

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1972-73)**

(FIFTH LOK SABHA)

TWENTY-SIXTH REPORT

**Action taken by Government on the recommendations
contained in the Second Report of the Committee on
Public Undertakings (Fifth Lok Sabha)**

BHARAT EARTH MOVERS LIMITED

(Ministry of Defence)



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

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COMMITTEE ON PUBLIC UNDERTAKINGS (1972-73)

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Shrimati Subhadra Joshi

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- *14. Chaudhary A. Mohammad
15. Shri D. P. Singh

SECRETARIAT

Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

*Died on 7th February, 1973.

**COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN
REPORTS AND MISCELLANEOUS MATTERS**

Shrimati Subhadra Joshi—*Chairman*

- 2. Shri Amrit Nahata—*Alternate Convener***
- 3. Dr. Kailas**
- 4. Shri S. N. Misra**
- 5. Shri P. Parthasarathy**
- 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-Sixth Report on Action Taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Bharat Earth Movers Limited.

2. The Second Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Bharat Earth Movers Limited was presented to the Lok Sabha on the 3rd December, 1971. The replies of Government to all the 53 recommendations contained in the Report were received in batches and the last batch was received on the 25th January, 1973.

3. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 2nd March, 1973 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee and present it to Parliament.

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

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the Action Taken by Government on the recommendations contained in the Second Report of the Committee is given in Appendix XVIII. It would be observed therefrom that out of the total number of recommendations made in the Report, 47 per cent have been accepted by Government. The Committee do not desire to pursue 42 percent of the recommendations in view of Government's replies. Replies of Government in respect of 11 per cent of the recommendations have not been accepted by the Committee.

NEW DELHI;
March 22, 1973.

Chaitra 1, 1895 (S.).

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

A Collaboration agreement with M/s WABCO

Recommendation (Sl. No. 3, Para 3.15)

The Committee recommended that Government should fix responsibility for the negligence on the part of persons responsible for inclusion of a clause in the agreement on the basis of which technical assistance fee had been paid in accordance with the time schedule which bears no relationship to the actual progress made in developing manufacturing capacity for earth moving machinery and equipment to BEML, and which had resulted in a huge loss to the exchequer.

2. The Committee further desired that the Government, should take serious notice of shortcomings in the agreements with foreign collaborators and issue necessary instructions in consultation with the Ministry of Finance and Comptroller and Auditor General of India to obviate chances of incorporation of clauses which are detrimental to national interest in the agreements with foreign collaborators.

3. In their reply, Government stated that the situation referred to in the first sub-para of the Committee's recommendation was mainly due to the delay in the final sanctioning of the Project due to unforeseen developments. At the time, the collaboration agreement was concluded, the terms incorporated in the agreement were considered as not unreasonable. The collaborators had originally stipulated much higher payments and they were persuaded to agree to reduced payments after considerable negotiations. Repeated attempts by the Ministry of Defence to relate payments of Royalty as well as Technical fee even partly to actual production was not acceptable to M/s. Le Tourneau Westinghouse Company who declined firmly to agree to the suggestion. The full facts of the case were also brought to the notice of the Defence and Finance Ministers and both of them approved the final draft of the agreement and as such there had been no lapse or negligence on the part of any officer or department and therefore, no need to fix individual responsibility.

As regards the issue of standing instructions suggested by the Committee on Public Undertakings, the matter has been taken up with the Department of Industrial Development so as to obviate the incorporation of such clauses in the foreign collaboration agreements which are detrimental to our interests.

4. The Committee are still of the view that an agreement whereunder payment of technical assistance fee was to be made according to a time schedule and would bear no relationship to actual progress

made in developing manufacturing capacity was basically faulty. If it is contended that because of the Collaborator's insistence on such an agreement the BEML had no other option then it was all the more imperative for Government to have drawn up such a time schedule which could have been finally adhered to taking into account all probable contingencies.

5. The Committee would also reiterate their recommendation that the Government should take serious notice of the shortcomings in the agreements with foreign collaborators and issue suitable instructions in consultation with the Ministry of Finance and the Comptroller and Auditor General of India to obviate chances of incorporation of clauses in agreements with foreign collaborators which may be detrimental to national interest.

B. Delay in the execution of the Project

Recommendation (Sl. Nos. 12 & 13, Paras 4.12 and 4.13)

6. The Committee regretted that the time taken by the Government at different stages in the execution of the Project was unduly long considering the fact that the collaboration agreement for a specific period had already been entered into and the payments representing Technical Assistance Fee, were falling due from time to time besides the minimum amount payable towards Royalty, Research and Development Fee for the First five years of the Agreement.

7. The Committee were also not convinced with the plea that delay in the planning and execution of the BEML Project was due to 'unforeseen circumstances.' The decision, of the U.S. Government not to enter into any new aid commitments to India became known to Government of India in September, 1955. There was no justifiable reason to keep the matter pending for two years in the hope of availability of foreign exchange from US sources even after their inability had become definitely known.

8. The Government in their reply stated that an application for this loan was filed on 9th September, 1965. Even though the U.S. Government's embargo on US AID to India was also announced on the same day, there were indications of US EXIM's willingness for preliminary progressing of the application. The Bank officials asked for certain supplementary data and subsequently also asked for certain further clarifications which were also furnished. The matter

continued to be pursued vigorously with the Indian Embassy in Washington as also with the Economic Affairs Department and even till early 1967, there was a reasonable expectation of the EXIM loan materialising though for somewhat reduced amount. Apart from the fact that the USA was considered to be a suitable source for the capital equipment required for the Earth Mover Division of BEML, the foreign exchange requirement was also large and there were difficulties of covering such a large requirement from other sources in the intervening period. Only in mid-1967 it became apparent that the US EXIM Bank had not found it possible to accommodate this Project within their total lending level to India; foreign exchange releases amounting to \$2.2 million (\$900,000 under US AID, \$100,000 West Germany Suppliers' Credit and \$600,000 from East European sources) were accordingly made to cover BEML's commitments for 1967-68.

9. The Committee regret to observe that no new additional reasons have now been furnished by the Ministry in their reply. They are, therefore, not convinced with the reply furnished by the Ministry. The Committee still feel that the delay of two years could have been avoided had the alternative sources of foreign exchange been tapped as soon as it was known that EXIM Bank credit would not be forthcoming.

C. Chairman/Managing Director

Recommendation [Sl. Nos. 34 and 50, Paras 9.6 and 10.2 (vi)]

10. The Committee were of the opinion that the Government might examine the possibility of combining the post of Chairman and Managing Director in BEML in the light of Government decision on Administrative Reform Commission's recommendation, that as a rule there should be full time Chairman-cum-Managing Director and in exceptional cases where the Chairman might be only a part-time-one, there should be a full time Managing Director.

11. The Government in their reply stated that since the BEML was still in a developmental stage, the presence of a senior experienced person as part-time Chairman of the Board or who can provide superior guidance to the affairs of the Company was considered a distinct advantage.

12. The Committee are unable to agree with the views of the Government that in the developing stage it was considered to be advantageous to have only a part-time Chairman. Quite apart from the

above the Committee feel that in this particular case the company had already passed that stage as it had already gone into production in 1968-69. The Government should now consider the desirability of combining the post of the Chairman and the Managing Director in the Bharat Earth Movers Limited.

D. Achievements and objectives—Marketing of Products

Recommendation [Sl. No. 52, Para 10.3 (ii)]

13. The Committee recommended that the Undertaking should strive hard to fulfil its objectives to export heavy earth-moving equipment and tractors to the countries whose markets they have started exploring namely Nepal, Ceylon and West Asian countries.

14. In their reply the Government gave details of earthmoving equipment supplied to Nepal, Bhutan and Sikkim and stated that the Company would continue to make efforts towards further export of earthmoving equipment.

15. The Committee find that the exports of earth-moving equipment by the Company have been confined only to Nepal, Bhutan and Sikkim. They desire that the company should explore the possibility of export of the products to other countries also like Ceylon and Middle East, etc.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee note that BEML is making use of castings and forgings facilities available in the other Public Sector Undertakings. They are not sure whether the existing arrangement is working satisfactorily for an important Defence Enterprise like BEML. The Committee would like Government to review the position from time to time (at least once a year) to make sure that the requirements for castings and forgings of BEML are being met fully and in time. [Paragraph 2.15].

Reply of Government

BEML are for the time being dependent upon the following public sector undertakings for their requirements of castings and forgings:

- (i) Messrs. Praga Tools Ltd., Secunderabad (Forgings only)
- (ii) M/s. M.A.M.C., Durgapur (Forgings and Castings)
- (iii) Messrs. Heavy Engineering Corporation, Ranchi (Forgings)
- (iv) Messrs. N.C.D.C., Ranchi (Castings)
- (v) M/s. Republic Forge, Hyderabad (Forgings)
- (vi) M/s. Garden Reach Workshop Ltd., Calcutta (Castings)

The supplies by Praga Tools Ltd. have been satisfactory while the orders on Messrs. NCDC, Ranchi, and Messrs. Republic Forge, Hyderabad, have been placed only recently and the progress of supplies by these units is to be watched. The performance of Messrs, MAMC, Durgapur; Heavy Engineering Corporation, Ranchi; and Garden Reach Workshops Ltd., Calcutta, has not been satisfactory. So far as the forgings are concerned, alternative sources have been developed or are being developed by the Company. The Supply position of the Steel castings, however, is not very satisfactory. The Company has developed a few sources for the supply of steel castings also but these are inadequate for fully meeting its requirements. Efforts are being made by the Company to develop other sources of supply. It

has also been decided to periodically review the progress of the supplies of items of forgings and castings ordered by BEML on other public sector undertakings *vide* enclosed copy of Ministry of Defence letter No. F.38(15)/71/BEM/D(BEL)/PC.I dated 3rd June, 1972. (Appendix I).

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 29th December, 1972.]

Recommendation (Serial No. 8)

The Committee note that the high stock rate of 30 per cent of the Komatsu tractors was not due to any inherent defect in machines but because of inadequate supply of spares for all the Komatsu tractors put on field. The Committee are of the opinion that drawing up a long term procurement programme of spares in advance is not impossible of achievement. Had steps been taken to evolve a long-term procurement policy of spares, the critical situation would not have arisen. The Committee hope that such situation would not arise for a period of 7 years after the termination of the new agreement. [Paragraph 3.31].

Reply of Government

The need for advance planning for procurement of spares is recognised and accordingly steps have been taken by the Company to evolve a spares stocking policy with a view to ensure adequate back-up of spares for the equipment in the field. This stocking policy would necessarily be based on BEML's assessment of likely maintenance requirements. As the actual spares requirements would vary from customer to customer depending on the specific use to which the equipment is put, the special conditions under which it has to work, the operational skills and maintenance arrangements, etc., it would be necessary for the Equipment users also to make their own assessment of their spares requirements and to place the orders on BEML well in advance of the time when the actual requirement is expected to arise so that sufficient time is available to BEML to take provisioning action for the manufacture of spares, if that can be done locally, or to import the spares, if the necessity arises. Two other constraints that will apply are (i) the necessity for BEML's inventories to be kept to the minimum; and (ii) timely availability of foreign exchange for the import of spares which cannot be procured indigenously. Major customers of equipment produced by BEML have been advised to assess their spares requirements in the light of their specific conditions of

usage and other relevant aspects, and to place the orders for spares on BEML sufficiently in advance *vide* the enclosed copy of Ministry of Defence O.M. No. F. 38 (15)/17/BEM/D (BEL)/PC.8, dated 9th June, 1972. (Appendix II).

[Ministry of Defence O.M. No. F. 38/(15)/71/BEM/D (BEL)
dated 25th January, 1973].

Recommendation (Serial No. 9)

As Tigar-120-SK tractors are stated to be suitable for such diverse functions as dozing, loading, trench digging and recovery work which are of vital use to the Defence Services and Border Roads, the Committee feel that the Government should have evaluated results after usage in field before entering into collaboration agreement. Since it is essential to meet expeditiously demands for this equipment from Defence Services and Border Roads, the Committee hope that earnest endeavour would be made to achieve indigenous manufacture of this equipment within the period of Agreement. [Paragraph 3.36].

Reply of Government

Tigar 120-SK Tractors were selected after intensive trials ranging over a period of three months in different terrains and altitudes.

It was originally expected that the targeted rate of indigenisation (i.e. 85 per cent) would be achieved before 1974-75, but BEML now feel that because of the time taken in setting up facilities for the production of reduction gears and the transmission system, 85 per cent indigenisation of the Tigar 120-SK tractor can be achieved only by 1975-76.

[Ministry of Defence O.M. No. F. 38/(15)/71/BEM/D (BEL)
dated 29th December, 1972].

Recommendation (Serial No. 14)

The Committee note that target of production of almost all items have been revised downward by the BEML. Table in para 5.5 gives the definite impression that the targets of production for the years 1968-69, 1969-70 and 1970-71 in respect of most items have been revised downwards to match the actual production figures. Even the reduced target has not been achieved in production. The Committee are not convinced about the reasons given by BEML justifying down-

ward revision of targets fixed earlier. Consequently, they are inclined to believe that the fault may not be in fixing the targets but in making sustained efforts to achieve them since the easiest way to cover failures is to revise the targets downwards. The Committee, therefore, recommend that this tendency to revise targets downwards should be checked forthwith and positive steps be taken to realise the targets once set. [Paragraph 5.14].

Reply of Government

Government have taken note of the Committee's recommendation and issued instructions to all the Defence Public Sector Undertakings that the annual targets, once these have been fixed, should not subsequently be revised downwards save in exceptional circumstances and even in such cases prior approval of the Ministry should be obtained. A copy of the D.O. letter No. 17(251)/71/D(PS) dated 1st May, 1972 issued to the Chief Executives of all Defence PSUs is appended for reference. (Appendix III).

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 15)

The Committee observe that the shortfall in production in the past has been mainly due to non-availability in time, of component/parts whether imported or indigenous. The Committee hope that by learning from the past experience BEML would take adequate steps to ensure necessary and timely supply of the required components/spare parts to enable it to adhere to its production schedule. Any delays in delivering of the earth moving equipment by the BEML is bound to upset the production programme of the Public Undertakings who book their orders with BEML for this type of equipment. The Committee therefore need hardly emphasise that every effort should be made to adhere to the targets of production. [Paragraph 5.15].

Reply of Government

BEML have been advised to take all possible steps to ensure supply of required components in time by the suppliers as also to make sustained efforts to achieve the targets of production, *vide* enclosed copy of Ministry of Defence letter No. F. 38(15)/71/BEM/D(BEL)/PC.15 dated 23rd May, 1972. (Appendix IV).

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 16)

BEML proposed to enter into new collaboration agreements for certain items. In the revised product-mix, there are four new items for production *i.e.* (i) Crawler Tractors of above 300 HP, (ii) D-55-S/D-60-S Crawler Tractor Front End Loaders, (iii) 25 ton and above 35 ton-off the Highway Rear Dump and Trucks (Haulpaks) and (iv) Wheeled Front End Loaders.

