonstrate to the workers with a view to improving their skill and productivity through on-the-job training.

[Ministry of Steel & Mines, Department of Steel O.M. No. 7-135/70-HEP Dated, August 25, 1971.]

Further information called for by the Committee

In para 5.59 of the Report the Committee *inter alia* observed that abnormally low output by workers was due to inexperience at the supervisory level and their general inadequacy to lead the labour force.

What the comments of the Ministry in this regard?

[Lok Sabha Secretariat O.M. No. 23-PU/70 dt. 24th May, 1972.]

Reply of Government

It is difficult to offer specific comments on the observation made by the Committee, especially at this point of time. The basis for the Committee's observation has not been indicated. However, one of the causes for the poor output can be said to be general inadequacy at the supervisory level.

[Ministry of Steel & Mines, Department of Steel O.M. No. 20-42/72-HEP-I Dated 13th June, 1972.]

Recommendation (Serial No. 21)

The Committee regret to note that the cost of production of machinery and equipment manufactured by MAMC is more than their selling price. The three cases cited in the foregoing pages demonstrate that throughout the past years the company did not observe any fixed pricing policy with the result that the company had to suffer a huge loss. The revision of the price later on does not give any credit to the company for it created a very bad impression in the minds of customers. The recovery of the excess amount also created numerous complications.

The Committee regret to note that because of the defective estimates the company has lost heavily both on account of quoting far below the cost of production and at times below the market price. It appears that they are operating in a blind alley as they have no system of estimating. The Committee feel that the cases where the prices were quoted below the market price deserve thorough investigation in order to find out the deficiencies in the system of estimating and with a view to fix responsibility.

(Paragraphs 6.12 and 6.13)

Reply of Government

It is admitted that in the past the pricing policy and the costing system in M.A.M.C. were not quite satisfactory. However, in quoting prices for sale M.A.M.C. had necessarily to be guided by the ruling market price and not by cost of production, which in some cases might have been more than the market prices. Guidelines for pricing policy to be followed by public enterprises have been laid down by Government and M.A.M.C. are following them. A system of costing and estimating has since been introduced in the company based on the recommendations of a report submitted by National Productivity Council. A separate Estimating Cell has also been formed and suitable steps have been and are being taken to improve the system of costing and estimating.

It has been ascertained from M.A.M.C. that whenever comparable market prices are available, quotations have been made after taking this into account and these have not been lower than the ruling market prices. It has also been pointed out that in certain cases such as the supply of bulk handling equipment for Haldia the equipment was being produced in India for the first time and there was no ruling market price as such to guide the formulation of estimates.

The Audit Board have advised that the supply of conveyors to the National Coal Development Corporation Ltd. and the submission of quotation for the supply of bulk handling equipment for Haldia Project should be checked further. The matter has been taken up with the company.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 7-130/HEP dt. 11-8-1971.]

Further information called for by the Committee

Whether the matter regarding supply of conveyers to National Coal Development Corporation Ltd. and the submission of Quotation for the supply of bulk handling equipment for Haldia Project has been checked further and if so, what are the findings of the Ministry.

[Lok Sabha Secretariat D.O. letter No. 23-PU|70 dt. 22-12-71].

Reply of Government

This is under consideration and the comments will be sent separately.

[Ministry of Steel & Mines (Department of Steel) D.O. letter No. 7-27|70-HEP dt. 19-2-72]

Further Information called for by the Committee

Final reply may be furnished.

[Lok Sabha Secretariat O.M. No. 23-PU/70 dt. 24-5-72]

Reply of Government

The comments of the Local Audit are still awaited on the company's comments regarding the two transactions referred to in the recommendation. A reply will be sent as soon as the comments of Local Audit are received.

[Ministry of Steel & Mines, Department of Steel O.M. No. 20-42/72-HEP-I Dated 13th June, 1972.]

Further Information called for by the Committee

It has been stated that the comments of the local audit regarding the two transactions referred to in the recommendation were still awaited.