The Committee are not aware whether BEML has carried out any comprehensive survey for its existing and planned products. While appreciating the endeavours of BEML to expand and become flexible to suit rapidly changing market preferences from time to time, the Committee need hardly stress that the effort should be to meet the needs for diversification from within the existing resources of men and machinery. The Committee also stress that where foreign know-how is required for diversification of production, the existing collaborators may be approached to supply it within the framework of existing agreements. The Committee would like to remind BEML of its prime responsibility to make firm assessments of demand before committing its limited resources to diversification programme. [Paragraph 5.24].

Reply of Government

The need for making firm assessment of demand before undertaking diversification programmes as also planning the production programmes by the Undertaking is accepted and suitable instructions have been issued to BEML for undertaking periodical demand surveys *vide* enclosed copy of the Ministry of Defence letter No. F.38 (15)/71/BEM/D(BEL)/PC.31 dated 29th July, 1972. (Appendix V) BEML have also taken note of the need to find the wherewithals for diversification from within the existing resources of men and machinery as far as possible. As regards foreign know-how also, wherever practicable the know-how for new products will be obtained within the framework of the existing collaboration agreements and the need for entering into new collaboration agreements will be considered only if unavoidable. The position as regards the specific equipments mentioned in the Committee's recommendation is as follows:—

- (i) BEML proposes to manufacture Crawler Tractors of more than 300 HP Capacity if the demand for the equipment justifies this. The Company may have to obtain know-how for its manufacture under a fresh technical collaboration agreement from M/s. Komatsu as the existing

collaboration agreement does not make provision for such know-how.

- (ii) Crawler Tractors Front End Loaders corresponding to the D-55-S and D-60-S are being developed indigenously by BEML with its own research and development efforts.
- (iii) Off-the-highway Dumpers of 25 ton and 50 ton capacity can be produced by the Company within the framework of the existing collaboration agreement with M/s. Westinghouse Air Brake Co.
- (iv) Wheeled Front End Loaders are at present being produced by BEML in collaboration with M/s. Radoje Dakic of Yugoslavia.

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL) dated 25th January, 1973].

Recommendation (Serial No. 17)

The Committee observe from the table given in para 5.26 that the progress as regards indigenisation lags far behind the indigenisation needs acceleration. BEML should spare no efforts to achieve a greater degree of indigenisation and the committee expect that in coordination with other manufacturers of earthmoving equipment in the country it should be possible for BEML to bring about further reduction in imported contents.

The Committee also urge the Government to keep special watch and to give timely help to the undertaking in intensifying efforts in utilising space capacity available in the existing public enterprises. [Paragraph 5.33].

***Reply of Government**

The shortfall in the progress of indigenisation as compared to the targets adopted at the time of the approval of the project in 1965, is due mainly to the delay in sanctioning the implementation of the Earthmoving Equipment part of the Project. Every effort, however, is being made by the company to increase the pace of indigenisation. The need for accelerating the tempo of indigenisation has also been emphasised to all the Defence public sector undertakings at the highest level and the assistance of the Department of Defence Supplies has also been made available to these Undertakings. A D.O. letter, dated 20th December, 1971 has been addressed by Secretary,

*Reply yet to be vetted by Audit.

Defence Production to the Chief Executives of all the Defence Public Sector undertakings in this connection. It is also proposed to keep a special watch on the indigenisation progress of BEML.

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 5th February, 1973.]

Recommendation (Serial No. 18)

The Committee note that the Undertaking has been experiencing difficulties in procurement of various materials especially steel Forgings, G.I. and Black Pipes, Halical Springs, Wheel sets, Steel Plates and Special Steels. The Committee hope that the position would ease as a result of the urgent action taken by the Government. The Committee recommend that all possible efforts should be made by the undertaking to ensure timely supplies of essential raw materials with a view to sustain its production programme and avoid gaps between the production targets and achievements which not only upset time-schedule of BEML but of all the undertakings that rely on BEML for their requirement of Heavy Earth Moving Equipment. [Paragraph 5.37].

Reply of Government

The recommendation is noted. As explained in the reply to the recommendation at Serial No. 48, the Company has been advised to plan the procurement of its requirements of raw-materials and components on a long-term basis *vide* Ministry of Defence letter No. F.38 (15)/71/BEM/D(BEL)/PC-48 dated 28th July, 1972 (reply to recommendation No. 48 refers). The Company has also already been advised that every effort should be made to fulfil production programmes and targets fixed by the Undertaking and that the revision of targets should be avoided as a rule. These instructions are contained in our D.O. letter No. 5587-DS(PS)/71 dated 1st September, 1971 and letter No. F.17(251)/71/D(PS) dated 1st May, 1972 (copies enclosed Appendix III).

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 20)

The Committee recommend that the reasons for increase in the stock from a ratio of 3.6 months 1968-69 to 6.2 months in 1969-70 should be looked into and steps to bring down the ratio, consistent

with the needs of production, deserve to be taken by BEML. [Paragraph 5.40].

Reply of Government

The Company has explained that the increase in the level of Inventories of raw materials and components from 3.6 months stock in 1968-69 to 6.2 months stocks in 1969-70 was mainly due to the increased tempo of production for which higher stock levels of raw-materials/components and spares had to be built up. The Company has recently reviewed the matter and, with the approval of its Board of Directors, given at their meeting held on 26th April, 1972, adopted specific norm for the inventory levels of various kinds of stores.

2. The Bureau of Public Enterprises has also decided in September, 1971 to undertake a study in depth of the Inventories in BEML and further action, as may be necessary, will be taken in the light of the findings of this study.

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 5th February, 1973]

Recommendation (Serial No. 22)

The Committee are glad to note that the Company is in a position to deliver immediately on demand D-80 and D-50 tractors.

They, however, feel that the delivery period of one and a half year in the case of D-120 tractors is rather long. Since D-120 tractors are required by the Army, the Committee emphasise the need to reduce to the minimum the time interval between the booking of the order and delivery of D-120 tractors. [Paragraph 5.50].

Reply of Government

The Recommendation has been noted by BEML and earnest efforts are being made by the Company to reduce the time lag between the placement of orders and actual delivery of equipment. Though it does not in any way minimise the need to reduce the production cycle, it may be mentioned that the demand for D-120 Tractors is mainly from Civilian Departments like the NCDC, NMDC, Irrigation and Power Projects, and the Steel Plants.

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 29th December, 1972.]

Recommendation (Serial No. 26)

The Committee consider that as most of the equipment and machinery are being produced by BEML with foreign collaboration every effort should be made by the undertaking to ensure that the cost of manufacture in India is kept as near as possible to that obtaining in the collaborators own country. In fact, as latest type of equip-

ment and machinery are being installed for manufacture, there is no reason why our cost should not even be lower than that obtaining in the collaborator country. The Committee are, therefore not convinced with the Government's reply that the question of comparing the prices would arise only after the full facilities for manufacture have been established in the country. They consider that such a study should be continuously made as part of the effort to control and reduce the cost of manufacture.

Now that the Bharat Earth Movers are going in for manufacture of agricultural equipment like tractors, the Committee would like the Undertaking to make special efforts to see that the cost of manufacture is kept at most competitive rate in order to encourage the use of machinery in this basic sector of our economy. [Paragraph 6.8]

Reply of Government

It has been pointed out by BEML that the comparability of indigenous cost of manufacture with that of the collaborators will depend also on various other factors such as cost of castings, forgings, other components, and steel procured from indigenous sources, customs duty, and freight on imported items and the volume of production as compared to scale of manufacture in factories abroad. Nevertheless, the Company has been advised to keep a periodical watch on the indigenous cost of production as compared to the cost of equipment produced by BEML's collaborators, as part of the effort to control and reduce the indigenous cost of manufacture, as far as possible, *vide* enclosed copy of the Department of Defence Production letter No. 38(15)/71/BEM/D(BEL)/PC-26 dated 19th June, 1972. (Appendix VI).

[Ministry of Defence O.M. No. F. 38/(15)/71/BEM/D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 27)

The Committee note that there has been an over all improvement in the financial affairs of the undertaking in 1969-70 compared to the previous year 1968-69. Gross profit before tax as well as net profit after provision for taxation in 1969-70 has been on the increase. Moreover the undertaking has been able to generate internal resources to the tune of Rs. 5.68 crores in about six years of its coming into existence. The Committee hope that the undertaking would not only be able to maintain the present trend of its profitability and generation of internal resources, but would also be able to further improve on it. [Paragraph 7.6].

Reply of Government

The Company has maintained its trend of profitability and generation of internal resources during the year 1970-71 as can be seen from the data given below:—

	Profit for the year 1970-71 (Rs. in lakhs)
Profit before provision for tax	488.44
Provision for tax	145.00
Profit-after-tax provision	343.44
<i>Internal Resources—to end of the year 1970-71</i>	
Reserves and surpluses	702.10
Depreciation	241.82

For the year 1971-72 also the Company expect to maintain the trend of profitability and generation of internal resources.

[Ministry of Defence O.M. No. F.38(15)/71/BEM/D(BEL)
dated 29th December, 1972.]

Recommendation (Serial No. 28)

As urged by the Committee elsewhere in the Report, Government/Undertaking should spare no efforts to reduce the price of equipment and machinery particularly of tractors so that the full benefit of efficient production is shared by the economy as a whole. [Paragraph 7.7].

Reply of Government

The recommendation has been taken note of the Bharat Earth Movers Ltd. However, it may be mentioned that the cost of production of BEML's equipment is liable to increase because of rise in the prices of some of the essential raw materials like steel, and of imported components or bought out items. BEML have been making efforts to absorb such increases in the prices of the equipment.

[Ministry of Defence O.M. No. 38(15)/71/BEM/D(BEL)
dated 29th December, 1972.]

Recommendation (Serial No. 29)

The Committee are unhappy to note the increase in percentage of debtors to sales during the last three years. They have also noted with concern that there has been considerable increase in

the Book Debts of BEML (as on 31st March, 1970) which were considered doubtful. Moreover, the Committee note with regret that most of the outstanding dues are against Government Departments| Railways| Public Undertakings. Such large outstandings have the effect of reducing the profitability of the undertaking by straining its resources to meet the requirements of working capital. The Committee would like govt. to issue general directions that Government Department| Railways| Public Undertakings should accord high priority to settling of bills and effecting payment for machinery, equipment and goods received by them from public undertakings. The Committee would like to be informed of the instructions issued and follow up action taken to achieve this objective. [Paragraph 7.11]

Reply of Government

BEML are making earnest efforts to recover their dues from customers. As the same time, all Ministries have been requested to issue suitable instructions to Departments| Organisations| Public Sector Undertakings under them to accord high priority to the settling of bills and effecting payment for machinery, equipment and goods received by them from Public Sector Undertakings. A copy of the Ministry of Defence O.M. No. F.38(15)|71|BEM|D(BEL) dated 5th July, 1972 is enclosed (Appendix VII) for reference. This has also been endorsed to the Bureau of Public Enterprises (Min. of Fin.) for further necessary action. The Min. of Railways have meanwhile issued instructions to all Railways|etc. as in the enclosed copy (Appendix VIII) of their letter No. 72 AC 111|30|3, dated 13-6-1972.

[Ministry of Defence O.M. No. F.38| (15)|71|BEM|D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 30)

Research and Development activity is vital to the growth of modern industries and enable enterprises to explore and develop newer and better products and processes. They are a continuing activity and help to create a new basis for technology. The Committee are unhappy to note that the Company have not yet formulated their schemes for effective utilisation of the funds earmarked for Research and Development. The Committee feel that main objectives behind the creation of Research and Development Fund and setting up of Research and Development Division are to develop new equipment based on customer requirements and improving existing models of equipment under production. Apart from this, another important objective of Research and Development

Division is to assist the Company in rapidly indigenising the manufacture of all components and thereby increase productivity with particular reference to cost reduction. The Committee strongly recommend that the undertaking should formulate research schemes with the specific purpose of achieving the objectives for which the Research and Development Fund has been created including the Scheme to rapidly indigenise the manufacture of components. (Paragraph 8.6).

Reply of Government

Realising the need to develop new equipment, improving the existing models and to assist in rapidly indigenising various components, the Company has been giving due emphasis to the research and development activities. The R&D Division which was set up in 1969 has made substantial progress in indigenous development of equipment and components and in designing and developing modification. The Division has taken up the indigenous development of various new equipments after taking into account the customer requirements. In some cases, the prototypes are under trial. The Division has engineered KCL engines for mounting on all the equipment and is in the process of developing major assemblies like brakes, clutches and transmission, Agricultural implements like Disc Harrow and Disc Plough which can be hitched to D50 tractors have also been designed and developed. The expenditure on the development of an item is usually amortised and charged as part of the product cost over a period of time. It is only when the item developed cannot be successfully marketed and the expenditure cannot be recovered either in full or in part by charging to the product cost that it will be a charge on the R&D Reserve. The creation of the Reserve is thus primarily intended to meet the contingency of a development project not finally resulting in full commercial utilisation for one reason or the other.

[Ministry of Defence O.M. No. F.38|(15)|71|BEM|D(BEL)
dated 29th December, 1972].

Recommendation (Serial No. 31)

The Committee note that latest demand survey was conducted by a team constituted by the Ministry of Industrial Development in 1968 for the Fourth Plan which continues to be the guideline for the Company even at present. The Committee are of the view that apart from long term survey such as the one conducted in 1968 for the Fourth Plan, the Undertaking should carry out annual surveys with reference to its specific products with a view to undertake

production programme based on realistic assessment of demand of major customers taking into account possible fluctuations of demand. (Paragraph 8.11)

Reply of Government

The recommendation has been taken note of. On account of the long lead-time required for the procurement of the components and materials, the Company has to formulate its production plans on the basis of the known long-term requirements. In view of this, annual comprehensive demand surveys would not be commensurate with the results and it is considered that the objective underlying the Committee's recommendation would be met if BEML were to conduct systematic demand surveys of the long-term requirements of its customers at regular periodical intervals, say, every three years. The Company has accordingly been advised to conduct such comprehensive surveys every three years, *vide* the enclosed copies of Ministry of Defence letter No. F.38(15) |71|BEM|D(BEL)|F.C.31 dated 4-11-72, read with the letter of even number dated 29th July, 1972, (Appendix IX & X). The Company has also been advised to approach the major customers regularly every year to indicate the likely requirements of earth moving equipment which may be required to be delivered during the next two years as this may also help BEML in planning their production from year to year.

[Ministry of Defence O.M. No. 38(15) |71|BEM|D(BEL)|PC:31 dated 25th January, 1973].

Recommendation (Serial No. 33)

The Committee also recommend drawing up of refresher courses for the various grades of technical personnel employed in order to ensure maintenance of high standards of skills and performance. [Paragraph 8.20]

Reply of Government

Bharat Earth Movers Limited have taken note of the recommendation and are already in the process of organising refresher courses in quality management, production management, qualitative techniques, general management, etc. for the Company's technical personnel in the HAL Staff College and HAL's Training School as well as Foreman's Training Institute. During the year 1972-73, about 100 Supervisors and technical personnel of BEML will be covered under these courses. BEML are also making efforts to

utilise fully the courses run by the National Institute of Technology & Industrial Engineering so that all eligible technical personnel are covered by these courses.

[M. of D. O.M. No. 38(15)71|BEM|D(BEL) dated 29-12-72]

Recommendation (Serial 35)

The Committee note with satisfaction the importance given to the improvement of industrial relations in the undertakings and the creation of the post of Industrial Relations Manager is a step in that direction. They hope that person appointed to this new post will justify the purpose for which he has been appointed. [Paragraph 9.15]

Reply of Government

BEML have already appointed an Industrial Relations Manager and he is in position with effect from 6th June, 1969. Although in the recent past the labour situation in BEML has suffered some setback due to agitational methods adopted by the labour, Government share the Committee's hope that the presence of the Industrial Relations Manager will assist the Company in promoting a better labour Management understanding in course of time.

[Ministry of Defence O.M. No. F.38(15)71|BEM|D(BEL)
dated 29th December, 1972].

Recommendation (Serial No. 38)

The Committee regret to note that BEML has not so far conducted any systematic assessment of staff strength since it took over the Railcoach Division from erstwhile Hindustan Aircraft Ltd. in January, 1965. The Committee are not aware whether the BEML Management have laid down systematic norms for different categories of staff and fixed any norms or work-load which are essential for efficient and economic utilisation of staff. The Committee, therefore, recommend & BEML should make an immediate assessment of staff strength and determine the norms of work-load for all categories of staff with the help of an independent specialised agency and to reassess and rationalise the staff strength accordingly. The Committee also suggest that such an assessment of manpower requirement should, in future, be made at regular intervals in order to determine proper utilisation of working force so as to avoid overstaffing. (Paragraph 9.27)

Reply of Government

The Statement earlier furnished by the Management in this regard and incorporated in Para 9.24 of the Committee's Report is not factually correct as BEML have since succeeded in tracing out the original documents of HAL relating to Railcoach Division. These documents reveal that prior to BEML's taking over the Railcoach Division of HAL, the assessed requirements of direct labour and shop Supervisors were based on work-load (manhours) per railcoach at stabilisation. While merging the Railcoach Div. with BEML, apart from the staff of the shop floor as mentioned above, proportionate strength of indirect staff was transferred to BEML after a Committee of Senior Officers of HAL and BEML had assessed the requirements based on work-load. Thus, the staff strength in the Railcoach Division has been based on a systematic assessment of the work-load.

BEML have also set up an Industrial Engineering Department in its Railcoach as well as the Earthmoving Equipment Division. This Department is manned by qualified personnel, who are entrusted with the task of carrying out time and motion studies and fixing the standards for all direct and indirect operations in the work. The Industrial Engineering Department is required to assess the requirements of direct staff i.e. those in the categories of skilled, semi-skilled and unskilled workmen, with reference to time standards and that of indirect staff with reference to well accepted norms based on work-load, job requirements, and work study conducted at regular intervals. In respect of the supervisory staff and officers, the manpower needs are assessed on the basis of functional requirements and responsibilities. Besides, the procedure outlined above, recommendations contained in the reports of the consultants are also taken note of while according sanction for additional staff in the Earth Moving equipment Division.

It will thus be seen that the procedure followed by BEML for assessment of manpower requirements is based on work-study and job requirements, as per the recommendation of the Committee on Public Undertakings. However, Govt. accept the Committee's recommendation for a comprehensive and systematic review of BEML's manpower requirements at regular intervals and suitable instructions have been issued to the Company, *vide* the enclosed copy of this Ministry of Defence letter No. F.38(15)|71|BEM|D (BEL)|PC.38 dated 31st July, 1972. (Appendix XI).

[Ministry of Defence O.M. No. F.38| (15) |71|BEM|D (BEL)
dated 25th January, 1973].

Recommendation (Serial No. 39)

The Committee is not very clear as to whether exhaustive Recruitment & Promotion Rules have been framed by the BEML. They recommend that such rules should be codified from the existing rules and orders and modified, if necessary, taking into account the requirement and promotion principles in well established Public Undertakings. The Committee urge that the directions issued by the Government of India (Ministry of Labour and Employment) in the matter of recruitment be taken serious note of by BEML and their implementation should not be ignored. (Paragraph 9.30)

Reply of Government

Rules for recruitment and promotion were in force even when BEML was part of the Hindustan Aeronautics Ltd. The Company has stated that the principles followed by it in the matter of recruitment and promotions by and large conform to the guide-lines or instructions issued by Govt. from time to time, including the "Model principles" to be followed when ordering promotions framed by the Ministry of Labour & Employment. The Company is at present compiling an exhaustive Personnel Department Manual, taking due note of the principles outlined in the Govt. circulars/instructions issued from time to time. The Company has been advised to promulgate and publish the recruitment and promotion rules when these are codified in the above manner for the benefit of all concerned, *vide* the enclosed copy of Ministry of Defence letter No. 38(15) |71|BEM|D(BEL)|PC.39 dated 25-7-1972. (Appendix XII).

[Ministry of Defence O.M. No. 38(15) |71|BEM|D(BEL),
dated 29th December, 1972].

Recommendation (Serial No. 40)

In regard to promotion policy, the Committee, recommend that:

- (i) Promotion be based on seniority-cum-merit;
- (ii) Adequate quota of vacancies in every cadre should be reserved for departmental promotees with a view to keep avenues of promotion open in all cadres;
- (iii) A procedure be evolved to raise the superior cadre out set of the talented employees of the undertaking instead of depending on retired Government officials|deputationists|officers from other public undertakings;
- (iv) Due care be taken to see that the quotas reserved for Scheduled Castes and Scheduled Tribes under Govt. of India are filled up. (Paragraph 9.31)

Reply of Government

BEML have taken note of the recommendation. The Company is presently engaged in compiling a comprehensive Personnel Department Manual where in the rules for recruitment and promotion would be codified and incorporated, taking into account the guidelines and directives issued from time to time by the Govt., as also the suggestions of the Committee on Public Undertakings incorporated in their recommendation.

[Ministry of Defence O.M. No. 38 (15) |71|BEM|D (BEL),
dated 29th December, 1972].

Recommendation (Serial No. 41)

The Committee note that as a result of the Memorandum of Settlement signed between the BEML Management and the Labour Union, Industrial peace has been assured for three years. They are glad to note that the Labour-Management relations are cordial and hope it would continue in future to serve the cause of improvement of production.

Reply of Government

Though the Memorandum of Settlement signed between BEML and Labour Union had envisaged industrial peace for three years, this has not stopped the labour from raising fresh demands and disturbing the industrial peace by resorting to agitational methods. However, the Management has been doing its best to maintain industrial peace and harmonious relations.

[Ministry of Defence O.M. No. F.38 (15) |71|BEM|D (BEL),
dated 29th December, 1972].

Recommendation (Serial No. 43).

The Committee note that the Earth Mover Factory of BEML is in a formative Stage and that accounts for the non-introduction of the incentive scheme there. But the Committee would expect the BEML to bear in mind that incentive scheme offering inducement to workers to put up better individual and group performances is the primary prerequisite in any industry. They hope that the incentive scheme in the Earth Mover Factory will also be introduced at an early date. Paragraph 9.42).

Reply of Government

BEML have taken note of the recommendation of the Committee and action has already been initiated to develop the requisite norms

by way of job standards, production studies for proving the job standards, and "allowance factors", etc., with a view to help the introduction of an Incentive Scheme in the Earth Mover Factory also in a phased manner.

[Ministry of Defence O.M. No. 38 (15) |71|BEM|D (BEL),
dated 25th January, 1973].

Recommendation (Serial No. 14).

The Committee recommend that the question of Government's approval for construction of a colony may be vigorously pursued and the construction of township at Bangalore completed as early as possible. (Paragraph 9.44).

Reply of Government

BEML have been authorised to acquire land for the construction of township for the Railcoach Division and Company has also taken necessary steps for the acquisition of land. However, in view of the present pressure on budgetary resources, the proposals for actual township construction has been deferred and will be considered at a more appropriate time.

[Ministry of Defence O.M. No. 38 (15) |71|BEM|D (BEL),
dated 29th December, 1972].

Recommendations (Serial No. 48).

The Committee find that the shortfall in production in the past has been mainly due to non-availability in time of components|parts both imported and idigenous. The undertaking has also been experiencing difficulties in procurement of various materials, especially Steel forgings, GI and Black Pipes, Halical Springs, Wheel sets, Steel Plates and Special Steels. The Committee recommend that the undertaking should take special care to plan its requirements of components and raw materials both Indian and imported adequately in advance. The production of the undertaking should not be allowed to suffer on account of the non-availability of these two basic items, viz., raw materials and components. For this matter in the opinion of the Committee there is no harm if the undertaking were to make out a tentative requirement of components and raw materials particularly the imported ones for two to three years and move the Government if necessary from now itself for their timely procurement. [Paragraph 10.2 (iii)].

Reply of Government

The need for long-term planning in regard to procurement of requirements of raw materials and components so that production does not suffer on account of non-availability of these items is appreciated. It may not always be possible to plan the procurement of imported raw materials and components for two or three years requirements at a time, due to foreign exchange constraints. Nevertheless, the Company has been advised to keep the Committee's recommendation in view when planning the requirements of raw materials and components for their production programme.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL),
dated 29th December, 1972].

CHAPTER III

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

Recommendation (Serial No. 2).

The Committee are unable to appreciate the wisdom of entering into a Collaboration Agreement with a foreign firm without a Detailed Project Report. It is noted that in this case a Team of HAL's Officers to whom the Agreement was assigned for execution, visited the works of the collaborators in February 1963. The required Detailed Project Report was available in October, 1963 i.e. almost a year after the agreement was entered into in October, 1962. Later, when it was decided that a detailed appraisal had to be made order to move an application for loan from EXIM BANK a second look on the profitability of the project was taken with the consequence that the agreement ceased to be in effective Operation. The Committee are left with the impression that before entering into the Collaboration agreement, Government assessed neither in depth the requirements of Defence, Border Roads and other organisations nor the profitability of the undertaking. The Government's whole approach appears to have been empirical instead of being based on a well prepared perspective plan for developing indigenous capacity for manufacture of earth moving equipment in the Public Sector. The Committee would like Government to take effective remedial measures to obviate recurrence of such costly lapses. (Paragraph 3.7).

Reply of Government

The Collaboration Agreement was entered into on the basis of a preliminary Project Report which *inter alia* brought out the likely demand for earth-moving equipment. Since there was an indication of fairly sizeable requirements of earthmoving equipment in the country, it was decided to negotiate and conclude a foreign technical Collaboration Agreement in order to establish indigenous manufacture of the equipment. A detailed Project Report could only be prepared in the light of technical data which could be obtained from the Collaborators only after the conclusion of the Collaboration Agreement.

Comprehensive instructions have been issued to the Defence Public Sector undertakings, *vide* the enclosed copy of Min. of Defence letter No .F. 17(65)/69/D(PS) dated 15th May, 1969, (Appendix (XIII) in regard to the steps to be taken before contemplating foreign technical collaboration agreements. It has been specified that a proper feasibility report examining the market demand, capacity already established, proposed production programme, additional capital investment involved, the economics of taking up the proposed new items, recurring and non-recurring foreign exchange requirements for all aspects etc., should be prepared before entering a collaboration agreement. A copy of these instructions is placed below.

[Ministry of Defence O.M. No. 38 (15) |71|BEM|D (BEL),
dated 25th January, 1973].

Recommendations (Serial No. 4).

While the Committee note that the Company will be able to acquire expertise in the manufacture several items *e.g.* Motorised 'C' Scrapers LW-35 Off-the Highway Rear Dump Trucks and Motor Graders already taken up within the period of the current Agreement, *i.e.* by 8th November, 1972, they hope that earnest efforts would be made to acquire the know-how regarding the manufacture of the remaining items within the remaining period of the agreement so that the extension of the period of collaboration agreement with Messrs. WABCO beyond 1972 may not be necessary. (Paragraph 3.16).

Reply of Government

Although BEML has obtained know-how for the manufacture of all the licenced models and earnest efforts are being made by the Company to progressively increase the indigenous content of the equipments currently under manufacture, due to the initial delay in the sanctioning of the earth moving equipment project, BEML has not been in a position to derive full advantage of the technical collaboration agreement with WABCO so far, and by November 1972 when the original tenure of ten years prescribed in the Agreement would expire, the company would have derived effective benefit only for a period of 4 years. Some of the major component assemblies, *i.e.* final drive, transmission, and hydraulics system have also yet to be fully indigenised. In order to enable BEML not only to achieve maximum indigenisation of the current models of equipment but also to keep abreast of the latest improvements and modifications based on the design and development effort of M/s. Westinghouse Air Brake Company, it has been decided to extend the

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technical collaboration agreement for a period of 5 years. This will also provide BEML with a flexibility in the matter of product-mix and the Company would be in a position to switch over to other models of equipment, as and when necessary, to suit the customer's demand. Incidentally it would also enable BEML to obtain the imported components and spare parts required for the equipment at concessional prices. The extension of the collaboration agreement does not involve any fresh payment of technical assistance fee and the payments on account of Royalty and Research and Development fee would be more than off-set by the foreign exchange savings on account of concessional procurement of components and spares.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 5).

The Committee regret to note that as the full indigenous production of these tractors could not be established within the original period of 10 years the BEML had to enter into agreement with M/s. Komatsu for a further period of three years with effect from the 19th February, 1969. The Committee feel that it would have been possible to establish indigenous production within a period of ten years had the Government assigned the agreement earlier to a body exclusively entrusted with this task instead of loading the DGOF with the manufacture of tractors. (Paragraph 3.23).

Reply of Government

The DGOF was entrusted with manufacture of crawler tractors in collaboration with M/s. Komatsu Mfg. Co. of Japan, since at that time DGOF had the necessary capacity and it was expected that the existing facilities in the Ordnance Factories, with requisite additions, could be utilised for achieving indigenous manufacture at the earliest.

2. However, the situation in which the project was originally conceived and entrusted to the DGOF drastically changed in subsequent years particularly after 1962 when the DGOF had to give priority attention, to other items. Hence it is possible that had the project been entrusted to another organisation exclusively meant for the production of earthmoving equipment, a quicker rate of indigenisation could have been achieved.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 6)

During evidence it was admitted that conditions contained in the old agreement "were more favourable". The representative of BEML further conceded that the earlier agreement "was probably a little better". It is noted that the earlier agreement was generally more favourable in the matter of prices for complete knocked down components and spares as also in respect of supply of spare parts. Another favourable feature of the old agreement was that it made provision for regular and prompt supply by M/s. Komatsu of information relating to engineering changes with regard to material processing techniques and improvements and conditions to the equipment covered in the agreement. On the other hand, the scope of the new agreement was restricted only to the current models of three types. The Committee are concerned to know that the new agreement was less favourable as compared to the old agreement. (Paragraph 3.24)

Reply of Government

The original agreement between Government and M/s. Komatsu was entered into in 1958. At that time M/s. Komatsu were not so well established in the world market. But the situation in this respect was very much different in 1968-69 by which time Messrs. Komatsu had greatly improved the quality of their equipment and had also established themselves firmly in the world market. They were, therefore, in a stronger bargaining position when the new Agreement was negotiated with them by BEML. The Company did, nevertheless, make efforts to retain the terms of the old Agreement but this was not acceptable to M/s. Komatsu and therefore the new Agreement had to be finalised on the best possible terms that could be secured as a result of the negotiations.

[Ministry of Defence O.M. No. 38(15)/71/BEM/D(BEL)
dated 29th December, 1972].