What is the latest position?

[Lok Sabha Secretariat D.O. No. 23-PU/70 dated 26th June, 1972.]

Reply of Government

In so far as the sale of conveyors to NCDC is concerned, MAMC have intimated that documents have been furnished to the local Audit showing that the price of Rs. 1,13,500/- per conveyor was discussed with NCDC and finalised on the basis of landed cost of similar coveyors. The revised cost estimate of Rs. 185,177 per conveyors has also been shown to local Audit. The comments of the local Audit are awaited.

2. The matter of increased price is still being pursued with NCDC.

3. As regards the estimate of costs for supply of equipment for the Haldia Port Project, MAMC have admitted that the landed cost of the equipment could have been ascertained during the time which was available between the submission of tender by MAMC and placement of orders by the Calcutta Port Commissioners. However, as it was then decided that MAMC would manufacture all the equipments indigenously with the minimum amount of imported components and that the World Bank loan would not be available, a few firms which were manufacturing this type of equipment might not have quoted a realistic price as they would have known that the tender was not really for awarding the contract but only for fixation of price.

4. This case was also investigated by a Sub-Committee of the Board of Directors of MAMC and the conclusion was that for all the items for which MAMC was set up to manufacture, the estimates were satisfactory. It was only in regard to items for which special design and tooling up was necessary that there had been under estimation. There was serious lacuna in regard to checks and compositions of the calculating done by the Design Department under the supervision of the Chief Design Engineer. The conclusion was that the Design Department of the Company took upon themselves and were committed to take the responsiblities of undertaking this work and furnishing an estimate for which they were not obviously equipped. The question of revision of the price payable to MAMC by the Calcutta Port Commissioners has been discussed with the Calcutta Port Commissioners and the Ministry of Transport and Shipping and a joint meeting is being held to decide the issue. MAMC have submitted a revised price of Rs. 12.76 crores. In the meantime, the Calcutta Port Commissioners have agreed to make payments against supplies being made by MAMC under special contracts, to the limit of Rs. 7 crores against MAMC's original offer of Rs. 4.19 crores.

[Ministry of Steel & Mines, Department of Steel, O. M. No. 20-42/72-HEP Dated 10-7-72]

Further Classification from Government

It has since been intimated by the Audit Board that MAMC have furnished copies of their correspondence with NCDC according to which MAMC did not have sufficient data to prepare a cost estimate before giving the quotation of Rs. 1,13,500 per conveyor to the NCDC. This price was based on the landed cost as intimated by the NCDC with reference to the tender floated by them during 1962. It has also been noted by Audit that an estimate was prepared before the NCDC was asked to increase the price.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 20-42/72-HEP—I dated 20th September, 1972].

RECOMMENDATION (sl. No. 29)

The Committee regret that the Coal Cutter Machine having been purchased in 1965, the question of import of gate-end-boxes for the machines was taken up with the DGTD in April, 1969, *i.e.*, after a lapse of 4 years. The Committee fail to appreciate the reasons put forward by the Management for such an abnormal delay. It should not have taken 4 years for the management to know whether or not such gate-end-box could be manufactured in India. The Committee feel that it is a fit case for investigation and fixation of responsibility.

(Paragraph No. 7.42)

Reply of Government

The decision to import prototypes was taken by the Committee of Directors of the Company on 9th December, 1964 after obtaining the views of the Coal Industry with a view to developing design and technology to suit Indian mining conditions after necessary tests and trails.

However, due to acute recession in the coal industry in subsequent years demands for mining machinery and equipment involving additional capital investment became sluggish. In the absence of demand from customers for this equipment (coal cutting machine), import of gate-end-boxes was not immediately arranged. Demand for this equipment was, however, received in 1967 from M/s. N.C.D.C. for supply in 1971 and immediately after ascertaining that there was no prospect for indigenous production of the gate-end-boxes as was earlier expected, necessary quotations were called for and requisite action taken to import them.