Recommendation (Serial No. 7)

The Committee, however, hope that the BEML will take full advantage of the assistance stated to be rendered by the collaborators in the matter of indigenisation and reach the maximum possible degree of indigenisation within the remaining period of the Agreement so as to avoid any further extension to this Collaboration Agreement. (Paragraph 3.25).

Reply of Government

It has not yet been possible to fully indigenise certain major assemblies and components, such as transmission assembly, final drive system, main clutch, steering clutch, hydraulic system, brake system and the electrical system, etc. This has been partly due to the delay in the receipt of some of the plant and machinery for BEML's Earth Moving Equipment Factory at Kolar Gold Fields, and partly due to non-development of some of the items by the ancillary industries within the country. BEML's requirements in respect of some of the items like castings and forgings have also been found to be unattractive to local producers; either in view of the quantity demanded being uneconomical or because of the items being intricate. With a view to enable BEML to achieve indigenisation upto the targeted level of 85 per cent, Government's approval has been given for the extension of the Collaboration Agreement for a further period upto 2nd August, 1974. Apart from the fact that technical assistance of M/s. Komatsu will be available for indigenising the remaining items, extension of the Agreement has the further advantage that the imported components and spare parts will be available to BEML from the collaborators at concessional prices and in matching sets.

Notwithstanding the 30 per cent increase in the prices as compared to those under the 1969 Agreement, the prices of components obtainable from the collaborators under the extended Agreement will still be less than the market prices.

[Min. of Def. O.M. No. 38(15)/71/BEM/D(BEL)
dated 25-1-1973.]

Recommendation (Serial No. 10).

The Committee note that one of the reasons for not locating the Factory at Bangalore was to avoid investment on transport facilities. It was thought that such expenditure would be unproductive and would add to the cost of the product. The Committee note, however, that the establishment of the earthmoving factory at Kolar has involved Government investment in the building of a township at an estimated cost of Rs. 1.66 crores. While the Committee are for provision of essential amenities to workers they would like Government to ensure that the expenditure on such infra-structure is kept within the economical and reasonable limits so that it does not unduly burden the cost of production. (Paragraph 4.5).

Reply of Government

Government are already seized of the necessity for keeping the expenditure on township and other similar infra-structures to the minimum. It was on this consideration that the expenditure on the Company's township was decided to be limited to 7.5 per cent of the total capital cost of the Project at the time of sanctioning the Project in July 1965. In addition, the minimum necessary expenditure on the Guest House and Trainees' Hostel was also permitted. The total estimated cost of BEML's township at Kolar Gold Fields i.e. Rs. 1.66 crores actually works out to 7.2 per cent of the revised estimated capital cost of the Project (Rs. 22.69 crores) and is considered reasonable.

[Min. of Def. O.M. No. 38(15)/71/BEM/D(BEL)
dated 29-12-1972.]

Recommendation (Serial No. 11)

The Committee cannot help concluding that the Project was neither properly planned nor well executed. The important aspects concerning the Project were not dealt within a systematic and expeditious manner. The Committee feel that the technical feasibility study should have been undertaken, the site for the location of the Unit determined, the source for meeting the foreign exchange requirements of the Unit and the organisation for the implementation of the Project decided before entering into the collaboration agreement. (Paragraph No. 4.11).

Reply of Government

The collaboration agreement was entered into in October 1962 on the basis of a Preliminary Project Report. At that time, the location of Project had been tentatively determined and an indication as to the availability of foreign exchange was also forthcoming from the Department of Economic Affairs. The agency for undertaking the initial exercise for the implementation of project had also been identified. However, instructions have since been issued to the Defence Public Sector undertakings that proposals for foreign collaboration for any new items should be preceded by a proper Feasibility Study or Project Report, *vide* the enclosed copy of Min. of Defence letter No. F.17(65)/69/D(PS), dated 15-5-1969. (Appendix XIII).

[Min. of Def. O.M. No. 38(15)/71/BEM/D(BEL)
dated 25-1-1973.]

Recommendation (Serial No. 19)

The Committee also note that there is insufficient production in the country of wheels and axles because of which the Railway Board have to release foreign exchange for import of the same. The Committee would like to draw attention to the recommendations made in para 3.56 of their report on Hindustan Steel wherein they have pointed out that the production of the wheel and axles plant in Durgapur in 1969-70 was as low as 15 per cent of the rated capacity. The Committee cannot too strongly urge the Government to take concerted measures to improve the production of wheels and axles at the Durgapur Plant so as to meet in full the requirements of wheel sets and axles for rolling stock manufactured in the country and obviate the necessity of import. Moreover, indigenous supply of such parts will also ensure timely supply which is a very important factor. (Paragraph 5.38).

Reply of Government

The recommendation of the Committee has been brought to the notice of the Ministry of Steel and Mines for necessary action, vide the enclosed copy of the Min. of Defence O.M. No. F. 38(15)/71/BEM/D(BEL), dated 14-6-1972. (Appendix XIV).

[Min. of Def. O.M. No. 38(15)/71/BEM/D(BEL)
dated 25-1-1973.]

Recommendation (Serial No. 21)

The Committee note the steady increase in the production and sales of the Company year by year. They also find that Zonal Offices have been set up at Bombay, Delhi, Calcutta and Hyderabad and that service teams are placed for major Projects with NCDC, NMDC, and Agro-Industries Corporation. The Committee consider that it is only through efficient after sales service in the field that the Company can inspire confidence in their products and build up an assured and expanding market. (Paragraph 5.46).

Reply of Government

Government have advised the Company to keep the requirement of rendering efficient after-sales service in the field constantly in view and to take such steps as may be necessary from time to time to ensure this, vide the enclosed copy of Ministry of Defence letter No. F.38(15)/71/BEM/D(BEL), dated 30-6-1972 (Appendix XV).

The Company have also been advised to place before their Board of Directors a review on the after-sales service every six months.

[Min. of Def. O.M. No. 38(15)|71|BEM|D(BEL)
dated 29-12-1972.]

Recommendation (Serial No. 23)

The Committee note that there was lack of planning in arranging timely import of the various items. Although the foreign exchange for the purpose was released as early as August, 1967 the import of all the required items (including missing parts) was actually completed in October, 1968 resulting in abnormal delay in supply of Dumpers to M/s. Hindustan Steel Limited. The Committee feel that timely action should have been taken to ensure replacement of the missing parts, viz. Generator and Wheels by the Collaborators. (Para 5.54).

Reply of Government

After the release of foreign exchange, the Company had to obtain an import licence before the placement of the order for CKDs on the foreign collaborators. An import licence for ten numbers of CKDs. was received by BEML in December, 1967, and the purchase order was thereafter placed in January, 1968. After the placement of the orders, the collaborators also require some lead time in starting shipment of the CKDs. and thereafter a further period of about 2 to 3 months is taken in actual transportation and receipt of the goods in BEML's factory. The shipment of the ten CKDs ordered by BEML in January, 1968 was completed by the Collaborators by August, 1968 and these were received in BEML's factory between August and November, 1968. It will thus be seen that the period between the release of foreign exchange and the receipt of the initial lot of CKDs is primarily accounted for by the lead time required by the collaborators for effecting the supplies.

2. It is also relevant to point out that as BEML's project for the earthmoving equipment manufacture was not finally sanctioned by Government for implementation till July, August, 1968, releases of foreign exchange to BEML for the import of CKDs prior to such sanction were considered only against specific customer requirements and not on the basis of an approved annual production programme.

3. As regards the missing parts, i.e. generator and wheels, BEML have explained that since the missing parts were included in the "packing list", the collaborators were not responsible for their replacement. The deficiencies in the units received in August, 1968 were made good from the subsequent lot of CKDs received in Octo-

ber 1968. It may also be mentioned that the wheel drums were subsequently traced by the shipping company and they were received by BEML in May 1969.

[Min. of Def. O.M. No. 38(15)|71|BEM|D(BEL)
dated 29-12-1972.]

Recommendation (Serial No. 24)

The Committee also recommend that special care should be taken by BEML and other public enterprises in supplying capital equipments to other Public Undertakings so as to avoid any adverse effect on the production programme of the Public Undertakings which have to depend on other Undertakings for supply of capital equipment. (Paragraph 5.55).

Reply of Government

The Recommendation of the Committee has been taken note of by the Ministry and suitable instructions have been conveyed to all the Defence Public Sector Undertakings, *vide* enclosed copy of Ministry of Defence letter No. F.17 (131)|72|D(PS), dated 1st June, 1972. (Appendix XVI). The recommendation has also been brought to the notice of Ministry of Industrial Development, Bureau of Public Enterprises and Ministry of Steel and Mines.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 29th December, 1972.]

Recommendation (Serial No. 25)

The Committee are surprised to note that the Company has not developed any cost control scheme so far, with the result that no systematic and uniform pricing policy is being followed with regard to its products. The Committee are of the view that in the absence of a satisfactory cost control scheme, it would hardly be possible for the BEML to keep an eye on the trends of the cost of production and to take timely remedial measures. They recommend that BEML should take suitable steps to develop cost consciousness at various levels of management, keeping in view the instructions issued by Government from time to time for achieving efficiency, cost reduction and profitability. (Paragraph 6.7).

Reply of Government

The Company has an established integrated cost and financial control system which enables it to clearly ascertain the actual cost.

of production of its products. In this context, an extract from the Supplementary Report on the Company's Accounts for 1968-69 and 1969-70 furnished by the Statutory Auditors to the Comptroller and Auditor General, copy of which had also been submitted to the Committee, is reproduced below:

"The Company's Cost Accounts are based on 'Job Cost' system. The Cost of each unit of the major products is clearly ascertained. The distribution of overheads is proper and consistent. Periodical reviews are carried out and overheads absorbed in costs, are brought to the level of actuals. The costing system is found to be adequate and effective. There are enough staff for the maintenance of cost records and the compilation of cost is done promptly."

In respect of the Railcoaches delivered upto the end of 1968-69 the payments to the Company were on the basis of actual cost of production *plus* profit. Subsequently, in accordance with the agreement with the Railway Board, the Company has been quoting firm prices for supply of railcoaches. These quotations take into account the past actuals, trend of cost of labour and materials, and provision for a fair return on the capital employed. The prices are then finalised after discussion with the Railway Board.

In regard to the Earth Moving Equipment, the prices are reviewed every year, taking into account the past actual cost of production and the variations anticipated in the various elements of costs during the ensuing period. The sale price is fixed after adding to this estimated cost of production, provision for "mark-up" to get a fair return on the capital employed but this also takes into account the market condition and the price of competitive products.

As regards development of cost consciousness at various levels, BEML have been advised to undertake an analysis to locate areas where there is scope for cost reduction and carry-out necessary measures to effect cost reduction wherever possible. The Company has also been asked to suitably advise its officers at various levels *vide* the enclosed copy of the **Ministry of Defence letter No. F. 38(15)|71|BEM|D(BEL) PC.25**, dated 31st May, 1972. (Appendix XVII).

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)-
dated 25th January, 1973].

Recommendation (Serial No. 32)

The Committee note that BEML arrange in-plant training apprenticeship training and shop floors training, etc. at BEML and at the HAL Training Institute. The Committee recommend that intensified and specialised training scheme may be launched with a view to achieve cent per cent Indianisation of Technical personnel as quickly as possible. (Paragraph 8.19).

Reply of Government

BEML have taken necessary steps in regard to intensification of the training programme as well as imparting of specialised training to their personnel. The details of the steps are as under:—

- (i) Facilities offered by the Advanced Training Institute at Madras, a UNDP Project, are being availed of to train BEML's technicians.
- (ii) Officers are being deputed for specialised training in the field of machine foundation and Industrial Electronics organised by the Roorkee University and the Central Scientific Instruments Organisation.
- (iii) For imparting training to BEML's Officers in theoretical aspects concerning Quality Control, Production Management, and General Management, facilities offered by Institutions like the Administrative Staff College of India; the All India Management Association; the Sri Ram Centre, etc.; are being availed of. So far, about 150 officers have been detailed for such training and further 50 officers are proposed to be deputed during 1972-73.

It may also be pointed out that regular production in the Earth-moving Equipment and the Railcoach factories of BEML is even now being handled entirely by the Indian technicians. There were, however, two Japanese technicians attached to the Earth Movers Factory on a temporary basis for installation and commissioning of certain sophisticated machinery for Crawler Tractors, production and training the personnel in the operation of this Machinery. There is also one technician from the USA, on temporary employment basis, for technical assistance in speeding up the pace of indigenisation in respect of the wheeled heavy earth moving equipment. His tenure expires in August, 1973.

The Company has recently approached Government for approval to the employment of two more Japanese technicians on a temporary basis, for a period of one year in each case. They will be

responsible for helping BEML indigenise most of the sophisticated assemblies like Transmissions, final drive, clutch assembly and gears etc. in BEML's Crawler tractor programme. BEML will be arranging for suitable competent men to work as understudy to these technicians so that the Company does not feel handicapped after the return of these two technicians. This matter is under consideration.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 5th February, 1973]

.. Recommendation (Serial No. 36)

The Committee note that the terms of the foreign technician from USA had to be extended by two years as he is now found very helpful for purposes of indigenisation. The Committee hope that the Company will now be able to utilise fully the services of this technician and would discourage the retention of foreign technicians unless absolutely justifiable. (Paragraph 9.20).

Reply of Government

Bharat Earth Movers Ltd. have confirmed that the services of the U.S. Technician are being utilised to the fullest extent, and that his present term which expires on 18th August, 1973 would not be required to be extended.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 29th December, 1972].

Recommendation (Serial No. 37)

The Committee note the importance given to the Personnel Department in the organisation of the undertaking and hope that the department will justify the purpose for which it has been set up. (Paragraph 9.22).

Reply of Government

The Recommendation has been taken note of.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 29th December, 1972].

Recommendation (Serial No. 42)

The Committee recommend that Government should examine and take an early decision about constituting Council of Joint

Management in BEML and of giving representation to workers on the Boards of Directors of Public Undertakings in Defence Sector. (Paragraph 9.38).

Reply of Government

A Works Committee has already been set up in Bharat Earth Movers Ltd. and this is working satisfactorily. In view of this, the setting up of a separate Joint Management Council is not considered necessary. As regards representation to workers on the Board of Directors, this matter has been considered in relation to all the Government of India Public Sector Undertakings and it has been decided that the scheme of appointment of representative of the workers on the Boards of Management of Public Sector Undertakings should be initially tried in one or two undertakings. It has also been decided that sensitive Defence and strategic undertakings may be kept outside the purview of this scheme.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)|PC.42
dated 25th January, 1973].

Recommendation (Serial No. 45)

The Committee are surprised to note that the Government Undertaking went ahead with signing a collaboration agreement without the DPR being available to them. Such a practice is not only unusual but lays down as unhealthy precedent for future. The Committee recommends that steps should be taken to avoid recurrence of such errors in future. [Paragraph 10.2 (i) (b)].

Reply of Government

Kindly see the reply to recommendation No. 2(Para 3.7).

[Ministry of Defence, O.M. No. F.38(15)|71|BEM|D(BEL)
dated 25th January, 1973].

Recommendation (Serial No. 46)

The primary duty of an undertaking is to adhere to the rated capacity of every plant and machinery. Thereafter the performance and production should be judged against the rated capacity. The Committee recommend that the Undertaking should take steps to attain the rated capacity of the Plants if not done already. Moreover, any downward revisions of the targets of production should be done on the basis of valid grounds. [Paragraph 10.2 (ii) (b)].

Reply of Government

The Company has stated that it realises the need to attain the rated capacity as early as possible. However, as the Earth Mover Equipment Factory of BEML is still in the stage of construction and progressive installation of commissioning of plant and machinery in the various Factory Shops, assessment of rated capacity equipment-wise has not so far been possible. This will be done when all the plant and machinery required is in position and commissioned.

2. As regards downward revision of the targets, Government have issued instructions to the Defence Public Sector Undertakings, including BEML, that the targets once fixed should not be revised downward except under exceptional circumstances and that too with the prior approval of Government *vide* the enclosed copy of D.O. letter No. F.17(251)|71|D(PS) dated 1st May, 1972. (Appendix III).

[Ministry of Defence, O.M. No. F.38(15)|71|BEM|D(BEL)
dated 25th January, 1973].

.. Recommendation (Serial No. 47)

It has come to the notice of the Committee that castings and forgings for the products of the undertaking are made in HAL, Heavy Vehicle Factory and Praga Tools Ltd. Castings and forgings, the Committee feel, are the most vital process for an undertaking-like the BEML. The Committee note from the written material furnished by the undertaking that although orders were placed on established manufacturers well in advance, they were sometimes not able to supply these forgings in time in view of the difficulties experienced by them in obtaining the required forging quality steel billets from the steel plants. Crawler tractor manufacture requires considerable amount of steel castings of intricate nature whose supplies were not forthcoming in adequate quantities. Non-supply of or slow supply of steel castings does effect, at times, the scheduled programme. The Committee recommend that Foundaries in Jabalpur, Wardha and Avadi be advised by the Government to accord adequate priority to the work of the BEML as they are producing very important defence equipments like heavy earth moving machinery and tractors which are vital to Border Roads Organisation, etc. [Paragraph 10.2 (ii) (c)].

Reply of Government

As explained in the reply to the Committee's recommendation No. 1 (Para 2.15), so far as forgings are concerned, suitable alter-

native sources are being developed by Bharat Earth Movers Ltd. The major difficulty at present being experienced by the Company is in respect of supply of intricate steel castings. The Company has developed a few sources for the supply of steel castings also but these are inadequate for fully meeting its requirements. Efforts are being made by BEML to develop other sources of supply.

2. As regards the Committee's recommendation that foundries in Jabalpur, Wardha and Avadi should be advised to give priority to the requirements of BEML, there are no foundries under the Department of Defence Production either at Wardha or Avadi. The foundry which is being set up at Jabalpur is a Grey Iron Foundry and it would not therefore be in a position to supply steel castings to BEML. However, the requirements of BEML in regard to Grey Iron castings have been taken into account in planning the product-mix of the Jabalpur Foundry which is expected to go into production in mid-1970s.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 29-12-1972].

Recommendation (Serial No. 49)

The Committee has not yet been able to find the basis on which the increase in staff has been agreed to by the Undertaking from time to time. They recommend that a systematic study of the staff requirements of the Undertaking should be carried out periodically before fresh recruitment is made. In this connection, they suggest that a work study cell should function in the Undertaking if not already in existence to carry out the work study at regular intervals, taking into consideration the job requirements of the individual items of production. The staff strength should be determined after taking Work Study Report into account. [Para 10.2(v)(b)].

Reply of Government

A work study cell is already functioning in each of the two Factory Divisions of BEML under the respective Industrial Engineering Departments. The Work Study Cells carry out work studies at regular intervals as suggested in the Committee's recommendation and the staff strength requirements are determined on the basis of the assessment of the respective Industrial Engg. Departments, with reference to the time standards in the case of the 'direct' staff, i.e. workmen, and on the basis of well accepted norms based on work-load, job requirements, and the work studies carried out from time to time, in the case of the 'indirect' staff.

[Ministry of Defence O.M. No. 38(15)|71|BFM|D(BEL)
dated 29-12-1972].

Recommendation (Serial No. 51)

The Committee find that while fixing prices the undertaking is guided by market conditions and they try to ensure that their prices are as competitive as possible in regard to their products. In other words, it appears that no systematic or uniform policy in regard to pricing of the products (earth movers and tractors) has yet been framed and pricing is dependent on the competitive market price coupled with the negotiations with the customers. It is not clear to the Committee as to whether the prices agreed upon are on the basis of actual cost plus overheads and other incidentals or it is ad hoc or is based on fixed price contract system. The Committee recommend that the undertaking should consider and evolve a rational pricing policy to maintain and improve its profitability. The pricing policy should take into consideration market price, the cost of products including fair return on capital after providing for depreciation and interest on a realistic basis keeping in view the competitive nature of the price level. [Paragraph 10.2(viii)]

Reply of Government

BEML have developed a pricing system which takes into account the past actual cost of production and also variations anticipated in the various elements of cost during the ensuing period. The sale price is fixed after adding to this estimated cost of production, suitable provision for "mark-up" to get a fair return on the capital employed but this also takes into account the market condition and the prices of competitive products. In this connection reply to recommendation No. 25 (Para 6.7) may also be referred to.

[Ministry of Defence U.O.M. No. 38 (15) |71|BEM|D (BEL)
dated 29-12-1972].

Recommendation (Serial No. 53)

To SUM UP, the Committee find that the undertaking has been performing its production activities consistent with profitability. Certain handicaps in the form of delay in the utilisation of the services of the collaborators, shortfall of raw materials and imported components, etc. had appeared in the past. The Committee hope that it would be possible for the Undertaking to overcome those difficulties and maintain its tempo of activity in production, sales and particularly, the export sales. The Committee hope that the profit that this undertaking is earning will not only be maintained but would be enhanced in future. The principal objectives for which the company stands, the Committee expect, will ultimately be fulfilled. [Paragraph 10.3(iv)]

Reply of Government

All possible efforts are being made by the Company to overcome the handicaps and difficulties referred to by the Committee, and to maintain its growth trend in regard to production, sales, and profitability. It is hoped that BEML will also be able to increase its export sales in the coming years.

[Ministry of Defence O.M. No. 38(15)|71|BEM|D(BEL)
dated 29-12-1972].

CHAPTER IV

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

Recommendation (Serial No. 3)

The Committee would like to point out that the agreement with the foreign collaborators suffers from several serious drawbacks. The main drawback is that the technical assistance fee of over Rs. 44 lakhs and Royalty, Research and Development fee of Rs. 15 lakhs have been paid in accordance with a time schedule which bears no relationship to the actual progress made in developing manufacturing capacity for earth moving machinery and equipment to BEML. The Committee would further like to point out that according to Govt.'s own admission there was a liability to pay a minimum royalty of \$ 5,00,000 (Rs. 37,50,000) as on 27th October, 1967 whereas if it was related to equipment assembled and sold by BEML, it would amount to \$50,000 (Rs. 3,75,000) only. This clearly points to the fact that royalty to the tune of \$4,50,000 (Rs. 33,75,000) has been paid without commensurate benefit. The Committee would like the Government to fix the responsibility for the negligence on the part of persons responsible for the inclusion of such a clause in the agreement which has resulted in a huge loss to the Exchequer.

The Committee would like Government to take serious notice of these shortcomings in the Agreement and issue necessary standing instructions in consultation with the Ministry of Finance and Comptroller and Auditor General to obviate chances of incorporation of such clauses which are detrimental to our interests in Agreements with foreign collaborators. (Paragraph 3.15)

Reply of Government

The situation referred to in the first sub-para of the Committee's recommendation, involving payments of technical assistance fee and minimum royalty according to a specified time-schedule without being able to derive corresponding advantage from the collaboration agreement, is mainly due to the delay in the final sanctioning of the Project which, as already explained in reply to Recommendation No. 13 (Paragraph 4.13), was due to certain unforeseen developments. At the time the collaboration agreement was concluded, based on the

then expectations, the payment terms incorporated in the agreement were considered as reasonable. It may also be pointed out that the collaborators had originally stipulated much higher payments and they could be persuaded to agree to the reduced payments stipulated in the agreement only after considerable negotiations.

2. Repeated attempts by the Ministry of Defence to relate payment of Royalty as well as technical fee even partly to actual production however were not acceptable to M/s. LeTourneau Westinghouse Company who declined firmly to agree to the suggestion. The terms of the agreement were examined in consultation with the Ministry of Finance and the then Ministry of Steel and Heavy Industries. Full facts of the case were also brought to the notice of the then Defence and Finance Ministers and both of them approved of the final draft of the agreement.

3. As explained above, there has been no lapse or negligence on the part of any officer or Department and there is, therefore, no need to fix individual responsibility.

As regards the issue of standing instructions suggested by the Committee on Public Undertakings, the matter has been taken up with the Department of Industrial Development so as to obviate the incorporation of such clauses in the foreign collaboration agreements which are detrimental to our interests.

[M. of D. O.M. No. 38(15)|71|BEM|D(BEL)|PC. 3 dated
5th February, 1973].

Comments of the Committee

Please see paras 1 to 5 of Chapter I of the Report.

Recommendation (Serial No. 12)

The Committee regret to note that the time taken by the Government at different stages was unduly long considering the fact that the collaboration agreement for a specific period had already been entered into and the payment thereunder amounting to \$ 7,50,000 representing Technical Assistance Fee, were falling due from time to time besides the minimum amount of \$ 5,00,000 payable towards Royalty, Research and Development Fee for the first five years of the Agreement. (Paragraph 4.12).

***Reply of Government**

Government had to examine the Project from all angles to satisfy themselves about its economic viability and also the technical soundness. This necessitated reference to the Technical Committee. The Project was approved in principle in March, 1964 but thereafter a further feasibility report by a US firm of Consultants was considered

*Reply yet to be vetted by the Office of the C&AG.

to be necessary in order to facilitate the requisite US EXIM Loan to finance the foreign exchange component and also to re-assure the Government from the economic and technical feasibility angle. The US Consultants were appointed in Oct. 1964 and their report was completed by the end of May, 1965. Government approval to an integrated project for the manufacture of Crawler Tractors and Heavy Earth Moving equipment, based on the Consultant's report, was accorded in July 1965 and thereafter the required application for the US EXIM Loan was filed on 9th Sept. 1965, which happened to be the day on which the US Government imposed an embargo on aid to India. There were, nevertheless, indications about the US EXIM Bank's willingness for preliminary progressing of the application. As a matter of fact, the Bank officials asked for certain supplementary data which was furnished by mid-December, 1965. The Bank officials subsequently asked for certain further clarifications which were also furnished in the first week of February, 1966. The discussions held by officials of the Indian Embassy in Washington with the officials of the US EXIM Bank during the intervening period showed that the BEML Project was considered to be *prima facie* suitable for financing by the Bank at the staff level. In July, 1966, a suggestion was made that it would help processing of the BEML Loan Application with the US EXIM Bank if our requirement could be pruned down. This was also examined and revised minimum requirements intimated. The matter continued to be pursued vigorously with the Indian Embassy in Washington as also with the Economic Affairs Department and even till early 1967, there was a reasonable expectation of the EXIM loan materialising though for somewhat reduced amount. Apart from the fact that the USA was considered to be a suitable source for the capital equipment required for the Earth Mover Division of BEML, the foreign exchange requirement was also large and there were difficulties of covering such a large requirement from other sources in the intervening period. Only in mid-1967, it became apparent that US EXIM Bank had not found it possible to accommodate this project within their total lending level to India;* foreign exchange released amounting to \$2.2 million (\$900,000 under US AID \$700,000 West German Suppliers' Credit and \$600,000 from East European sources) were accordingly made to cover BEML's commitments for 1967-68. As regards the requirements for the following year, further releases were to depend upon fresh credits that might become available. In the meantime, it became necessary to review the scope of the project keeping in view the recessionary trends and

*According to Audit. The statement "US EXIM Bank had not found it possible to accommodate this project within their total lending level to India" could not be verified by Audit in the absence of supporting papers".

its impact on demand for the items to be produced by BEML. Further, as the Project Report had been based on the prices ruling in 1966, a review of the projects costs became necessary particularly in the context of the devaluation of rupee in 1966 and its effect on the prices of imported items. The review of the scope of the project and the project costs were completed in May 1968 and Government's sanction for the implementation of the project was accorded in July/August 1968. It may therefore be seen that the question of covering foreign exchange requirements of the project had been under constant review and the need for an early decision was not lost sight of at any stage.

[Ministry of Defence, O.M. No. 38(15)/71/BEM/D(BEL) dated 5th February, 1973].

Comments of the Committee

Please see paras 6 to 9 of Chapter I of the Report.

Recommendation (Serial No. 13)

The Committee are not convinced with the plea that delay in the planning and execution of the BEML Project was due to 'unforeseen circumstances'. The decision of the US Government not to enter into any new aid commitments to India became known to Government of India in September 1965. There was no justifiable reason to keep the matter pending for two years in the hope of availability of foreign exchange from US sources even after their inability had become definitely known. Had Government preplanned the alternative sources of foreign exchange for this project at an early stage and tapped them as soon as it was known that EXIM Bank Credit would not be forthcoming, the delay of two years could have been avoided. (Para 4.13).

***Reply of Government**

When Government accorded approval in July 1965 to the integrated project of Bharat Earth Movers Ltd. for the manufacture of Crawler Tractors and Heavy Earth Moving Equipment, it was envisaged that the foreign exchange requirement of the Heavy Earth Moving Equipment portion might be met through US EXIM loan. An application for this loan was filed on 9th September, 1965. Even though the US Government's embargo on US AID to India was also announced on the same day, there were indications of US EXIM's willingness for preliminary progressing of the application. As a matter of fact, the Bank officials asked for certain supplementary data which was furnished by mid-December, 1965. The Bank officials sub-

*Reply yet to be vetted by the office of the C&AG.

sequently asked for certain further clarifications which were also furnished in the first week of February, 1966. The discussions held by officials of the Indian Embassy in Washington with the officials of the US EXIM Bank during the intervening period showed that the BEML Project was considered to be *prima facie* suitable for financing by the Bank at the staff level. In July, 1966, a suggestion was made that it would help processing of the BEML Loan Application with the US EXIM Bank if our requirement could be pruned down. This was also examined and revised minimum requirements intimated. The matter continued to be pursued vigorously with the Indian Embassy in Washington as also with the Economic Affairs Department and even till early 1967, there was a reasonable expectation of the EXIM loan materialising though for somewhat reduced amount. Apart from the fact that the USA was considered to be a suitable source for the capital equipment required for the Earth Mover Division of BEML, the foreign exchange requirement was also large and there were difficulties of covering such a large requirement from other sources in the intervening period. Only in mid-1967, it became apparent that US EXIM Bank had not found it possible to accommodate this project within their total lending level to India*; foreign exchange releases amounting to \$2.2 million (\$900,000 under US AID, \$700,000 West German Suppliers' Credit and \$600,000 from East European sources) were accordingly made to cover BEML's commitments for 1967-68. As regards the requirements for the following year, further releases were to depend upon fresh credits that might become available. In the meantime, it became necessary to review the scope of the project keeping in view the recessionary trends and its impact on demand for the items to be produced by BEML. Further, as the Project Report had been based on the prices ruling in 1966, a review of the project costs became necessary particularly in the context of the devaluation of rupee in 1966 and its effect on the prices of imported items. The review of the scope of the project and the project costs were completed in May 1968 and Government's sanction for the implementation of the project was accorded in July/August 1968. It may therefore be seen that the question of covering foreign exchange requirements of the project had been under constant review and the need for an early decision was not lost sight of at any stage.