In view of the above, it is not considered necessary to arrange any further investigations in the matter.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 7-138/70-HEP Dated the 13th Sept. 1971]

Further Information called for by the Committee

(a) When did the Corporation come to know that there was no prospect for indigenous production of the gate-end-boxes?

(b) Whether the gate-end-boxes have since been imported and if so, when?

(c) Whether the coal cutting machine along with the gate-end-boxes has been supplied to NCDC and if so, when?

[Lok Sabha Secretariat O.M. No. 23-PU/70 dated 22nd September, 1972]

Reply of Government

(a) The decision to import the gate-end-boxes was taken in 1968.

(b) These gate-end-boxes were imported in August, 1971. These were recently approved by the Director-General of Mines Saftey for use in Indian Mines.

(c) The gate-end-boxes and the coal-cutting machine will be supplied to NCDC for trial within a month or so.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 20-42/72-HEP dated 11th Oct. 72]

Recommendation (Serial No. 38)

The Committee have noted with regret that the Corporation incurred a loss of revenue amounting to Rs. 1.89 lakhs in the years 1966-67 and 1967-68 on account of their failure to invest their surplus funds in short term deposits with a Bank. It is seen that conflicting statements have been made by the Management with regard to ascertaining the ways and means position of the Corporation.

The data given in the Audit Report (Commercial), 1969 clearly indicates that the Company was having surplus funds for months together. It has now been admitted by the Management that inadequate attempts were made in the past to ascert in the position of expected surplus funds which could have been invested even for a short period.

The Committee feel that no surplus funds should be kept uninvested. They would like the company to investigate as to why the funds had not been invested and fix the responsibility for the loss suffered on that account.

(Paragraph 8.25 to 8.27)

It is agreed that the surplus funds should not have been kept uninvested. The Company have intimated that this was a *bonafide* mistake and that further investigation, as proposed, will not serve any useful purpose. Government agree with this view.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 7-122/70-HEP dt. 21-6-72]

Recommendation (Serial No. 44)

The Committee observed that the company incurred an aviodable expenditure of Rs. 1.39 lakhs on the purchase of 2099 water meters. But of these only 636 meters were installed a cost of Rs. 60,402 and out of these 636 meters already installed 186 meters have been removed at a cost of Rs. 2900. The Management has yet to remove the remaining 450 meters. Because of the abandonment of the scheme all the 2099 meters are yet to be disposed of.

The Committee desire that the case regarding the purchase of meters should be investigated in order to find out the circumstances in which meters were purchased without making a detailed study about their utility. Efforts should be made to dispose of the meters without any further delay.

(Paragraphs 10.13 and 10.14)

Reply of Government

The decision to instal the water meters in the Township of Mining & Allied Machinery Corporation Limited, was taken in 1962 by the management of Heavy Engineering Corporation Limited, which was then in charge of the project. This decision to instal water meters was taken as part of the general decision to instal water meters in every residential quarter. The water meters installed were removed by the Management of MAMC during the period from October, 1967 to January, 1970 at it had by then been proved that installation of water meters was not an economical proposition. Apparently, full details regarding the economics of the water distribution scheme were not available at the time of decision was taken to instal water meters. Of the 636 meters removed, 44 were re-installed in the quarters occupied by outside parties like fertilizer Corporation of India and State Bank. It may be added that the installation of water meters in the Township of HEC was examined by the Public Undertakings Committee in paras 195 to 199 of their Fourteenth Report (4th Lok Sabha).

Out of 636 meters removed, 166 were removed by making a payment of Rs. 2900/- to the contractors. The rest were removed by engaging Departmental Labour. MAMC have intimated that negotiations are in progress with a few Public Sector Propects and other private agencies for disposal of the stock with the Company at reasonable rates. An assurance has also been received on 1-9-71 from the Development and Planning Department, Government of West Bengal for purchase of 800 Nos. of water meters.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 7-147/70-HEP dated the 28th January, 72]

Further Information called for by the Committee

What is the latest position regarding the disposal of water meter?