[Ministry of Defence O. M. No. 38(15)|71|BEM.D(BEL) dated 5th February 1973].

Comments of the Committee

Please see paras 6 to 9 of Chapter I of the Report.

*According to Audit. The statement "US EXIM Bank had not found it possible to accommodate this project within their total lending level to India" could not be verified by Audit in the absence of supporting papers".

Recommendation (Serial No. 34)

The Committee find that Bharat Earth Movers Ltd., have got a part-time Chairman and a full-time Managing Director. In their Report on Public Sector Undertakings the Administrative Reforms Commission had recommended that a Board of Management of the Public Sector Corporation should have a full-time Chairman-cum-Managing Director. Government considered their recommendations and took a decision that as a rule there should be full-time Chairman-cum-Managing Director and in exceptional case where the Chairman might be only a part-time one, there should be a full-time Managing Director. The Committee fail to understand why an exception was made in this particular case. The Committee desire that Government would examine the possibility of combining the posts of Chairman and Managing Director in Bharat Earth Movers Ltd., in the light of their own decision. (Paragrah 9.6)

*Reply of Government

Though the ARC had recommended that as a rule public sector corporation should have a full-time Chairman-cum-Managing Director, Government while considering the recommendation had felt there may be circumstances in which it will be more advantageous to have a part-time Chairman and a separate full-time Managing Director. In the case of BEM, since this Public Sector Undertaking is still in a developmental Stage, the presence of a senior experienced person as part-time Chairman of the Board or who can provide superior guidance to the affairs of the Company is considered a distinct advantage.

[M. of D. O.M. No. 38(15)/71/BEM/D(BEL), dated 29-12-1972]

*(Reply yet to be vetted by Audit.)

Comments of the Committee

Please see paras 10 to 12 of Chapter I of the Report.

Recommendation (Serial No. 50)

The Undertaking is having both part-time Chairman and a full-time Managing Director which is contrary to the principles enunciated by the Administrative Reforms Commission and also recommendations of the Committee on Public Undertakings (8th Report of the CPU on Hindustan Aeronautics Ltd.)

The Committee are unable to locate in BEM any special reasons justifying the maintenance of two principal functionaries viz. the

*At the time of factual verification the Audit informed as follows:—

'In the absence of any papers on the Ministry's files it has not been possible to verify the statement that while considering the recommendations of the A.R.C. Government felt that there may be circumstances in which it will be more advantageous to have a part-time Chairman and a separate full time Managing Director.'

Chairman and the Managing Director. The Committee while reiterating their earlier recommendations contained in the above mentioned report that when the Chairman has no executive functions and is simply required to preside over the meeting of the Board, there is no point in having one such in addition to a Managing Director; recommend that the Undertaking should implement it. [Paragraph 10.2(vi)]

Reply of Government

The Reply of Government to para 9.6 may please be referred to. [Ministry of Defence, O.M. No. 38(15)/71/BEM/D(BEL) 29-12-1972].

Comments of the Committee

Please see paras 10 to 12 of Chapter I of the Report.

Recommendation (Serial No. 52)

As regards home sales, the Committee find that the sales have amounted to Rs. 13.93 crores in 1967-68, Rs. 21.51 crores in 1968-69, and Rs. 22.86 crores in 1969-70. To that extent, the undertaking has been able to sell its products in the home market.

The Committee also find that the undertaking has embarked upon exploring export markets. At present its export activity is confined to countries in and around India, such as Nepal, Ceylon & WEST Asian countries. Their sales agency has also been set up in Nepal. It is not known to the Committee whether any export has yet been made of its products to these countries.

The Committee recommend that the undertaking should strive hard to fulfill its objectives to export heavy earth moving equipment and tractors to the countries whose markets they have started exploring namely, Nepal, Ceylon and West Asian countries. [Paragraph 10.3(ii)].

Reply of Government

The exports of earthmoving equipment so far made by the Company are given below:

Country	Equipment	Quantity	Total value
			Rs.
Nepal	(i) D50A-15 crawler Tractor with attachments	2 Nos.	4,07,491.00
	(ii) D-80 A-8 crawler tractors with attachments	2 Nos.	8,18,152.00
	(iii) Do.	1 No.	4,05,076.00
	(iv) Towing winch for D50A-15	1 No.	24,436.00
	(v) 440 Motor Grader with attachment	1 No.	2,87,300.00

Country	Equipments	Quantity	Total balance:
	(vi) 440 Motor Graders	6 Nos.	US\$ 1,07,934.00.
Bhutan	(i) D80A-8 Crawler Tractors	2 Nos.	Rs. 6,00,000.00.
	(ii) D50-15 Do.	1 No.	1,77,000.00
Sikkim	D50A-15 Do.	1 No.	1,77,000.00.

The Company will continue to make efforts towards further exports of Earth Moving Equipment.

[M. of D. O.M. No. 38(15)/71/BEM/(D)/(DEL), dated 25-1-1973].

Comments of the Committee

Please see paras 13 to 15 of Chapter I of the Report.

CHAPTER V

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

NIL

NEW DELHI;
March 22, 1973.

Chaitra 1, 1895 (S).

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide reply to recommendation at Sl. No. 1—Para 2.15 of Chapter II)
No. F. 38(15) |71|BEM||D(BEL) PC. I

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
New Delhi, the 3rd June, 1972

To

The Managing Director,
Bharat Earth Movers Limited,
Unity Buildings,
Bangalore-2.

SUBJECT:—Second Report of the Committee on Public Undertakings on Bharat Earth Movers Ltd., Review of the position of Supply of Forgings and Castings ordered on other Public Undertakings.

Sir,

As you are aware, the Committee on Public Undertakings in their Recommendation No. 1 para 2.15 have emphasised the necessity to keep the present arrangements in regard to supply of forgings and castings by other public sector undertakings to BEML, under periodical review. Government have accepted the recommendation and in pursuance of this, it is requested that a half-yearly progress report giving undertaking-wise and equipment-wise details of the orders placed by BEML for items of forgings and castings with the other public sector undertakings in the following proforma may please be furnished to the Department of Defence Production regularly, 1st August, and 1st February each year.

Sr. No.	Name of Public sector undertaking on which orders were placed	Item	Date of placement or order	Scheduled Date of supply of sample
1	2	3	4	5
6	7	8	9	10
6	7	8	9	10

2. The first half-yearly report for the period ending 30-6-1972 may please be forwarded by 1st August, 1972 at the latest. A copy of this report should be placed before the Board of Directors for their information.

Yours faithfully,

Sd/-

K. SREEDHAR RAO,

Under Secretary to the Government of India.

APPENDIX II

(Vide reply to recommendation at Sl. No. 8—Para 3.31 of Chapter II)

No. 38(15)/71/BEM/D(BEL) PC. 8

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 9th June, 1972.

OFFICE MEMORANDUM

SUBJECT—BEML—Supply of spares for the Earth Moving Equipment.

Complaints have been often received that equipments supplied by Bharat Movers Ltd., Bangalore are not fully utilised due to lack of spares. BEML are now in the process of evolving a suitable stocking policy to remove this difficulty, but in order to enable BEML to arrive at realistic decisions in the matter, it is requested that Users make as exact assessment of spares requirements as possible with a time frame for supplying the same taking into account the type of usage to which the equipment are put to, the standard if any followed by the Users, maintenance and repair programme etc. After making an assessment the same may be communicated to BEML at an early date. It is also requested that requirements of spares be placed on BEML sufficiently in advance so that BEML are in a position to plan their production as also, if necessary, import the spares, for which sufficient lead time has to be allowed.

Yours faithfully,

Sd|-

K. S. RAO,

Under Secretary to the Government of India-

1. Army HQ (E-in-C's Branch)
2. DGBR
3. Ministry of Irrigation & Power
4. Ministry of Steel & Mines
5. Railway Board
6. Ministry of Finance (BPE).

APPENDIX III

[Vide reply to recommendation at Sl. Nos. 14, 18 and 46—Paras 5.14, 5.37 and 10.2 (ii) (b) of Chapter II and III respectively]

MOHINDAR SINGH

Deputy Secretary (PS I)

'IMMEDIATE'

D.O. No. F. 17(251)/71/D(PS)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(Department of Defence Production)

New Delhi, May 1, 1972.

Please refer to my D.O. letter No. 5587-DS(PS)/71 dated the 1st September, 1971, copy enclosed regarding the need to ensure achievement of physical and financial targets set by the Public Sector Undertakings.

2. Raksha Utpadan Mantri has recently expressed serious dissatisfaction over the fact that the Public Sector Undertakings have quite often revised their annual targets of production/sales downwards, towards the middle of the year, which would indicate that either the original targets were not correctly formulated or that there had been faulty planning and execution of the programme to achieve targets. Raksha Utpadan Mantri has therefore desired that in future any downward revision of the targets *should be done only under exception circumstances and that too with the prior approval of the Government.* Accordingly, whenever a downward revision of targets is hereafter considered absolutely necessary, the undertakings should come up to Government for necessary approval after obtaining the approval of their Boards of Directors and with full justification/grounds in support of the proposed downward revision.

Yours sincerely,

Sd/-

(MOHINDAR SINGH)

1. Air Marshal O. P. Mehra, Chairman, HAL.
2. Rear Admiral B. A. Samson, Chairman & MD, MDL Bombay.
3. Lt. General A. C. Iyeappa, Chairman & MD, BEL, Bangalore.
4. Maj. Gen. O. M. Mani, MD, BEML.
5. Shri G. C. Mukherjee, MD, PTL, Hyderabad.
6. Shri S. S. Soundarajan, PTL, Hyderabad.
7. AVM S. J. Dastur, MD, BDL, Hyderabad.

Copy to:

D(HAL-I)/D(HAL-II)/D(BEL)/D(GRW/MD)

Copy also to:

JS (AR)|JS(PS&C)|DS(PS-I)|DS(PS-II)|OSD(GRW|MD) SO II
D(PS).

ANNEXURE

IMMEDIATE

D.O. No. 5587-DSPS-71

MOHINDAR SINGH,
Deputy Secretary (PS)

New Delhi, September 1, 1971.

SUBJECT: Need to ensure achievement of physical and financial targets set by Public Sector Undertakings.

Dear

I enclose for your information a copy of self-explanatory D.O. letter dated 9th July, 1971 received by the Minister for Defence Production from the Minister of Revenue and Expenditure on the above subject. A copy of the reply dated 12th August, 1971 sent by the Minister of Defence Production to the Minister of Revenue and Expenditure is also enclosed.

2. From an analysis of the performance as against the targets for the years 1970-71 in the case of Defence Public Sector Undertakings, it has been observed that there have been substantial shortfalls in achieving targetted value of production in case of some of these undertakings even though on an overall basis, i.e., taking all the Defence Public Sector Undertakings together, the profit target for the 1970-71 was exceeded. The Minister for Defence Production desires that every effort must be made by your undertaking to achieve the targets for the year 1971-72 both in terms of physical production as also profitability. To ensure this, it will be necessary for you to keep the performance of the undertaking under a constant critical review and suitable remedial action will have to be taken well in time in case of any serious bottlenecks threatening a shortfall in production or the sales. It is requested that the Board of Directors of your Undertaking may give special attention to this matter. The monthly/quarterly Progress Reports on the performance of the undertakings which are required to be forwarded to the Ministry/Bureau of Public Enterprises should also contain a critical analysis of the performance both in respect of physical performance in terms of production as also the sales and profitability and if there are any serious hurdles or problems in which Government assistance-

is needed pointed attention, of the Ministry may be drawn to such problems and suitable briefs may also at the same time be forwarded to enable the Ministry to render necessary assistance.

Yours sincerely,
Sd/- MOHINDAR SINGH

MD BEML
MD BEL
MDL BDL
MD GRW
MD PTL
CHAIRMAN HAL etc.

ANNEXURE

COPY

MINISTER OF REVENUE & EXPENDITURE

Ministry of Finance India

New Delhi, July 9, 1971.

My dear Shri Shukla,

On the basis of the annual budgets for the year 1971-72 received from the public enterprises, an overall assessment of the performance of public enterprises during 1971-72 has been made by the Bureau, a copy of which is enclosed. The salient features are:

- (a) In 1971-72, 47 running concerns are expected to make a total profit of Rs. 93.92 crores and 20 enterprises are expected to incur a total loss of Rs. 94.76 crores and against

36 making a total profit of Rs. 62.07 crores and 29 a total loss of Rs. 80.64 crores in 1970-71. The overall net profit anticipated during 1971-72 is of the order of Rs. 39.16 crores as against a net loss of Rs. 18.57 crores in 1970-71.

- (b) While the projections for 1971-72 indicate a significant over all improvement in the performance of public sector enterprises, the question whether the companies would be able to actually achieve the targets indicated in their budgets during the current year remains to be carefully watched. In 1970-71 also the public enterprises projected for an overall profit of Rs. 51.16 crores but the actual performance has resulted in a net loss of Rs. 18.57 crores. The overall shortfall in the performance during 1970-71 has been of the order of Rs. 70 crores.

To avoid recurrence of such major shortfall in the current year, I would recommend the following measures for your consideration.

- (i) The performance of each enterprise under your control may kindly be reviewed at the end of each quarter and if any shortfall in the performance is noticed, their performance would need to be critically examined and also remedial measures that have been initiated or are necessary to initiate an improvement in their performance to achieve the budgetted targets;
- (ii) The enterprise should be informed that under no circumstances they would be allowed during the current financial year to lower either the physical production targets and of operating results in financial terms.

You will agree with me that unless the performance of public enterprises are critically reviewed, at the end of each quarter and wherever necessary expeditious steps are taken, the performance in 1971-72 may not show any significant improvement in comparison to the performance of 1970-71.

I would be grateful, if you will kindly keep me posted with details of the performance of each enterprise under your Ministry from time to time.

With regards,

Yours sincerely,
(K. R. GANESH)

Shri V. C. Shukla,
Minister of Defence Production,
South Block,
New Delhi.

ANNEXURE
COPY
No. 1430/RUM

New Delhi, August 12, 1971.

Dear

I am writing this with reference to your D.O. letter dated the 9th July, 1971, regarding the need to ensure that the Public Sector Undertakings keep to their budgetary targets of performance and profitability.

2. I agree with you entirely that major shortfalls in performance as witnessed in 1970-71 should be avoided and that every effort must be made to ensure that the budgetary targets of performance and profitability for 1971-72 are achieved by the public sector undertakings. We already have the practice of quarterly assessment of the performance/progress of the Defence Public Sector Undertakings. But, as suggested by you, the reviews will hereafter be carried out more critically and these will also cover remedial measures necessary for achieving improvement in the performance. We are also advising the Defence public sector undertakings that every effort must be made to achieve the budgeted targets of performance and profitability for 1971-72.

3. From the statement enclosed with this letter you would observe that on the whole the budget estimates of Defence public sector undertakings relating to profit before tax during 1970-71 were not only achieved, but slightly exceeded and we are reasonably confident

that the projections for the year 1971-72 would also be achieved, unless they are upset by certain major factors like non-receipt of materials like steel. In that eventuality it may be necessary to seek the assistance of the Ministry of Finance for release of additional foreign exchange or rupee resources.

Yours sincerely,

Sd/-

(VIDYA CHARAN SHUKLA)

Shri K. R. Ganesh,
Ministry of Revenue &
Expenditure, New Delhi.

APPENDIX IV

(Vide reply to recommendations at Sl. No. 15 Para 5.15 of Chapter II)

No. F. 38 (15) |71|BEM|D (BEL) |PC. 15

**GOVERNMENT OF INDIA
MINISTRY OF DEFENCE**

New Delhi, the 23rd May, 1972.

To

The Managing Director,
Bharat Earth Movers Ltd.,
Unity Buildings,
Bangalore-2.

**SUBJECT: Second Report of the Committee on Public Undertakings
on B.E.M.L.**

Sir,

As you are aware, the Committee on Public Undertakings in their recommendation No. 15 para 5.15 have pointed out that non-availability of the adequate components and spares is one of the major reasons for non-fulfilment of production targets. You are requested to see to it that all possible steps are taken to ensure supply of required components in time and also make every effort to achieve the targets once set.

Yours faithfully,

Sd|-

(K. SREEDHAR RAO),

Under Secretary to the Government of India.

APPENDIX V

(Vide reply to recommendation at Sl. No. 16 Para 5.24 of Chapter II)

IMMEDIATE

F. 38 (15) | 71 | BEM | D (BEL) - PC. 31

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 29th July, 1972.

To

The Managing Director,
Bharat Earth Movers Limited,
Bangalore.

Sir,

Kindly refer to your reply to recommendation No. 31 para 8.11 of the second Report of the Committee on Public Undertakings (1971-72) concerning BEML. The Company has stated that the Committee set up by the Ministry of Irrigation and Power would be making a re-assessment of the demand for the Earthmoving equipment and that your officers also keep in constant touch with various Users to make realistic assessment of the demand pattern for the equipment.

2. On an examination of the terms of reference of the Committee appointed by the Ministry of Irrigation and Power it appears that the Committee will mainly confine itself to the requirements of the Ministry of Irrigation and Power and that too for the Fourth Five Year Plan period. The recommendation made by the Committee on Public Undertakings is that a comprehensive long-term demand survey covering all types of the equipments manufactured by BEML should be undertaken by the Company itself from time to time. For this, systematic studies as well as market research will be necessary and liason of BEML's officers in a general or informal manner with the Users will not by itself suffice.

3. It is accordingly suggested that BEML should make arrangements for undertaking periodical comprehensive and systematic

surveys of the long-term demand of BEML's equipments as the results of these surveys could form a valuable guide to the Company in planning the production programmes. It would also be necessary for BEML to have an effective Market Research Cell which could alert the Company about any sudden fluctuations in the market demand. The steps taken in this regard may please be intimated to Government at an early date.

Your faithfully,

Sd/- (K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

APPENDIX VI

(Vide reply to recommendation at Sl. No. 26—Para 6.8
of Chapter II)

No. 38 (15) /71/BEM/D (BEL)/PC-26

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION

New Delhi, the 19th June, 1972.

To

The Managing Director,
Bharat Earth Movers Ltd.,
Bangalore.

SUBJECT:—*Second Report of the Committee on Public Undertakings (1971-72) (5th Lok Sabha) pertaining to BEML—Report as regards the action taken on.*

Sir,

The Committee on Public Undertakings (1971-72) (5th Lok Sabha), in para 6.8 of their Second Report pertaining to BEML, have made the following recommendations, namely:

(i) Every effort should be made by the Undertaking to ensure that the cost of manufacture in India is kept as near as possible to that obtaining in the collaborator's own country;

(ii) The Committee consider that a study should continuously be made as regards, the cost of the equipment produced by BEML's collaborators and that produced in BEML's factory, as a part of the effort to control and reduce the cost of manufacture.

2. While BEML have assured that every effort will be made by the Company to achieve economies in the cost of production and to keep the prices competitive and as low as possible, the Company has stated, at the same time, that comparability of the indigenous cost of manufacture with that of the collaborators will depend on various factors such as cost of castings, forgings, other components, and

steel procured from indigenous sources, customs duty and freight on imported items and the scale of manufacture. While it is agreed that these factors would affect BEML's cost of production, it has nevertheless to be accepted that there should be a constant and conscious effort to keep the costs of indigenous manufacture of the equipment by BEML as low as possible. For this purpose, it would be desirable to have a continuous study in regard to the cost of the indigenously produced equipment and the cost of similar equipment produced by BEML's collaborators, so that all possible efforts are made to ensure that the cost of manufacture in India is kept as near as possible to that of the Collaborators' equipment. The Company is therefore, advised to keep a regular watch over the costs of indigenously produced equipment and the prices of similar equipment produced by BEML's collaborators, as part of the efforts to control and reduce the cost of indigenous manufacture. It is suggested that a detailed Review in this regard should be undertaken every six month and placed before the Board of Directors of the Company. This Review should give element-wise comparison of the indigenous costs as well as the Collaborator's costs for those elements, with (a) reasons for higher indigenous cost if that be the case; (b) what steps, if any, can be taken and are proposed to be taken to reduce the indigenous costs; and (c) the time-frame within which such reduction is expected to be achieved.

Yours faithfully,

Sd/- (K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

APPENDIX VII

(Vide reply to recommendation at Sl. No. 29—Para 7.11 of Chapter II)

No. F.38 (15)/71/BEM/D (BEL) |PC.29

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(Department of Defence Production)

New Delhi, the 5th July, 1972.

OFFICE MEMORANDUM

SUBJECT:—2nd Report of the Committee on Public Undertakings—
Bharat Earth Movers Limited.

The Committee on Public Undertakings in their 2nd Report relating to Bharat Earth Movers Ltd., have expressed concern over considerable increase in the Company's book debts. The Committee have also noted with regret that most of the outstanding dues are against Government Departments/Railways/Public Sector Undertakings. The Committee have observed that such large outstandings have the effect of reducing the profitability of the undertaking by straining its resources to meet the requirements of working capital. The Committee have, therefore, desired that Government Departments, Railways and Public Sector Undertakings should accord high priority to settling of bills and effecting payment for machinery, equipment and goods received by them from Public Undertakings. The Ministry of Steel & Mines etc. are therefore requested to issue suitable instructions to all Departments/Organisations and Public undertakings under them accordingly. A copy of the instructions which may be issued in this regard may also please be forwarded to the Deptt. of Defence Production for information.

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

To

All Ministries

Copy to :

(i) E-in-C5s Branch/D.G.B.R.

(ii) D(PS) Section for issuing instructions to Defence Public Sector Undertakings.

Copy also to :

Bureau of Public Enterprises with the request that they may take suitable follow up action as required by the Committee.

APPENDIX VIII

(Vide reply to recommendation at Sl. No. 29—Para 7.11 of Chapter II)

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 72AC 111/30/3

New Delhi, dated 13th June, 1972/
23rd Jyaistha, 1894.

The General Manager,
All Indian Railways including
I.C.F., C.L.W. and D.L.W.
The Director General,
R.D.S.O., Lucknow.
The Chief Administrative Officer,
Metropolitan Transport Project,
Calcutta, Bombay and New Delhi.

Subject:—BEML—Second Report of the Committee on Public Undertakings (outstanding dues against Railways).

A copy of Ministry of Defence's Office Memorandum No. F. 38(15)/71/BEM/D(BEL) dated 10th May, 1972, on the above subject, is forwarded herewith for necessary action. It may also be ensured that no payments are unduly delayed/held up of above firm. In the case of pending payments, immediate action may be taken to clear these arrears.

Sd/-

Dy. Director, Finance (A)
Railway Board.

DA: As above.

Copy to the Under Secretary to the Government of India, Ministry of Defence, New Delhi with reference to Office Memorandum No. F. 38(15)/71/BEM/D(BEL) dated 10-5-1972 for information.

Sd/-

Dy. Director Finance(A),
Railway Board.

APPENDIX IX

(Vide reply to recommendation at Sl. No. 31—Para 8.11 of Chapter II)

IMMEDIATE

No. 38(15)/71/BEM/D(BEL)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE (DEPARTMENT OF DEFENCE
PRODUCTION)

New Delhi, November 4, 1972.

The Managing Director,
Bharat Earth Movers Ltd.,
Bangalore.

SUBJECT:—*Second Report of the Committee on Public Undertakings (5th Lok Sabha) 1971-72, relating to BEML—Recommendation No. 31 regarding need for Annual Demand Surveys.*

Sir,

With reference to this Ministry's letter of even number dated 29th July, 1972 and the Company's subsequent letter No. S.G. 216:652:72 dated 28th August, 1972, the matter has been further considered. A periodical systematic long-term demand survey in respect of the requirements of all the customers of various types of earth moving equipments produced by BEML is considered not only necessary but also of advantage as it will enable BEML to plan its production programme on a realistic basis. Since a detailed demand survey of this type would be time-consuming, such surveys could be conducted at intervals of every three years. However, it would also be useful for planning the Company's production programmes from year to year, if BEML were also to approach at least their major customers about September every year to indicate their likely requirements of heavy earth moving equipment within BEML's production range for which orders have not already been placed by them and which are likely to be required to be supplied during, the next two years. This would enable BEML to take the requirements of their major customers into account when formulating the production programme of the succeeding year.

2. As regards the suggestion made in this Ministry's letter dated 29th July, 1972, regarding the setting up of a Market Research Cell, the suggestion does not imply the setting up of an elaborate separate organisation. What was intended was that Regional Managers and other Field Staff of BEML who have occasion to meet the customers now and then, should keep the Headquarters office informed about the thinking of the customers in regard to the new types of equipment or modifications/improvements required to be incorporated in the existing equipments and that the Headquarters office could then make use of this information. For this purpose, one of the existing senior officers in the Commercial Division could be assigned the task of compiling and collating the information received from the Field Staff and bringing out points of interest to the higher Management.

Yours faithfully,

Sd/-

(MOHINDAR SINGH)

Deputy Secretary to the Government of India.

APPENDIX X

(Vide reply to recommendation at Sl. No. 31—Para 8.11 of Chapter II)

IMMEDIATE

No. F. 38(15)/71/BEM/D(BEL)-PC. 31

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE

New Delhi, the 29th July, 1972.

To

The Managing Director,
Bharat Earth Movers Ltd.,
Bangalore.

Sir,

Kindly refer to your reply to recommendation No. 31 (para 8.11) of the second Report of the Committee on Public Undertakings (1971-72) concerning BEML. The Company has stated that the Committee set up by the Ministry of Irrigation and Power would be making a reassessment of the demand for the Earth Moving equipment and that your officers also keep in constant touch with various Users to make realistic assessment of the demand pattern for the equipment.

2. On an examination of the terms of reference of the Committee appointed by the Ministry of Irrigation and Power it appears that the Committee will mainly confine itself to the requirements of the Ministry of Irrigation and Power and that too for the Fourth Five Year Plan period. The recommendation made by the Committee of Public Undertaking is that a comprehensive long-term demand survey covering all types of the equipments manufactured by BEML should be undertaken by the Company itself from time to time. For this, systematic studies as well as market research will be necessary and liaison of BEML's officers in a general or informal manner with the Users will not by itself suffice.

3. It is accordingly suggested that BEML should make arrangement for undertaking periodical comprehensive and systematic surveys of the long-term demand of BEML's equipments as the results

of the surveys could form a valuable guide to the Company in planning the production programmes. It would also be necessary for BEML to have an effective Market Research Cell which could alert the Company about any sudden fluctuations in the market demand. The steps taken in this regard may please be intimated to Government at an early date.

Yours faithfully,

. Sd/-

(K. SREEDHAR RAO)

..

Under Secretary to the Govt. of India.

APPENDIX XI

(Vide reply to recommendation at Sl. No. 38—Para 9.27 of Chapter II)

No. F. 38(15)/71/BEM/D(BEL)/PC. 38.

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE

New Delhi, the 31st July, 1972.

To

The Managing Director,
Bharat Earth Movers Ltd.,
Bangalore.

SUBJECT:—*Recommendation No. 38 of the Second Report of the Committee on Public Undertakings (Fifth Lok Sabha) relating to BEML—Need for Review of the Company's manpower requirements at regular intervals.*

Sir,

I am directed to refer to your reply to the Recommendation No. 38 of the 2nd Report of the CPU on BEML (Fifth Lok Sabha) and to say that the Committee's recommendation for a review of the manpower requirements of BEML at regular intervals to determine proper utilisation of the working force or the need for additional requirement is a healthy one and Govt. have therefore accepted the recommendation. It is accordingly requested that a systematic comprehensive review of the **Company's manpower requirements** may be undertaken at regular intervals. The review could be biennial or, say, triennial, and should examine in depth the assessed manpower requirements of various categories in the different shops/wings of the three Divisions of BEML and the actual working force, in order to judge the proper utilisation of the work force and to avoid over-staffing. A report based on such detailed study and review, as and when completed should also be placed before the Board of Directors of the Company for their information and directions as regards the action required to be taken.

Yours faithfully,

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

APPENDIX XII

(*Vide* reply to recommendation at Sl. No. 39—Para 9.30 of Chapter II)

No. F. 38(15)/71/BEM/D(BEL)/PC. 39

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE

New Delhi, the 25th July, 1972.

To

The Managing Director,
Bharat Earth Movers Ltd.,
Bangalore.

SUBJECT:—*Recommendation No. 39 of the Second Report of the CPU (1971-72).*

Sir,

I am directed to refer to your reply to Recommendation No. 39 (Para 9.30) of the Second Report of the CPU and to say that the emphasis of the CPU in the aforesaid recommendation appears to be on the framing (and promulgation) of regular rules for recruitment and promotion which also take into account recruitment and promotion principles in well established public undertakings (e.g. HAL/HMT/BEL) and also the Government directives/circulars, including the Model rules for promotion framed by Ministry of Labour & Employment.

2. As for the Personnel Department Manual referred to in your reply, it is presumed that the proposed Manual will codify the rules for use of the Office/Management. It is considered that as soon as codification has been completed, it would be advisable to promulgate and notify these rules also for the benefit of all concerned, including the workmen and executives. This requirement may please be kept in view for necessary action at the appropriate time.

Yours faithfully,

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

APPENDIX XIII

(Vide reply to recommendation at SL Nos. 2 & 11—Paras 3.7 and 4.11 of Chapter III)

IMMEDIATE

No. F. 17(65)/D(PS)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 15th May, 1969.