[Lok Sabha Secretariat O. M. No. 23-PU/70 dt. 24-5-72].

Reply of Government

The sale of water meters to Calcutta Metropolitan Development Authority is still under negotiation.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 20-42/70-HEP dated 19-6-72].

Further Information called for by the Committee

What is the latest position regarding sale of water meters to Calcutta Metropolitan Development Authority?

[Lok Sabha Sectt. O. M. No. 23-PU/70 dt. 2-9-72].

Reply of Government

The Calcutta Metropolitan Development Authority have expressed their inability to purchase the water meters.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 20-42/72-HEP dated 11th Oct. 72].

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
December 14, 1972
Agrahayana 23, 1894 (*S*)

APPENDIX I

(*Vide* reply to recommendation at S. No 40. p. 84)

MANPOWER RECRUITMENTS AS RECOMMENDED IN THE D.P.R. 1961 VIS-A-VIS ACTUAL POSITION AS ON JUNE, 1970

S. No.	Name of Deptt Shop	Recruitment			Actual		
		Workers	Other Personnel	Total	Workers	Other Personnel	Total
1	2	3	4	5	6	7	8
1	Iron Foundry	153	13	166	157	17	174
2	Steel Foundry	181	11	192	171	21	192
3	Fettling Shop . . .	153	15	168	158	16	174
4	Forge Shop . . .	160	11	171	107	15	122
5	Structural Shop including Paint Shop	437	30	467	405	45	450
6	Heat Treatment . .	57	11	68	34	5	39
7	Machine Shop No. I	564	58	622	332	37	369
8	Machine Shop No. II	336	35	371	239	35	274
9	Machine Shop No. III	328	32	360	253	31	284
10	Experimental Shop .	46	5	51	31	5	36
11	Tool Room .	161	12	173	145	24	169
12	Mechanical Maintenance including Workshop .	132	12	144	388	57	445
13	Skul Cracker . .	24	7	31	21	2	23
14	Pattern Shop . . .	322	28	350	232	21	253
15	Power Engg. (Mtc.).	56	13	69	330	72	402
16	Civil Engg. (Mtc.)	26	1	27	189	12	201
17	Stores (Plant) . .	92	8	100	150	15	165
18	Internal Transport (Garrage & Loco) . .	154	28	182	71	2	73
19	Administration	1	264	264	121	22	143
20	Design Office .	..	100	100	83	106	189
21	Inspection . .	5	11	16	69	30	99
22	Central Plant Laboratory .	13	51	64	34	4	38
23	Auxiliary personnel including Security) Fire and Medical for Plant. .	11	89	100	312	3	315
	GRAND TOTAL	3411	845	4256	4032	597	4629

APPENDIX II

(*Vide* Para 7 of the Introduction)

Analysis of Action Taken by Government on the recommendations contained in the 65th Report of the Committee on Public Undertaking (4th Lok Sabha).

I.	Total number of recommendations	45
II.	Recommendations that have been accepted by Government (*Vide* recommendations at Serial Nos. 11, 18, 22, 23, 25, 31, 32, 34, 37, 41, 42 and 43).	
	Number	12
	Percentage to Total	266
III.	Recommendations which the Committee do not desire to pursue in view of Governments' reply (*Vide* recommendations at Serial Nos. 8, 10, 12, 13, 14, 15, 16, 17, 20, 24, 26, 27, 28, 30, 33, 35, 36, 39, 40 & 45)	
	Number . .	20
	Percentage to Total	44·4
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations at Serial Nos. 1, 2, 3, 4, 5, 6, 7, 9, 19, 21, 29, 38 and 44)	
	Number	13
	Percentage to Total	29·0

MGIPND—L.S. II—3009 L.S.—10-2-73—1325.