To

- (i) The Managing Director,
H.A.L., Bangalore
B.E.L., Bangalore
B.E.M.L., Bangalore
M.D.L., Bombay
G.R.W. Calcutta
P.T.L., Secunderabad.
- (ii) The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Foreign Investment|Technical Collaboration proposals—
Guide-lines and procedure for dealing with.*

Sir,

As you are aware, a Foreign Investment Board has recently been formed by the Government of India to deal with proposals for Foreign Investment or Technical Collaboration. This Board and its sub-Committee have replaced the Foreign Agreements Committee, the Foreign Investment Committee and the Negotiating Committee, which previously dealt with these matters. Comprehensive instructions regarding the procedure and guide-lines for dealing with Foreign Investment and Technical Collaboration proposals, indicating (a) the categories of cases which are eligible for foreign investment or technical collaboration; (b) cases which can be decided by the Administrative Ministries; (c) cases which will have to go to the Sub-Committee of the Foreign Investment Board; and (d) cases which will require the approval of the foreign Investment Board, and the procedure for the submission of applications in this regard have been issued by the Ministry of Industrial Development & Company Affairs as under:

- (i) Ministry of I.D.&C.A. Office Memorandum No. IP&FC— I(I)/69 dated 17-1-1969.
- (ii) Ministry of I.D.&C.A. Office Memorandum No. IP&FC— 5(26)/68-II dated 25-1-1969.
- (iii) Ministry of I.D.&C.A. Office Memorandum No. IP&FC— 5(26)/68-II dated 29-1-1969.

Copies of these Office Memorandum have been circulated to the Public Sector Undertakings under the Ministry of Defence, etc. under this Ministry's letters No. F. 17(22)/69/D(PS) dated 24-2-1969 and No. F.17(155)/68/D(PS) dated 17-3-1969.

2. It would be observed from the comprehensive instructions referred to above that all applications for Foreign Collaboration are hereafter to be submitted in the prescribed proforma (6 copies) centrally to the Foreign Investment Board Secretariat in the Ministry of I.D. & Company Affairs who will, after registering the same, transmit them to the appropriate Ministry concerned for further processing. According to the guide-lines indicated in the Ministry of I.D. & Company Affairs' O.M. dated 25-1-1969, the "administrative" Ministries are competent to approve proposals for Foreign Technical Collaboration subject to the fulfilment of conditions indicated in the Annexure to this letter. Under paragraph 8 of the aforesaid O.M., the administrative Ministries were required to lay down procedures for the disposal of cases falling within their delegated field and to forward a copy thereof to the Sectt. of Foreign Investment Board. The following instructions are accordingly issue for dealing with technical collaboration proposals of Public Sector Undertakings under the Ministry of Defence. Compliance with the requirements prescribed in these instructions will facilitate early clearance of foreign technical collaboration proposals not only in cases of the type falling within the delegated field of the administrative Ministry but also in cases which require the approval of either the Sub-Committee of the Foreign Investment Board or of the Board itself:—

- (i) The first step before contemplating foreign technical collaboration in respect of any particular item or line of production should be to make sure that the particular item or line of production is eligible for technical collaboration i.e., it should be one of the items included either in list 1(A) or list 1(B) appended to the Ministry of I.D. & Company Affairs' O.M. dated 25-1-1969. If this is not the case prior specific approval of Government should be taken before seeking foreign technical collaboration.

- (ii) In all cases of new items or lines of production, proposals for foreign technical collaboration should be preceded by a proper Feasibility Study or Project Report which should examine inter-alia:
- (a) the market demand;
 - (b) Capacity already established or licenced in the country.
 - (c) proposed production programme, taking into account the market demand and existing licensed capacity, and the indigenisation programme etc.,
 - (d) additional capital investment involved and the economics of taking up the proposed new items or line of production in terms of cost of production, anticipated sales and profits, etc. at different phases of indigenisation programme;
 - (e) non-recurring and recurring foreign exchange requirements for capital machinery and procurement of raw material/components, and the foreign exchange savings **expected** to be achieved, foreign exchange earnings, if any by way of exports should also be indicated.
- (iii) On the questions of market demand, existing licensed capacity, need for foreign technical collaboration, and the collaboration terms, the DGTD's advice should be obtained before finalising the Feasibility Study/Project Report and the foreign technical collaboration proposals.
- (iv) The advisability of consulting the CSIR and other such bodies from the point of view of availability of indigenous know-how should also be borne in mind.
- (v) Even in cases where foreign technical collaboration is considered necessary, it should be examined whether the technical know-how for a particular items or line of production has already been obtained by any other party in the country. If so, the effort should be to obtain the know-how from the Indian party in preference to seeking fresh foreign collaboration.
- (vi) In finalising the collaboration terms, it should be ensured that the technical assistance/know-how and royalty payments are within the ceiling limits prescribed in List 1(A) or in list 1(B) of the Ministry of I.D. & C.A's O.M. dated 25-1-69 as may be applicable. It may be noted that according to these lists, no royalty payments are admissible for some of the items, Secondly, even in cases where the royal-

ty is permitted, the royalty rates indicated in the lists should be taken as a *ceiling*, and the actual rates should be kept as low as possible. The stipulation regarding the maximum period for payments of royalty i.e., 5 years from the date of agreement or 5 years from the date of commencement of production, provided that production is not delayed beyond 2 years of signing of the Agreement, should also be scrupulously observed.

- (vii) The Agreement should allow free right of exports. Restrictions regarding export, if at all necessary, may be agreed to only in respect of the foreign collaborator's own country or such other countries where the foreign collaborator is having joint ventures in the same field.
- (viii) The fact that foreign collaboration is proposed in any case should not itself be a ground for asking import of capital machinery which would otherwise not be eligible for import because of indigenous availability. Similarly, there should be no stipulation in the Agreement that the raw materials or components will be obtained only from the foreign collaborators. The Agreement should, however, provide that the foreign collaborator will, if necessary, assist the Undertaking in the procurement of raw materials and components.
- (ix) Lastly, the Agreement should provide that the technical know-how product design/engineering design can be passed on to another Indian party, should it become necessary, on terms which may be mutually agreed to by all the parties concerned, including the foreign collaborator, and subject to the approval of the Government. The "Secrecy" clause generally included in foreign technical collaboration Agreement will need suitable amendment so as to include a provision as above.

Yours faithfully

Sd/-

(MOHINDAR SINGH)

Under Secretary to the Govt. of India.

Authenticated for issue.

Sd/-

(J. N. BALLEY)

SECTION OFFICER

ANNEXURE

MINISTRY OF DEFENCE D(PS)

[Enclosure to M of D letter No. F. 17 (65) |69|D(PS) dated 15-5-1969]

Conditions subject to the fulfilment of which proposals for foreign technical collaboration can, if otherwise eligible, be approved by the Administrative Ministries.

- (i) The technical assistance/know-how fee payable in cash should not exceed 10 per cent of the issued equity capital and should also not exceed Rs. 5 lakhs (gross) per annum in any one case.
- (ii) The Royalty payment should not exceed the ceiling limit prescribed in list 1(A) or list 1(B) appended to the Ministry of Industrial Development & Company Affairs, O.M. No. IP&FC 5(26)/68-II dated 25th January, 1969. The Royalty must also be subject to Indian taxes.
- (iii) Consultations with DGTD/CSIR and other technical authorities regarding the specific rate of royalty to be allowed will be necessary.
- (iv) Royalty payments should normally be restricted to a period of 5 years from the date of Agreement or 5 years from the date of commencement of production, provided production is not delayed beyond 2 years of signing of the agreement, i.e. a maximum period of seven years from signing of Agreement.
- (v) Government approval of foreign collaboration proposals should also specifically stipulate that the royalty terms are being approved for a particular quantum of production i.e., upto licensed|proposed capacity and 25 per cent in excess thereof. It should be added that in case of production in excess of this quantum, prior approval of Government should have to be obtained regarding terms of payment of royalty in respect of extra production.

- (vi) The fact that foreign investment/collaboration is allowed should not itself be a ground for allowing import of capital goods which would otherwise not be allowed to be imported. In other words, import of capital goods would be restricted to items which cannot indigenously be obtained.
- (vii) There should be no stipulation that raw material or components etc. will be obtained only from the foreign collaborator.
- (viii) There should be provision for allowing free exports, Restrictions regarding exports, if at all necessary, may be agreed to only in respect of the country of the foreign collaborator or such other countries where the foreign collaborator is having joint venture in the same field.
- (ix) Collaboration Agreement should provide that the technical know-how|product design|engineering can be passed on to another Indian party, should it become necessary, on terms which may be mutually agreed to by all parties concerned, including the foreign collaborators, and subject to the approval of the Government.

APPENDIX XIV

(Vide reply to recommendation at Sl. No. 19—Para 5.38 of Chapter III)

No. F. 38(15)|71|BEM|D(BEL)|P.C. 19

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE

New Delhi, the 14th June, 1972.

OFFICE MEMORANDUM

**SUBJECT:—2nd Report of the Committee on Public Undertakings—
Bharat Earth Movers Limited.**

The Committee on Public Undertakings in their 2nd Report (5th Lok Sabha) have commented on the shortage of wheels and axles for which the Railways have to release the foreign exchange for the same. The relevant recommendation is reproduced below:

“The Committee also note that there is insufficient production in the country of wheels and axles because of which the Railway Board have to release foreign exchange for import of the same. The Committee would like to draw attention to the recommendations made in para 3.56 of their report on Hindustan Steel wherein they have pointed out that the production of the Wheels and Axle Plant in Durgapur in 1969-70 was as low as 15 per cent of the rated capacity. The Committee cannot too strongly urge the Government to take concerted measure to improve the production of wheels and axles at the Durgapur Plant so as to meet in full the requirements of wheel sets and axles for rolling stock manufactured in the country and obviate the necessity of import. Moreover, indigenous supply of such parts will also ensure timely supply which is a very important factor”.

However, it appears that Ministry of Railways had taken up the question of supplying wheels and axles to meet the requirements of Bharat Earth Movers with Durgapur Steel Plant authorities but they had replied that they would not be having any spare capacity to cater to the needs of BEML over and above what they have already accepted. A copy of Ministry of Railways letters to BEML is enclosed herewith.

2. The Committee have desired that concerted measures to improve the production of wheels and axles at Durgapur should be taken and recommendation of the Committee is brought to your notice for immediate necessary action.

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Government of India.

To

The Ministry of Steel & Mines,
(Deptt. of Steel).

ANNEXURE
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
Railway Board

Ref. 63|DEV|CELL|ISW3|12|Vol. II

New Delhi-1

Dated 9th September, 1970.

To

The General Manager,
Bharat Earth Movers Ltd.
Rail Coach Division,
HAL PO, Bangalore-17.

Dear Sir,

SUB:—*Indigenous development of BEML wheel by HSL|Durgapur.*

Please refer to your letter No. GMR/066/22/73 dated 18th June, 1970 on the above subject. The matter was referred to Durgapur Steel Plant who has since clarified that their entire manufacturing capacity will be booked during the fourth plan period for manufacture of standard type wheel set like 20-Ton, 16-Ton, 12-Ton and 10-Ton. They will have no spare capacity to cater to the needs of the BEML wheel set besides already accepted by them.

Yours faithfully,

Sd/-

(AMARJIT SINGH)

Joint Director (Development)

Railway Board.

APPENDIX XV

(*Vide* reply to recommendation at Sl. No. 21-Para 5.46 of Chapter III)

No. F. 38(15)|71|BEM|D(BEL)|PC. 21

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 30th June, 1972.

To

The Managing Director,
Bharat Earth Movers Limited,
Unity Buildings,
Bangalore-2.

**SUBJECT:—2nd Report of the Committee on Public Undertakings—
BEML.**

Sir,

The Committee on Public Undertakings in the 2nd Report in recommendation No. 21 paragraph 5.46 have emphasised the need to build up an efficient after-sales service in the field so that the Company can inspire confidence in the customers and also build up an assured and expanding market. You are, therefore, requested to keep this requirement constantly in view and ensure that such steps as may be necessary from time to time are taken to render an efficient after-sales service in the field to BEML's customers. For this purpose, a review of the Company's after-sales service organisation and its activities may please be placed before the Board of Directors of the Company every six months.

Yours faithfully,

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

APPENDIX XVI

(Vide reply to recommendation at Sl. No. 24—Para 5.5 of Chapter III)

No. F.17(131)/72/D(PS)

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE

New Delhi, the 1st June, 1972.

To

- (i) The Chairman,
HAL, Bangalore. (10 copies)
- (ii) The Chairman-cum-MD,
MDL, Bombay.
GSL, Goa.
BEL, Bangalore.
- (iii) The Managing Director,
*BEML, Bangalore. *4 copies
GRW, Calcutta.
PTL, Secunderabad.
BDL, Hyderabad.

SUBJECT:—Second Report of the Committee on Public Undertakings—
Recommendation No. 24—Supply of Capital Equipments
to other Undertakings—(BEML).

Sir,

I am directed to say that the Committee on Public Undertakings in Recommendation No. 24 of their 2nd Report on Bharat Earth Movers Ltd. have recommended that special care should be taken by a Public Sector Undertaking in supplying Capital equipment to other Public Sector Undertakings so as to avoid any adverse effect on the production programme of the Undertakings, which have to depend on the other Undertaking for the supply of equipment. The recommendation is brought to your notice for information and necessary action.

Yours faithfully,

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

Copy to: D(HAL.I)|D(HAL.II)|D(BEL)|D(GRW|MD)|Dte. of P&C.

APPENDIX XVII

(Vide reply to recommendation at Sl. No. 25—Para 6.7 of Chapter III)

IMMEDIATE

No. F. 38(15)|71|BEM|D(BEL)|PC. 25

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Dehi, the 31st May, 1972.

To

The Managing Director,
Bharat Earth Movers Ltd.,
Bangalore.

Sir,

As you are aware the Committee on Public Undertakings in their 2nd Report vide para 6.7 have emphasised that BEMML should take suitable steps to develop cost consciousness at various levels of management for achieving efficiency on cost reduction and profitability. You are, therefore, requested to expeditiously arrange for taking necessary action to locate areas where there is scope for cost reduction, as also take such measures to effect actual reduction in costs wherever possible. The Officers at various levels concerned with the planning and execution of the Company's activities in the field of purchase|procurement, Industrial Engineering & Methods, production, sales and Administration etc., may also please be advised to keep the needs of economy in view in order that maximum cost savings are achieved. The steps taken in this behalf and the results achieved may also be periodically reviewed and reported to the Board of Directors of the Company from time to time.

Yours faithfully,

Sd/-

(K. SREEDHAR RAO)

Under Secretary to the Govt. of India.

APPENDIX XVIII

(Vide Para 5 of Introduction)

Analysis of the action taken by Government on the recommendations contained in the Second Report of the committee on Public Undertakings (Fifth Lok Sabha).

1. Total number of recommendations	53
2. Recommendations that have been accepted by Government (<i>Vide</i> recommendations at Sl. Nos. 1, 8, 9, 14, 15, 16, 17, 18, 20, 22, 26, 27, 28, 29, 30, 31, 33, 35, 38, 39, 40, 41, 43, 44 and 48)	
Number	25
Percentage of total	47%
3. Recommendations which the Committee do not desire to pursue in view of Government's reply <i>vide</i> recommendations at Sl. Nos. 2, 4, 5, 6, 7, 10, 11, 19, 21, 23, 24, 25, 32, 36, 37, 42, 45, 46, 47, 49, 51, & 53)	
Number	22
Percentages of total	42%
4. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Sl. Nos. 3, 12, 13, 34, 50 & 52)	
Number	6
Percentage of total	11%
5. Recommendations in respect of which final replies of Government are still awaited.	
Number	Nil
Percentage of total	Nil